

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Northann Corp.
(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

3089
(Primary Standard Industrial
Classification Code No.)

88-1513509
(I.R.S. Employer
Identification No.)

c/o Northann Distribution Center Inc.
9820 Dino Drive, Suite 110
Elk Grove, CA 95624
T: (916) 573 3803
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 under the Securities Exchange Act of 1934:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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

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

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION, DATED JULY 14, 2023



Northann Corp.

3,000,000 Shares of Common Stock

This is the initial public offering, or the “offering,” of 3,000,000 shares of common stock, par value US\$0.001 per share, of Northann Corp., a Nevada corporation (the “Company”), on a firm commitment basis.

We expect that the initial public offering price will be between US\$3.00 and US\$5.00 per share. Prior to this offering, there has been no public market for our common stock. We intend to list our common stock on the NYSE American under the symbol “NCL”. However, there is no assurance that the offering will close and that our common stock will be trading on the NYSE American. The closing of this offering is conditioned upon NYSE American’s final approval of our listing application, and there is no guarantee or assurance that our common stock will be approved for listing on NYSE American.

The Company is authorized to issue 500,000,000 shares of capital stock, consisting of 400,000,000 shares of common stock, par value US\$0.001 per share, and 100,000,000 shares of preferred stock, par value US\$0.001 per share. 20,000,000 shares were designated to be series A preferred stock (the “Series A Preferred Stock”) out of the 100,000,000 shares of blank check preferred stock. Each share of common stock is entitled to one vote and each share of Series A Preferred Stock is entitled to ten votes on any matter on which action of the stockholders of the corporation is sought. The Series A Preferred Stock will vote together with the common stock. Common stock and Series A Preferred Stock are not convertible into each other. Holders of Series A Preferred Stock are not entitled to receive dividends.

Unless otherwise indicated, all information in this prospectus reflects a 2-for-1 reverse split of our issued and outstanding shares of common stock and Series A Preferred Stock, effected on July 5, 2023. Upon the completion of this offering, the Company will have 23,000,000 shares of common stock outstanding if the underwriters do not exercise their over-allotment option at an assumed offering price of \$4.00 per share, the midpoint of the price range of the coverage of the prospectus, or 23,450,000 shares of common stock outstanding if the underwriters exercise their over-allotment option, and 5,000,000 shares of Series A Preferred Stock, issued and outstanding, not including common stock issuable upon the exercise of outstanding warrants or the warrants to be issued to the underwriters in this offering and the warrants issued in the private placement closed on May 16, 2022 (see “Underwriting – Underwriters’ Warrants” and “Description of Capital Stock – Convertible Notes and Warrants”). Our founder, Lin Li, will beneficially own 14,430,000 shares of common stock and 5,000,000 shares of Series A Preferred Stock, representing 88.26% of the total voting power of our issued and outstanding share capital immediately following the completing of this offering assuming the underwriters do not exercise their over-allotment option, or 87.72% of our total voting power if the underwriters exercise their over-allotment option in full. As such, we will be deemed a “controlled company” under NYSE American Company Guide Section 801(a). However, even if we are deemed as a “controlled company,” we do not intend to avail ourselves of the corporate governance exemptions afforded to a “controlled company” under the NYSE American Company Guide. See “Prospectus Summary — Implications of Being a Controlled Company” on page 14.

The Company qualifies as an “emerging growth company” and “smaller reporting company” and will be subject to reduced public company reporting requirements. See “Prospectus Summary—Implications of Being an Emerging Growth Company” and “Prospectus Summary—Implications of Being a Smaller Reporting Company” on page 13.

Investing in our common stock involves significant risks. The risks could result in a material change in the value of the securities we are registering for sale or could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. See “Risk Factors” beginning on page 16 to read about factors you should consider before buying our common stock.

The shares of common stock offered in this prospectus are shares of Northann Corp., the Nevada holding company, which has no material operations of its own and conducts substantially all of its operations through its operating entities in the United States, Hong Kong and China. For a description of our corporate structure, see “Corporate History and Structure” beginning on page 52. Our corporate structure involves unique risks to investors. See “Risk Factors – Risks Related to Our Corporate Structure”.

In addition, as most of our products are manufactured through our subsidiary, Northann (Changzhou) Construction Products Co., Ltd., in China, we are subject to certain legal and operational risks associated with having operations in China. The Chinese government may exercise significant oversight and discretion over the conduct of our PRC subsidiaries’ business and may intervene in or influence our operations at any time, which could result in a material change in our operations and/or the value of our common stock, and could significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless. As of the date of this prospectus, our PRC subsidiaries are not operating in an industry that prohibits or limits foreign investment.

In addition, as advised by our PRC counsel, Grandall Law Firm, other than those permissions or approvals required for a domestic company in China to engage in the businesses similar to ours, we are not subject to cybersecurity review with the Cyberspace Administration of China, or the “CAC,” under the Cybersecurity Review Measures that became effective on February 15, 2022, since we currently do not have over one million users’ personal information and do not anticipate that we will be collecting over one million users’ personal information in the foreseeable future, which we understand might otherwise subject us to the Cybersecurity Review Measures; we are also not subject to network data security review by the CAC if the Draft Regulations on the Network Data Security Administration (Draft for Comments) (the “Security Administration Draft”) are enacted as proposed, since we currently do not have over one million users’ personal information and do not collect data that affects or may affect national security and we do not anticipate that we will be collecting over one million users’ personal information or data that affects or may affect national security in the foreseeable future, which we understand might otherwise subject us to the Security Administration Draft.

On February 17, 2023, the China Securities Regulatory Commission, or the “CSRC,” released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the “Trial Measures”, and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. As of the date of this prospectus, we have not received any inquiry, notice, warning, sanction, or any regulatory objection to this offering from the CSRC, the CAC, or any other PRC authorities that have jurisdiction over our operations. According to Article 34 of the Trial Measures, domestic enterprises refer to enterprises registered and formed in the territory of the People’s Republic of China, including domestic companies limited by shares directly conducting overseas offering and listing and domestic operating entities of entities indirectly conducting overseas offering and listing. In addition, according to Article 2 of the Trial Measures, the “direct overseas offering and listing of domestic enterprises” refers to the overseas offering and listing of companies limited by shares registered and established in China. As advised by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, because the Company is not a company registered and formed in the territory of China, its listing on NYSE American is not “direct overseas offering and listing of domestic enterprises” as defined under the Trial Measures. Furthermore, according to Article 2 of the Trial Measures, the “indirect overseas offering and listing of domestic enterprises” refers to the overseas offering and listing of enterprises whose main business activities are in China, in the name of enterprises registered overseas, which offering and listing are based on the equity, assets, income or other similar rights and interests of the domestic enterprises. According to Article 15 of the Trial Measures, if an issuer meets both of the following conditions, it shall be deemed as a domestic enterprise conducting indirect offshore issuance and listing: (1) The proportion of a domestic enterprise’s operating income, total profit, total assets or net assets for the most recent accounting year, to the relevant data in the issuer’s audited consolidated financial statements for the same period, is more than 50%; (2) The issuer’s main business activities are conducted within China or its main premises are located in China, or the majority of its senior management personnel are Chinese citizens or reside in China on a regular basis. As further advised by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, the Company does not meet both the requirements under Article 15 of the Trial Measures and therefore its listing on NYSE American is not an “Indirect overseas offering and listing of domestic enterprises”, considering that (i) the operating income and total profit of the Company’s subsidiaries that were established in China for the year ended December 31, 2022 do not account for more than 50% of the operating income and total profit in our consolidated financial statements for the same period, (ii) our main business is not conducted within China, and (iii) the majority of our senior management personnel are not Chinese citizens or reside in China on a regular basis. Therefore, as concluded by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, we are not required to complete the record filing requirement under the Trial Measures. If we inadvertently conclude that such filing procedures are not required, or applicable laws, regulations, or interpretations change such that we are required to complete the filing procedures in the future, we may be subject to investigations by the regulators, fines or penalties, ordered to suspend our relevant operations and rectify any non-compliance, prohibited from engaging in relevant business or conducting any offering, and these risks could result in a material adverse change in our operations and/or the value of our common stock, and could significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless. See “Risk Factors – Risks Related to Doing Business in China”.

In addition, since 2021, the Chinese government has strengthened its anti-monopoly supervision, mainly in three aspects: (1) establishing the National Anti-Monopoly Bureau; (2) revising and promulgating anti-monopoly laws and regulations, including: the Anti-Monopoly Law (draft Amendment published on October 23, 2021, revised in 2022 for public comments), the anti-monopoly guidelines for various industries, and the detailed Rules for the Implementation of the Fair Competition Review System; and (3) expanding the anti-monopoly law enforcement targeting Internet companies and large enterprises. As of the date of this prospectus, the Chinese government's recent statements and regulatory actions related to anti-monopoly concerns have not impacted our ability to conduct business, accept foreign investments, or list on a U.S. or other foreign exchange because neither the Company nor its PRC operating entities engage in monopolistic behaviors that are subject to these statements or regulatory actions.

Our common stock may be prohibited from trading on a national exchange or over-the-counter under the Holding Foreign Companies Accountable Act (the "HFCA Act") if the Public Company Accounting Oversight Board (United States) (the "PCAOB") is unable to inspect our auditors for three consecutive years beginning in 2021. Pursuant to HFCA Act, the PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in: (1) Mainland China because of a position taken by one or more authorities in Mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. In addition, the PCAOB's report identified the specific registered public accounting firms which were subject to these determinations. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act and on December 29, 2022, a legislation entitled "Consolidated Appropriations Act, 2023" (the "Consolidated Appropriations Act") was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCA Act by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading. On August 26, 2022, the PCAOB announced that it had signed a Statement of Protocol (the "Statement of Protocol") with the CSRC and the Ministry of Finance of China. The terms of the Statement of Protocol would grant the PCAOB complete access to audit work papers and other information so that it may inspect and investigate PCAOB-registered accounting firms headquartered in China and Hong Kong. On December 15, 2022, the PCAOB announced that it was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong completely in 2022. The PCAOB Board vacated its previous 2021 determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. Our auditor, WWC, P.C., is headquartered in Mateo, CA and has been inspected by the PCAOB on a regular basis. WWC, P.C., is not headquartered in Mainland China or Hong Kong. Notwithstanding the foregoing, if the PCAOB determines that it cannot inspect or fully investigate our auditor at such future time, trading in our common stock will be prohibited under the HFCA Act, the Consolidated Appropriations Act, and NYSE American may determine to delist our common stock. See "Risk Factors—Risks Related to Doing Business in China—Our common stock may be prohibited from being traded on a national exchange under the Holding Foreign Companies Accountable Act (the "HFCA Act") and the Consolidated Appropriations Act, 2023, if the Public Company Accounting Oversight Board (the "PCAOB") is unable to inspect our auditors for two consecutive years beginning in 2021. The delisting of our common stock, or the threat of their being delisted, may materially and adversely affect the value of your investment" on page 29.

As a holding company, the Company may rely on dividends and other distributions on equity paid by its subsidiaries for cash and financing requirements. If any of the subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict their ability to pay dividends to the Company. As of the date of this prospectus, none of the subsidiaries has made any dividends or other distributions to the Company. In the future, cash proceeds raised by the Company from financing activities, including this offering, may be transferred to the subsidiaries in the United States, Mainland China and Hong Kong via capital contribution or shareholder loans, as the case may be. As of the date of this prospectus, the Company has not made any dividend or distributions to U.S. investors. The Company has no present plans to declare dividends and plans to retain our earnings to continue to grow its business. See "Risk Factors—Risks Related to Our Corporate Structure—Northann Corp. is a holding company and will rely on dividends paid by its subsidiaries for its cash needs. Any limitation on the ability of its subsidiaries to make dividend payments to the Company, or any tax implications of making dividend payments to the Company, could limit the Company's ability to pay its expenses or pay dividends to holders of its common stock."

As of the date of this prospectus, there were no cash flows between the Company and the subsidiaries. Funds and assets were transferred among the subsidiaries for working capital purposes and during the ordinary course of business. The transfers of funds among subsidiaries are subject to the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (2020 Revision, the “Provisions on Private Lending Cases”), which was implemented on August 20, 2020 to regulate the financing activities between natural persons, legal persons and unincorporated organizations. As advised by our PRC counsel, Grandall Law Firm, the Provisions on Private Lending Cases does not prohibit using cash generated from one subsidiary to fund another subsidiary’s operations. We have not been notified of any other restriction which could limit our PRC subsidiaries’ ability to transfer cash between subsidiaries. In addition, management monitors the cash position of each entity within our organization regularly and prepare budgets on a monthly basis to ensure each entity has the necessary funds to fulfill its obligation for the foreseeable future and to ensure adequate liquidity. In the event that there is a need for cash or a potential liquidity issue, it will be reported to the Chief Executive Officer and, subject to approval by the board of directors, we will enter into an intercompany loan for the subsidiary.

	Per Share	Total Without of Over-Allotment Option	Total With Full Exercise of the Over- Allotment Option
Initial public offering price ⁽¹⁾	US\$ 4.00	US\$ 12,000,000	US\$ 13,800,000
Underwriting discounts (7.5%) ⁽²⁾	US\$ 0.30	US\$ 900,000	US\$ 1,035,000
Proceeds to us, before expenses ⁽³⁾	<u>US\$ 3.70</u>	<u>US\$ 11,100,000</u>	<u>US\$ 12,765,000</u>

(1) Assuming the public offering price is US\$4.00, the midpoint of the price range set forth on the cover page of this prospectus.

(2) We have agreed to pay the underwriters a fee equal to 7.5% of the gross proceeds of the offering. See “Underwriting” for additional disclosure regarding underwriting compensation payable by us.

(3) The total estimated expenses related to this offering are set forth in the section entitled “Underwriting— Discounts and Expenses”.

We have granted the underwriters an option, exercisable for 45 days from the closing date of this offering, to purchase up to an additional fifteen percent (15%) of the shares of common stock offered in this offering on the same terms to cover over-allotments.

The underwriters are selling the shares of common stock in this offering on a firm-commitment basis.

The underwriters expect to deliver the common stock against payment in U.S. dollars to purchasers on or about [], 2023.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Craft Capital Management LLC

The date of this prospectus is , 2023.

TABLE OF CONTENTS

	Page
Prospectus Summary	3
Risk Factors	17
Cautionary Note Regarding Forward-Looking Statements	37
Enforceability of Civil Liabilities	38
Use of Proceeds	39
Dividend Policy	40
Capitalization	41
Dilution	42
Management’s Discussion and Analysis of Financial Condition and Results of Operations	44
Industry	55
Corporate History and Structure	58
Business	61
Management	83
Executive Compensation	87
Related Party Transactions	90
Principal Stockholders	91
Description of Capital Stock	92
Shares Eligible for Future Sale	95
Underwriting	101
Legal Matters	108
Experts	108
Where You Can Find Additional Information	108
Index to Financial Statements	F-1

About this Prospectus

You should rely only on the information contained in this prospectus or contained in any free writing prospectus filed with the U.S. Securities and Exchange Commission. We and the underwriters have not authorized anyone to provide you with additional information or information different from that contained in this prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties. Industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources we believe to be reliable, although we do not guarantee the accuracy or completeness of such information. While we believe these industry publications and third-party research, surveys and studies are reliable, you are cautioned not to give undue weight to this information.

Conventions that Apply to this Prospectus

Unless otherwise indicated or the context requires otherwise, references in this prospectus to:

- “Benchwick” are to Benchwick Construction Products Co., Limited, a company established in the special administrative regions of Hong Kong on March 21, 2014 and a wholly-owned subsidiary of the Company;
- “China” or the “PRC” are to the People’s Republic of China;
- “Company” are to Northann Corp. a Nevada corporation incorporated on March 29, 2022;
- “Crazy Industry” are to Crazy Industry (Changzhou) Industry Technology Co., Ltd., a company established in the PRC on September 4, 2018 and a wholly-owned subsidiary of Benchwick;
- “Dotfloor” are to Dotfloor, Inc., a corporation incorporated in California on June 26, 2020 and a wholly-owned subsidiary of NDC;
- “HKD” are to the official currency of Hong Kong;
- “Marco” are to Changzhou Marco Merit International Trading Co., Ltd., a company established in the PRC on April 23, 2014 and a 51%-owned subsidiary of Benchwick;
- “NBS” are to Northann Building Solutions LLC., a limited liability company formed in Delaware on August 15, 2013 and a wholly-owned subsidiary of the Company;
- “NCP” are to Northann (Changzhou) Construction Products Co., Ltd., a company established in the PRC on December 4, 2013 and a wholly-owned subsidiary of the Company;
- “NDC” are to Northann Distribution Center Inc, a corporation incorporated in California on February 10, 2016 and a wholly-owned subsidiary of NBS;
- “Ringold” are to Changzhou Ringold International Trading Co., Ltd., a company established in the PRC on September 28, 2017 and a wholly-owned subsidiary of Benchwick;
- “RMB” or “Chinese Yuan” are to the legal currency of China;
- “U.S. dollars,” “dollars,” “USD,” “US\$” or “\$” are to the legal currency of the United States;
- “we”, “us”, “our” are to Northann Corp. and its subsidiaries;

PROSPECTUS SUMMARY

This summary only highlights selected information contained in greater detail elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our common stock. You should carefully read the entire prospectus, including “Risk Factors” beginning on Page 16, and the financial statements, before making an investment decision

Unless otherwise indicated, all information in this prospectus reflects a 2-for-1 reverse split of our issued and outstanding shares of common stock and Series A Preferred Stock, effected on July 5, 2023.

Our Business

We bring additive manufacturing, commonly known as 3D printing, and the volume production of innovative building solutions, to your home or business. Our robust portfolio of manufacturing solutions relies upon the use of ink, coating, resin, sound padding, glue and other raw materials to create a wide variety of flooring, decking and other products for customers throughout North America (mainly the United States and Canada), Europe and other regions under the brand name “Benchwick.” We believe that additive manufacturing is one of the most exciting and eco-friendly technologies in the market today. Previously, the U.S. Department of Energy estimated that, compared to traditional manufacturing, additive manufacturing might slash waste and materials cost by nearly 90% and cut manufacturing energy use by half.¹ As of 2019, the additive manufacturing industry was valued at over \$14 billion and was expected to grow to \$23 billion this year.²

Innovation has always been our core value. Our commitment to new approaches in designing and manufacturing drives us to create new ways to improve how our core customers live and work. Crazy Industry invests substantial resources in research and product development and is committed to rapidly building new products and customizable and functional solutions to delight our customers. Crazy Industry’s product development team is committed to product design and development, and they focus their efforts on enhancing function, use, performance and flexibility of our products. As of the date of this prospectus, our subsidiaries, NBS, NCP and Crazy Industry, own a portfolio of over 60 granted or pending patents. The products reflect the evolving needs of our core customer’s home and business needs. We strive to make the products customizable, functional and affordable. Presently, NCP manufactures four proprietary solutions in vinyl flooring using innovative 3D printing technology: Infinite Glass, DSE, TruBevel and MattMaster. Each solution offers distinct functionalities and aesthetic finishes.

Our revenue mainly consists of wholesale and retail of the vinyl flooring products, which are primarily marketed and sold in the United States and Canada. During the fiscal years ended December 31, 2022, 2021 and 2020, 99.52%, 100% and 99.92% of our revenue came from vinyl flooring products and other decorative panels. During the three months ended March 31, 2023, 100% of our revenue came from vinyl flooring products and other decorative panels.

NBS has also licensed some of its patents to other manufacturers with the goal to promote the technologies covered by those patents in the flooring industry. We believe that a wider market acceptance of 3D printed flooring will help establish the “Benchwick” brand further and to penetrate the markets and encourages innovation and changes to an already developed and static industry. During the fiscal years ended December 31, 2022 and 2021, 0.48% and 0.08% of our revenue came from patent licensing. We did not have revenue from patent licensing during the fiscal year ended December 31, 2020 or the three months ended March 31, 2023.

We serve customers in North America (mainly the United States and Canada), Europe and other regions. During the fiscal year ended December 31, 2022, 85.50% of our revenue came from customers in the United States and 12.95% came from customers in Canada. During the fiscal year ended December 31, 2021, 91.53% of our revenue came from customers in the United States and 7.55% came from customers in Canada. During the fiscal year ended December 31, 2020, 69.65% of our revenue came from customers in the United States and 22.03% came from customers in Canada. During the three months ended March 31, 2023, 99.09% of our revenue came from customers in the United States. During the three months ended March 31, 2023 and the fiscal years ended December 31, 2022, 2021 and 2020, 0.91%, 0.49%, 0.84% and 8.32% of our revenue came from customers in Europe and less than 1% of the revenue came from customers in other regions.

Corporate History and Structure

We commenced operations in August 2013 with the establishment of NBS in Delaware.

In December 2013, NCP was established in China. Most of our products are manufactured through NCP.

In March 2014, Benchwick was established in Hong Kong. All of our wholesale and distribution operations are conducted through Benchwick.

In April 2014, Marco was established in China. All the import/export of our products are conducted through Marco.

In February 2016, NDC was established in California. NDC is a distribution center in the United States and maintains a small inventory for retail sales.

In September 2017, Ringold was established in China. All of the raw materials are procured from third parties through Ringold.

In September 2018, Crazy Industry was established in China. Crazy Industry is the research and development hub.

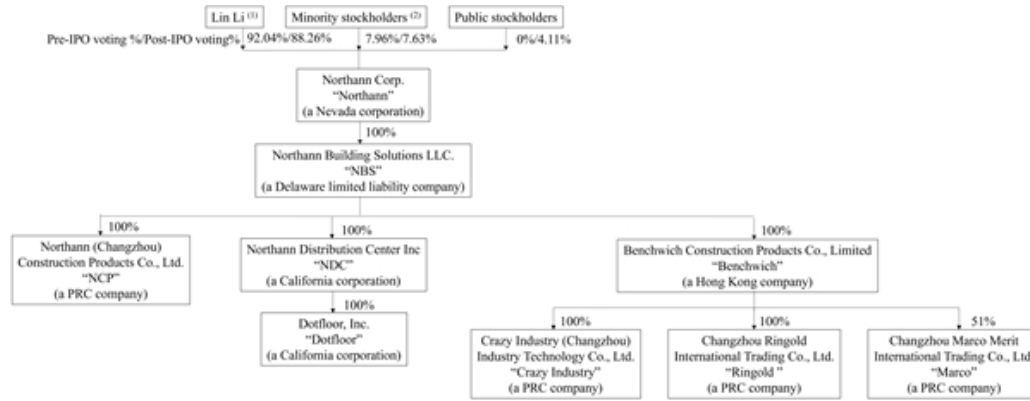
¹ Additive Manufacturing Building the Future Spotlight (energy.gov), by U.S. Department of Energy, Office of Technology Transitions, original published in April 2019 and updated in July 2019, https://www.energy.gov/sites/default/files/2019/07/f64/2019-OTT-Additive-Manufacturing-Spotlight_0.pdf.

² Additive Manufacturing Building the Future Spotlight (energy.gov), by U.S. Department of Energy, Office of Technology Transitions , original published in April 2019 and updated in July 2019,

In June 2020, Dotfloor was established in California. Dotfloor operates dotfloor.com, our online store that offers our vinyl flooring products to retail customers in the United States.

In March 2022, Northann, our current ultimate holding company, was incorporated in Nevada as part of the restructuring transactions in contemplation of our initial public offering. In connection with its incorporation, in April 2022, we completed a share swap transaction and issued common stock and Series A Preferred Stock of Northann to the then existing stockholders of NBS, based on their then respective equity interests held in NBS. NBS then became our wholly-owned subsidiary.

The following diagram illustrates our current corporate structure and upon completion of this offering based on a proposed number of 3,000,000 shares of common stock being offered, assuming no exercise of the over-allotment option. All percentages reflect the voting ownership interests instead of the equity interests held by each of our stockholders given that each holder of common stock is entitled to one vote per one share of common stock and each holder of Series A Preferred Stock is entitled to ten votes per one share of Series A Preferred Stock.



- (1) Represents an aggregate of 14,430,000 shares of common stock and 5,000,000 shares of Series A Preferred Stock held by Lin Li, as of the date of this prospectus.
- (2) Represents an aggregate of 5,570,000 shares of common stock held by 12 stockholders, each holding less than 5% of the total issued and outstanding common stock as of the date of this prospectus.

Permissions and Approvals

As of the date of this prospectus, our PRC subsidiaries have received from PRC authorities all requisite licenses, permissions or approvals needed to engage in the businesses currently conducted in China, and no permission or approval has been denied. Our PRC subsidiaries are not operating in an industry that prohibits or limits foreign investment. In addition, as advised by our PRC counsel, Grandall Law Firm, other than those permissions or approvals required for a domestic company in China to engage in the businesses similar to ours, we are not required to obtain any permissions or approvals from Chinese authorities, including the China Securities Regulatory Commission (CSRC), Cyberspace Administration of China (CAC) or any other governmental agency that is required to operate the business of the PRC subsidiaries and to offer the securities of Northann Corp. to any non-U.S. investors. Such requisite licenses, permissions and approvals include a business license, registration receipt of stationary pollution source discharge, registration of foreign trade operator, and a customs declaration corporate registration certificate.

The following table provides details on the licenses and permissions held by our PRC subsidiaries.

Company	License/Permission/Approval	Issuing Authority	Validity
Crazy Industry	Business License	Changzhou Municipal Administration for Market Regulation	Long term
Crazy Industry	Registration Receipts of Stationary Pollution Source Discharge	Ministry of Ecology and Environment of the People's Republic of China	Until June 19, 2025
Marco	Business License	Changzhou Municipal Administration for Market Regulation	Until April 22, 2034
Marco	Registration of Foreign Trade Operator	Changzhou Bureau of Commerce	Long term
Marco	Customs Declaration Corporate Registration Certificate	Changzhou Customs	Long term
Ringold	Business License	Changzhou Municipal Administration for Market Regulation	Until September 27, 2037
NCP	Business License	Changzhou Municipal Administration for Market Regulation	Until December 3, 2043
NCP	Registration Receipts of Stationary Pollution Source Discharge	Ministry of Ecology and Environment of the People's Republic of China	Until April 6, 2026

Business License

The Business License of each PRC subsidiary can be renewed and extended upon the timely filing of extension applications with the PRC government authorities. Where there is a change in the details stated on a business licence, we shall complete change of registration formalities in accordance with the law and the company registration authorities shall issue a new business licence. According to Article 46 of Administrative Regulation of the People's Republic of China on the Registration of Market Entities, Where any market entity fails to go through the formalities for registration of change in accordance with this Regulation, the registration authority shall order it to make corrections; if it refuses to do so, it shall be subject to a fine of more than RMB10,000 but less than RMB100,000 yuan; in case of serious circumstances, its business license shall be revoked.

Registration Receipts of Stationary Pollution Source Discharges

The pollutant discharge permit management information platform will automatically send a reminder to update the registration information when the Registration Receipts of Stationary Pollution Source Discharge expires.

Registration of Foreign Trade Operator

On December 30, 2022, the Foreign Trade Law of the People's Republic of China was amended so that as of December 30, 2022, foreign trade operators engaged in the import and export of goods or technology do not need to complete record registration.

Customs Declaration Corporate Registration Certificate

The Customs Declaration Corporate Registration Certificate has a long-term effective period and does not need to be renewed.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the "Trial Measures", and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. As of the date of this prospectus, the Trial Measures have not come into effect and we have not received any inquiry, notice, warning, sanction, or any regulatory objection to this offering from the CSRC, the CAC, or any other PRC authorities that have jurisdiction over our operations. According to Article 34 of the Trial Measures, domestic enterprises refer to enterprises registered and formed in the territory of the People's Republic of China, including domestic companies limited by shares directly conducting overseas offering and listing and domestic operating entities of entities indirectly conducting overseas offering and listing. In addition, according to Article 2 of the Trial Measures, the "direct overseas offering and listing of domestic enterprises" refers to the overseas offering and listing of companies limited by shares registered and established in China. As advised by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, because the Company is not a company registered and formed in the territory of China, its listing on NYSE American is not "direct overseas offering and listing of domestic enterprises" as defined under the Trial Measures. Furthermore, according to Article 2 of the Trial Measures, the "indirect overseas offering and listing of domestic enterprises" refers to the overseas offering and listing of enterprises whose main business activities are in China, in the name of enterprises registered overseas, which offering and listing are based on the equity, assets, income or other similar rights and interests of the domestic enterprises. According to Article 15 of the Trial Measures, if an issuer meets both of the following conditions, it shall be deemed as a domestic enterprise conducting indirect offshore issuance and listing: (1) The proportion of a domestic enterprise's operating income, total profit, total assets or net assets for the most recent accounting year, to the relevant data in the issuer's audited consolidated financial statements for the same period, is more than 50%; (2) The issuer's main business activities are conducted within China or its main premises are located in China, or the majority of its senior management personnel are Chinese citizens or reside in China on a regular basis. As further advised by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, the Company does not meet both the requirements under Article 15 of the Trial Measures and therefore its listing on NYSE American is not an "indirect overseas offering and listing of domestic enterprises", considering that (i) the operating income and total profit of the Company's subsidiaries that were established in China for the year ended December 31, 2022 do not account for more than 50% of the operating income and total profit in our consolidated financial statements for the same period, (ii) our main business is not conducted within China, and (iii) the majority of our senior management personnel are not Chinese citizens or reside in China on a regular basis. Therefore, as concluded by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, we are not required to complete the record filing requirement under the Trial Measures. If we inadvertently conclude that such filing procedures are not required, or applicable laws, regulations, or interpretations change such that we are required to complete the filing procedures in the future, we may be subject to investigations by the regulators, fines or penalties, ordered to suspend our relevant operations and rectify any non-compliance, prohibited from engaging in relevant business or conducting any offering, and these risks could result in a material adverse change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless. See "Risk Factors – Risks Related to Doing Business in China – Uncertainties in the interpretation and enforcement of PRC laws and regulations and changes in policies, rules, and regulations in China, which may be quick with little advance notice, could limit the legal protection available to you and us." "– The PRC government exerts substantial influence over the manner in which our PRC subsidiaries conduct their business activities. The PRC government may also intervene or influence our operations and this offering at any time and may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or become worthless." and "– The approval or filing requirements of the China Securities Regulatory Commission (CSRC) may be required in connection with this offering under PRC law."

Dividends and Other Distributions

The Company is a holding company and conducts substantially all of its business through its subsidiaries in the United States, Hong Kong and China. The Company may rely on dividends to be paid by its subsidiaries to fund its cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to its stockholders, to service any debt we may incur and to pay its operating expenses. If any of the subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to the Company.

There are no restrictions in our Articles of Incorporation or Bylaws that prevent the Company from declaring dividends. The Nevada Revised Statutes, however, prohibit the Company from declaring dividends where, after giving effect to the distribution of the dividends:

- the Company would not be able to pay its debts as they become due in the usual course of business; or

- the total assets of the Company would be less than the sum of the total liabilities of the Company plus the amount that would be needed to satisfy the rights of stockholders who have preferential rights superior to those receiving the distribution, unless otherwise permitted under our Articles of Incorporation.

According to the Limited Liability Company Act of Delaware, in general, NBS may make a distribution to the Company to the extent, after giving effect to the distribution, all liabilities of NBS, other than liabilities to the Company on account of the Company's membership interests in NBS, do not exceed the fair value of the assets of NBS.

According to the California General Corporation Law, Dotfloor and NDC may make a distribution to their stockholders if the retained earnings of each of Dotfloor and NDC equal at least the amount of the proposed distribution. The California General Corporation Law also provides that, in the event that sufficient retained earnings are not available for the proposed distribution, a corporation may nevertheless make a distribution to its stockholders if it meets two conditions, which generally stated are as follows: (i) the corporation's assets equal at least 1 and 1/4 times its liabilities, and (ii) the corporation's current assets equal at least its current liabilities or, if the average of the corporation's earnings before taxes on income and before interest expenses for the two preceding fiscal years was less than the average of the corporation's interest expenses for such fiscal years, then the corporation's current assets must equal at least 1 and 1/4 times its current liabilities.

Benchwick, our Hong Kong subsidiary, is permitted, under the laws of Hong Kong, to provide funding to the Company through dividends distribution out of its profits. Under the current practices of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid to the Company as a Nevada corporation.

According to the PRC Company Law and Foreign Investment Law, each of Crazy Industry, Marco, Ringold and NCP, as a foreign invested enterprise, or FIE, is required to draw 10% of its after-tax profits each year, if any, to fund a common reserve, which may stop drawing its after-tax profits if the aggregate balance of the common reserve has already accounted for over 50% of its registered capital. These reserves are not distributable as cash dividends. Furthermore, under the EIT Law, which became effective in January 2008, the maximum tax rate for the withholding tax imposed on dividends payments from PRC foreign invested companies to their overseas investors that are not regarded as "resident" for tax purposes is 20%. The rate was reduced to 10% under the Implementing Regulations for the EIT Law issued by the State Council. However, a lower withholding tax rate might be applied if there is a tax treaty between China and the jurisdiction of the foreign holding companies. Under the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, where a Hong Kong resident enterprise, which is considered a non-PRC tax resident enterprise, directly holds at least 25% of the equity interests in a PRC enterprise, the withholding tax rate in respect to the payment of dividends by such PRC enterprise to such Hong Kong resident enterprise is reduced to 5% from a standard rate of 10%, subject to approval of the PRC local tax authority. Accordingly, Benchwick, our Hong Kong subsidiary, is able to enjoy the 5% withholding tax rate for the dividends it receives from its PRC subsidiaries, Crazy Industry, Ringold and Marco if Benchwick satisfies the conditions prescribed in relevant tax rules and regulations and obtain the approvals as required. However, if Benchwick is considered to be a non-beneficial owner for purposes of the tax arrangement, any dividends paid to it by its PRC subsidiaries directly would not qualify for the preferential dividends withholding tax rate of 5%, but rather would be subject to a rate of 10%.

Transfers of funds among the PRC subsidiaries, Crazy Industry, Marco, Ringold and NCP, are subject to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (2020 Revision, the "Provisions on Private Lending Cases"), which was implemented on August 20, 2020 to regulate the financing activities between natural persons, legal persons and unincorporated organizations. The Provisions on Private Lending Cases set forth that private lending contracts will be upheld as invalid under the circumstance that (i) the lender swindles loans from financial institutions for relending; (ii) the lender relends the funds obtained by means of a loan from another profit-making legal person, raising funds from its employees, illegally taking deposits from the public; (iii) the lender who has not obtained the lending qualification according to the law lends money to any unspecified object of the society for the purpose of making profits; (iv) the lender lends funds to a borrower when the lender knows or should have known that the borrower intended to use the borrowed funds for illegal or criminal purposes; (v) the lending is violations of public orders or good morals; or (vi) the lending is in violations of mandatory provisions of laws or administrative regulations. As advised by our PRC counsel, Grandall Law Firm, the Provisions on Private Lending Cases does not prohibit using cash generated from one subsidiary to fund another subsidiary's operations. We have not been notified of any other restriction which could limit our PRC subsidiaries' ability to transfer cash between subsidiaries. See "*Regulation – Regulations Relating to Private Lending.*"

In addition, management monitors the cash position of each entity within our organization regularly and prepare budgets on a monthly basis to ensure each entity has the necessary funds to fulfill its obligation for the foreseeable future and to ensure adequate liquidity. In the event that there is a need for cash or a potential liquidity issue, it will be reported to the Chief Executive Officer and, subject to approval by the board of directors, we will enter into an intercompany loan for the subsidiary.

During the three months ended March 31, 2023 and the fiscal years ended December 31, 2022, 2021 and 2020 and as of the date of this prospectus, none of the subsidiaries has made any dividends or other distributions to the holding company. There were no cash flows between our holding company and the subsidiaries. Funds and assets were transferred among the subsidiaries for working capital purposes and during the ordinary course of business. In the future, cash proceeds raised by the Company from financing activities, including this offering, may be transferred to the subsidiaries in the United States, Mainland China and Hong Kong via capital contribution or shareholder loans, as the case may be. As of the date of this prospectus, the Company had not made any no dividends or distributions to U.S. investors and the Company does not plan to make any dividends or distributions in the future. See “Dividend Policy”.

Competitive Advantages

We believe that the following competitive advantages contribute to our success and differentiate us from our competitors:

- Commitment to innovation,
- Limitless customization,
- Low labor and inventory costs,
- Rigorous quality control,
- Professionally recognized sustainable practices,
- Diversified market reach and
- Experienced management team.

Growth Strategies

We strive to improve our cost structure, provide high quality services and products, expand our product range and increase our market share by pursuing the following strategies:

Made in the United States

Since the beginning of 2020, the COVID-19 pandemic has disrupted global supply chain and increased shipping costs. Because our primary markets are the United States and Canada, we believe production in the United States will reduce our logistics costs and environmental footprint. In addition, we currently have a 25% tariff and a 6% import tax on products shipped from China to the United States. Manufacturing and selling in the United States will reduce costs on tariffs and import tax. We also plan to source more raw materials from suppliers in Europe or North America, where there is no or a low tariff and import tax. Our production is automated and has low labor cost. We believe having our products made in the United States will improve our overall cost structure and our brand recognition. The plan will involve the following steps: (1) find a potential location, (2) conduct title searches and due diligence for the purchase or lease of the facility, (3) apply for a mortgage (not applicable if the facility is leased), (4) complete the purchase or lease, (5) start improvements, if necessary, (6) purchase new equipment for manufacturing and pollution control, and (7) hire local labor to start operations. We are working on the first step and have engaged a broker to find a potential location. We are looking for an existing industrial facility suitable for manufacturing use that supports our manufacturing requirements, has a well-developed transportation network that would meet our demands, is served by utilities, especially electricity, natural gas, water, sewer and high-speed telecommunications, has a favorable local employment pool and competitive operating costs (labor, utilities and taxes). We believe that finding a location will be the most time-consuming and challenging part of the plan. We plan to engage local experts to navigate local laws and requirements. The cost to set up manufacturing capabilities in the United States is expected to be approximately \$20 million. We plan to finance the purchase of the facility by mortgage and from profits from operations. We expect to start manufacturing products in the United States in three to six months after this offering is completed. If the plan is successfully executed, we plan to maintain manufacturing in the United States and China in the short term. We plan to gradually shift manufacturing from China to the United States in the long term and eventually close the manufacturing sites in China. However, there is no assurance that such plans will be commercially successful or that the actual outcome of the plans will match our expectations. See “Risk Factors – Risks Related to Our Business and Industry - We may not be able to successfully implement our business strategies and future plans” on page 28.

Vertical integration

Currently, some of our products’ patterns are designed in-house and some are sourced from third parties. During the fiscal year 2021 and 2020, NCP spent \$80,000 and \$50,000 on purchasing 26 and 17 patterns from third-party designers, respectively. NCP did not purchase any patterns during the fiscal year 2022 or the three months ended March 31, 2023. Patterns purchased from third-party designers accounts for about 68% of all the patterns we have. We plan to bring the designing step in-house and replacing the third-party designers with our proprietary technologies. NBS has developed an artificial intelligence learning system, *Envision*, comprising of processors and non-transitory program storage devices (NPSDs) capable of reading instructions executable by processors to generate decorative patterns, such as decorative floor panels, wall panels or ceiling panels. NBS is in the process of registering a patent of this invention. The algorithm can recognize the characteristics in a sample image, search our pattern database to find similar products that are already in our products lineup or generate a similar but distinctive pattern to be added to our products lineup. We plan to build a database of patterns that we already own and patterns generated by the algorithm, so that when a sample pattern is input into the system, the algorithm can recognize the characteristics in the sample image, search our pattern database to find similar products that are already in our products lineup or generate a similar but distinctive pattern to be added to our products lineup. With the assistance of such algorithm, we can save time and money on finding designs and offer more options to our customers. We believe we can also apply the algorithm to help customers find their desired products. By uploading pictures of desired products to the algorithm, we can find existing product in our lineup that fits the samples the most or generate a new design that combines all the features the customer desires.

Expand Market Share

Our management team has always focused on expanding market share, we believe our “made in the United States” and “vertical integration” strategies will help expand our product lineups, build our brand recognition and reach more end consumers in the United States, which is our biggest market. With additional marketing efforts, we believe we will increase customer penetration and expand the geographical coverage of products, and therefore expand market share.

Share Capital and Reverse Stock Split

The Company is authorized to issue 500,000,000 shares of capital stock, consisting of (i) 400,000,000 shares of common stock, par value US\$0.001 per share, and (ii) 100,000,000 shares of preferred stock, par value US\$0.001 per share. Each share of common stock is entitled to one vote, and each share of Series A Preferred Stock is entitled to ten votes on any matter on which action of the stockholders of the corporation is sought. The Series A Preferred Stock will vote together with the common stock. Common stock and Series A Preferred Stock are not convertible into each other. Holders of Series A Preferred Stock are not entitled to receive dividends. See “Description of Capital Stock.”

On July 5, 2023, as approved by the board of directors and the majority shareholder of the Company, the Company effected a reverse split of our outstanding common stock and Series A Preferred Stock at a ratio of 2-for-1. All references to common stock, Series A Preferred Stock, share data, per share data, and related information have been retroactively adjusted, where applicable, in this prospectus to reflect the reverse split of our issued and outstanding common stock and Series A Preferred Stock as if these events had occurred at the beginning of the earliest period presented. As of the date of this prospectus, there were 20,000,000 shares of common stock and 5,000,000 shares of Series A Preferred Stock issued and outstanding, not including common stock issuable upon exercise of outstanding warrants (see “Description of Capital Stock – Convertible Notes and Warrants”).

Corporate Information

Our principal executive office is located at c/o Northann Distribution Center Inc, 9820 Dino Drive, Suite 110, CA 95624. The telephone number of our principal executive offices is (916) 573 3803. Our registered agent in the United States is Vcorp Services, LLC, located at 701 S. Carson Street, Suite 200, Carson City, NV 89701.

Summary of Risk Factors

Investing in our common stock involves substantial risk, as more fully described in “Risk Factors” and elsewhere in this prospectus. You should read these risks before you invest in our common stock. We may be unable, for many reasons, including those that are beyond our control, to implement our business strategy. Some of the more significant risks associated with our business include the following:

Risks Related to Our Corporate Structure

- **Potential Limitations on the ability to receive dividends from our subsidiaries.** We are a holding company and will rely on dividends paid by our subsidiaries for our cash needs. Any limitation on the ability of our subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to pay dividends and other cash distributions to our stockholders, to service any debt we may incur and to pay our operating expenses. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. See “*Northann Corp. is a holding company and will rely on dividends paid by its subsidiaries for its cash needs. Any limitation on the ability of its subsidiaries to make dividend payments to the Company, or any tax implications of making dividend payments to the Company, could limit the Company’s ability to pay its expenses or pay dividends to holders of its common stock*” on page 16.

Risks Related to Doing Business in China

- **Risks of changes in China’s economic, political, or social conditions or government policies.** Most of our products are manufactured through NCP in China and as a result, our business, financial condition, results of operations, and prospects may be influenced to a significant degree by political, economic and social conditions in China generally. Any adverse changes in economic conditions in China, in the policies of the Chinese government, or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, reduce production and weaken our competitive position and could have a material adverse effect on our business and operations. See “*Changes in China’s political, economic or social conditions could have a material adverse effect on our business and operations*” on page 17.

- **Risks of uncertainties in the interpretation and enforcement of PRC laws and regulations and changes in policies, rules, and regulations in China.** Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, however, the interpretations of many laws, regulations, and rules are not always uniform and enforcement of these laws, regulations, and rules involve uncertainties. The PRC legal system is based in part on government policies, internal rules, and regulations that may have retroactive effect and may change quickly with little advance notice. The Chinese government may exert more oversight and control over offerings that are conducted overseas. Such uncertainties, including uncertainties over the scope and effect of our contractual, property (including intellectual property), and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations, significantly limit or completely hinder our ability to offer or continue our operations, and cause the value of our securities to significantly decline or become worthless. See *“Uncertainties in the interpretation and enforcement of PRC laws and regulations and changes in policies, rules, and regulations in China, which may be quick with little advance notice, could limit the legal protection available to you and us”* on page 18.
- **Risk related to service of legal process, enforcing foreign judgments, or bringing actions in China against us or our management named in the prospectus based on foreign laws.** Our subsidiaries conduct a substantial amount of operations (including the manufacturing of most of our products) in China and most of our assets and equipment are located in China. In addition, some of our senior executive officers reside within China, are physically there for a significant portion of each year, and are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or those persons inside China. In addition, there is uncertainty as to whether the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of U.S. securities laws or those of any U.S. state. The recognition, enforcement of foreign judgments, conducting investigation or collecting evidence within China may be difficult and impossible. See *“You may experience difficulties in effecting service of legal process, enforcing foreign judgments, or bringing actions in China against us and our PRC subsidiaries based on foreign laws. It may also be difficult for you or overseas regulators to conduct investigations or collect evidence within China”* on page 18.
- **Risk of PRC government’s influence over the manner in which our PRC subsidiaries conduct business and over offerings conducted overseas and/or foreign investment in China-based issuers.** We are currently not required to obtain permission or approval from Chinese authorities to list on U.S. exchanges, however, if our holding company or any of our PRC subsidiaries were required to obtain permission or approval in the future and were denied permission or approval from Chinese authorities to list on U.S. exchanges, we will not be able to continue listing on U.S. exchanges, continue to offer securities to investors, or materially affect the interest of the investors and cause significant depreciation of the price of our common stock. The PRC government may also intervene or influence our operations and this offering at any time, which could result in a material change in our operations and our common stock could decline in value or become worthless. See *“The PRC government exerts substantial influence over the manner in which our PRC subsidiaries conduct their business activities. The PRC government may also intervene or influence our operations and this offering at any time and may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or become worthless”* on page 19.
- **Risk related to recent greater oversight by the Cyberspace Administration of China (the “CAC”) over data security.** As of the date of this prospectus, we have not received any notice from any authorities identifying our PRC subsidiaries as critical information infrastructure operators (“CIIOs”) or requiring us to go through cybersecurity review or network data security review by the CAC. We believe that the operations of our PRC subsidiaries and our listing will not be affected and that we will not be subject to cybersecurity review and network data security review by the CAC for this offering. We cannot guarantee, however, that we will not be subject to cybersecurity review and network data security review in the future. See *“Recent greater oversight by the Cyberspace Administration of China (the “CAC”) over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering”* on page 19.

- **Risks of PRC government exerting more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuer.** On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. As advised by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, we are not subject to the Trial Measures because our main business are not conducted within China, our main premises are not located in China, and the majority of our senior management personnel are not Chinese citizens or reside in China on a regular basis. Therefore, we do not need to complete the record filing requirement under the Trial Measures. If we inadvertently conclude that such filing procedures are not required, or applicable laws, regulations, or interpretations change such that we are required to complete the filing procedures in the future, we may be subject to investigations by the regulators, fines or penalties, ordered to suspend our relevant operations and rectify any non-compliance, prohibited from engaging in relevant business or conducting any offering. Any failure of us to fully comply with new regulatory requirements may significantly limit or completely hinder our ability to offer or continue to offer our common stock, cause significant disruption to our business operations, and severely damage our reputation, which would materially and adversely affect our financial condition and results of operations and cause our common stock to significantly decline in value or become worthless. See *“The CSRC has released for public consultation the draft rules for China-based companies seeking to conduct initial public offerings in foreign markets. While such rules have not yet gone into effect, the Chinese government may exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers, which could significantly limit or completely hinder our ability to offer or continue to offer our common stock to investors and could cause the value of our common stock to significantly decline or become worthless”* on page 20.
- **Risks related to PRC regulations on the establishment of offshore special purpose companies by PRC residents.** Some of our stockholders that we are aware of are subject to SAFE regulations, and we expect all of these stockholders will have completed all necessary registrations with the local SAFE branch or qualified banks as required by SAFE Circular 37. We cannot assure you, however, that all of these stockholders may continue to make required filings or updates in a timely manner, or at all. We can provide no assurance that we are or will in the future continue to be informed of identities of all PRC residents holding direct or indirect interest in our company. Any failure or inability by such stockholders to comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries’ ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected. See *“PRC regulations relating to offshore investment activities by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary’s ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us”* on page 21.
- **Risk related to PRC regulation of loans to and direct investment in PRC entities by offshore holding companies.** Under PRC laws and regulations, we are permitted to utilize the proceeds from this offering to fund our PRC subsidiary by making loans to or additional capital contributions to our PRC subsidiary, subject to applicable government registration, statutory limitations on amount, and approval requirements. These PRC laws and regulations may significantly limit our ability to use RMB converted from the net proceeds of this offering to fund the establishment of new entities in China by our PRC subsidiary or to invest in or acquire any other PRC companies through our PRC subsidiary. Moreover, we cannot assure you that we will be able to complete the necessary registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiary or future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received or expect to receive from our offshore offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our business, including our liquidity and our ability to fund and expand our business. See *“PRC regulation of parent/subsidiary loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business”* on page 21.
- **Risks of fluctuations in exchange rates.** With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between RMB and the U.S. dollar in the future. Since we own and operate stores both in the PRC and the U.S., the fluctuations in exchange rates would have a negative effect on our business and results of operations and financial condition. See *“Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment”* on page 22.
- **Risks related to potential classification as a PRC resident enterprise for PRC income tax purposes.** Under the PRC Enterprise Income Tax Law (the “EIT Law”), we may be classified as a PRC “resident enterprise” for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC stockholders and have a material adverse effect on our results of operations and the value of your investment. See *“Under the EIT Law, we may be classified as a PRC “resident enterprise” for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC stockholders and have a material adverse effect on our results of operations and the value of your investment”* on page 23.

- **Risks related to uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.** We face uncertainties as to the reporting and assessment of reasonable commercial purposes and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries, and investments. In the event of being assessed as having no reasonable commercial purposes in an indirect transfer transaction, we may be subject to filing obligations or taxed if we are a transferor in such transactions, and may be subject to withholding obligations (to be specific, a 10% withholding tax for the transfer of equity interests) if we are a transferee in such transactions, under SAT Circular 7 and SAT Circular 37. For transfer of shares by investors who are non-PRC resident enterprises, our PRC subsidiary may be requested to assist in the filing under the SAT circulars. As a result, we may be required to expend valuable resources to comply with the SAT circulars or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that we should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations. See “*We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies*” on page 23.
- **Risks of the M&A Rules and certain other PRC regulations that establish complex procedures for some acquisitions of Chinese companies by foreign investors.** *The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors*, or the “M&A Rules,” and recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. It is clear that our business would not be deemed to be in an industry that raises “national defense and security” or “national security” concerns. MOFCOM or other government agencies, however, may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected. See “*The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China*” on page 24.

Risks Related to Our Business and Industry

- **Risks related to the COVID-19 pandemic adverse impact on our financial condition and results or operations.** The COVID-19 pandemic continues to impact areas where we operate and sell our products. The long-term economic impact and near-term financial impacts of the COVID-19 pandemic cannot be reliably quantified or estimated at this time due to the uncertainty of future developments. See “*Our financial condition and results or operations have been and will likely continue to be adversely impacted by the COVID-19 pandemic and the related downturn in economic conditions*” on page 25.
- **Risks related to competition in the industry.** See “*We compete with numerous flooring manufacturers in highly competitive markets. Competition can affect customer preferences, reduce demand for our products, negatively affect our product sales mix, leverage greater financial resources, or cause us to lower prices, any or all which could adversely affect our financial condition, liquidity or results of operation*” on page 25.
- **Risks of decrease of direct materials (raw materials, packaging, sourced products, energy).** See “*If the availability of direct materials (raw materials, packaging, sourced products, energy) decreases, or these costs increase, and we are unable to either offset or pass along increased costs to our customers, our financial condition, liquidity or results of operations could be adversely affected*” on page 26.

- **Risk of our business’s sensitivity to changes in general economic conditions.** See “*Our business is sensitive to changes in general economic conditions. Downturns in commercial and residential construction, remodeling and refurbishing activities could adversely affect our financial condition, liquidity or results of operations*” on page 26.
- **Risks related to various environmental, safety and health regulations.** See “*We are subject to various environmental, safety and health regulations that may subject us to costs, liabilities and other obligations, which could have a material adverse effect on our business, results of operations and financial condition*” on page 27.
- **Risks related to legal claims of product liability.** See “*We may be exposed to litigation, claims and other legal proceedings in the ordinary course of business relating to our products or business, which could have a material adverse effect on our business, results of operations and financial condition*” on page 27.
- **Risks of losses from natural disasters, catastrophes, fire or other unexpected events.** We could incur uninsured losses and liabilities arising from such events, including damage to our reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on our business, financial condition and results of operations. See “*Our business operations could suffer significant losses from natural disasters, catastrophes, fire or other unexpected events*” on page 27.
- **Risks related to intellectual property, including intellectual property disputes, failure of intellectual property protection, and failure of patent application.** See “*We may need to defend ourselves against patent or trademark infringement, or other intellectual property claims, which may be time-consuming and cause us to incur substantial costs*” on page 27, “*Our business may be adversely affected if we are unable to protect our intellectual property rights from unauthorized use by third parties*” on page 28 and “*Our patent applications may not be granted, which may have a material adverse effect on our ability to prevent others from commercially exploiting products similar to ours*” on page 28.
- **Our financial statements contain an explanatory paragraph regarding uncertainty as our ability to raise capital and therefore cast substantial doubt about our ability to continue as a going concern.** See “*Our financial statements contain an explanatory paragraph regarding uncertainty as our ability to raise capital and therefore cast substantial doubt about our ability to continue as a going concern*” on page 28.
- **Cybersecurity risks in our operation and supply chain.** See “*Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, misappropriation of assets and/or damage to our business relationships, all of which could negatively impact our business and results of operations*” on page 28.

Risks Related to Our Common Stock, Preferred Stock and this Offering

- **Risks that our common stock may be prohibited from trading on a national exchange if the Public Company Accounting Oversight Board (the “PCAOB”) is unable to inspect our auditors.** Our auditor, WWC, P.C., the independent registered public accounting firm that issued the audit report included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the United States and a U.S.-based accounting firm registered with the PCAOB, is headquartered in Mateo, CA and is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. WWC, P.C., is not headquartered in Mainland China or Hong Kong. Notwithstanding the foregoing, if the PCAOB determines that it cannot inspect or fully investigate our auditor at such future time, trading in our common stock will be prohibited under the HFCA Act and NYSE American may determine to delist our common stock. The delisting of our common stock, or the threat of their being delisted, may materially and adversely affect the value of your investment. See “*Our common stock may be prohibited from being traded on a national exchange under the Holding Foreign Companies Accountable Act (the “HFCA Act”) and the Consolidated Appropriations Act, 2023, if the Public Company Accounting Oversight Board (the “PCAOB”) is unable to inspect our auditors for two consecutive years. The delisting of our common stock, or the threat of their being delisted, may materially and adversely affect the value of your investment.*” on page 29.
- **Risks of potential approval of the China Securities Regulatory Commission (CSRC).** While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC counsel, Grandall Law Firm, that the CSRC approval is not required for the listing and trading of our common stock on the NYSE American in the context of this offering. However, our PRC legal counsel, Grandall Law Firm, has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering and its opinions summarized above are subject to any new laws, regulations and rules or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC governmental agencies, including the CSRC, would reach the same conclusion as we do. See “*The approval or filing requirements of the China Securities Regulatory Commission (CSRC) may be required in connection with this offering under PRC law*” on page 30.

- **Risks of stock price volatility.** See “*The offering price for our common stock may not be indicative of prices that will prevail in the trading market and such market prices may be volatile*” and “*You may experience extreme stock price volatility, including any stock-run up, unrelated to our actual or expected operating performance, financial condition or prospects, making it difficult for prospective investors to assess the rapidly changing value of our common stock*” on page 31.
- **Risks of not paying dividends for the foreseeable future.** We do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases. See “*We do not intend to pay dividends for the foreseeable future*” on page 31.
- **Risks related our management’s broad discretion to determine how to use the funds raised in the offering.** See “*Our management has broad discretion to determine how to use the funds raised in the offering and may use them in ways that may not enhance our results of operations or the price of our shares of common stock*” on page 32.
- **Risks related to NYSE American’s application of stricter criteria for our initial and continued listing.** See “*NYSE American may apply additional and more stringent criteria for our initial and continued listing because we plan to have a small public offering and insiders will hold a large portion of the company’s listed securities*” on page 32.
- **Risks related to being a “Controlled Company”.** See “*As a ‘controlled company’ under the NYSE American Company Guide, we may choose to exempt our Company from certain corporate governance requirements that could have an adverse effect on our public stockholders*” on page 32.
- **Risks related to the Anti-takeover provisions in our charter documents.** See “*Anti-takeover provisions in our charter documents and Nevada law could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock*” on page 32.
- **Risks related to our multi-class structure.** See “*We cannot predict the impact our multi-class structure may have on the stock price of our common stock*” on page 32.

Implications of Being a Smaller Reporting Company

We qualify as an “smaller reporting company” as defined in Rule 405 of the Securities Act and Item 10 of Regulation S-K. A smaller reporting company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

- the ability to include only two years of audited financial statements and only two years of related management’s discussion and analysis of financial condition and results of operations disclosure;
- the reduced disclosure obligation regarding executive compensation under Item 402 of Regulation S-K; and
- an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002.

We may take advantage of these provisions for so long as we remain a smaller reporting company. We may continue to be a smaller reporting company if either (i) the market value of our stock held by non-affiliates is less than US\$250 million or (ii) our annual revenue was less than US\$100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than US\$700 million.

Implications of Being an “Emerging Growth Company”

As a company with less than US\$1.235 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the “JOBS Act.” An “emerging growth company” may take advantage of reduced reporting requirements that are otherwise applicable to larger public companies. In particular, as an emerging growth company, we:

- may present only two years of audited financial statements and only two years of related Management’s Discussion and Analysis of Financial Condition and Results of Operations;
- are not required to provide a detailed narrative disclosure discussing our compensation principles, objectives and elements and analyzing how those elements fit with our principles and objectives, which is commonly referred to as “compensation discussion and analysis”;
- are not required to obtain an attestation and report from our auditors on our management’s assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;

- are not required to obtain a non-binding advisory vote from our stockholders on executive compensation or golden parachute arrangements (commonly referred to as the “say-on-pay,” “say-on-frequency” and “say-on-golden-parachute” votes);
- are exempt from certain executive compensation disclosure provisions requiring a pay-for-performance graph and CEO pay ratio disclosure;
- are eligible to claim longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act; and
- will not be required to conduct an evaluation of our internal control over financial reporting until our second annual report on Form 10-K following the effectiveness of our initial public offering.

We intend to take advantage of all of these reduced reporting requirements and exemptions.

Under the JOBS Act, we may take advantage of the above-described reduced reporting requirements and exemptions until we no longer meet the definition of an emerging growth company. The JOBS Act provides that we would cease to be an “emerging growth company” at the end of the fiscal year in which the fifth anniversary of our initial sale of common equity pursuant to a registration statement declared effective under the Securities Act of 1933, as amended (the “Securities Act”), occurred, if we have more than US\$1.235 billion in annual revenue, have more than US\$700 million in market value of our common stock held by non-affiliates, or issue more than US\$1 billion in principal amount of non-convertible debt over a three-year period.

Implications of Being a Controlled Company

Upon completion of this offering, our Chairman of the Board, Chief Executive Officer, President, Secretary, and Treasurer, Lin Li, will beneficially own approximately 88.26% of the aggregate voting power of our common stock and Series A Preferred Stock assuming no exercise of the over-allotment option, or 87.72% assuming full exercise of the over-allotment option. As a result, we will be deemed a “controlled company” for the purpose of the NYSE American Company Guide. As a controlled company, we are permitted to elect to rely on certain exemptions from the obligations to comply with certain corporate governance requirements, including:

- the requirement that a majority of our board of directors must be independent directors;
- the requirement that our director nominees must be selected or recommended to the Board for determination, by either a Nomination Committee comprised solely of independent directors or by a majority of the independent directors;
- the requirement that we have a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws; and
- the requirement that compensation of the chief executive officer must be determined, or recommended to the Board for determination, either by a Compensation Committee comprised of independent directors or by a majority of the independent directors on its Board of Directors and that compensation for all other officers must be determined, or recommended to the Board for determination, either by such Compensation Committee or a majority of the independent directors on the company’s Board of Directors.

Although we do not intend to rely on the controlled company exemptions under the NYSE American Company Guide even if we are deemed a controlled company, we could elect to rely on these exemptions in the future, and if so, you would not have the same protection afforded to stockholders of companies that are subject to all of the corporate governance requirements of NYSE American Company Guide.

THE OFFERING

Common Stock Offered by us:	3,000,000 shares of common stock (or 3,450,000 shares of common stock if the underwriters exercise their over-allotment option in full)
Capital Stock Outstanding Prior to Completion of Offering:	20,000,000 shares of common stock, excluding shares of common stock underlying the underwriters' warrants, and shares of common stock underlying the warrants issued in the private placement closed on May 16, 2022; and 5,000,000 shares of Series A Preferred Stock. See "Description of Capital Stock – Convertible Notes and Warrants".
Common Stock Outstanding immediately after Offering:	23,000,000 shares of common stock (or 23,450,000 shares of common stock if the underwriters exercise their over-allotment option in full), excluding shares of common stock underlying the underwriters' warrants, and shares of common stock underlying the warrants issued in the private placement closed on May 16, 2022; and 5,000,000 shares of Series A Preferred Stock. The warrants will remain outstanding after this offering. See "Underwriting – Underwriters' Warrants" and "Description of Capital Stock – Convertible Notes and Warrants".
Offering Price Range per Share of Common Stock:	US\$3.00 to US\$5.00 per share of common stock
Assumed Offering Price per Share of Common Stock:	US\$4.00 per share of common stock
Gross Proceeds to Us Before Expenses:	US\$12,000,000 if the underwriters do not exercise the over-allotment option, or \$13,800,000 if the underwriters exercise the over-allotment option, assuming the public offering price is US\$4.00, the midpoint of the price range set forth on the cover page of this prospectus.
Listing:	We plan to apply to have our common stock listed on the NYSE American. The closing of this offering is conditioned upon NYSE American's final approval of our listing application, and there is no guarantee or assurance that our common stock will be approved for listing on NYSE American.
Ticker Symbol:	NCL
Transfer Agent:	VStock Transfer LLC
Use of Proceeds:	We intend to use the proceeds from this offering for the acquisition of facilities and equipment in the United States, product development, sales and marketing activities, and general working capital purposes. See "Use of Proceeds" for more information.
Lock-up:	We and all of our directors and officers and our stockholders owning 5% or more of our common stock have agreed with the underwriters, subject to certain exceptions, not to sell, transfer, or dispose of, directly or indirectly, any of our common stock or securities convertible into or exercisable or exchangeable for our common stock for a period of 180 from the date of this prospectus, without the prior written consent of the underwriters. See "Shares Eligible for Future Sale" and "Underwriting" for more information.
Risk Factors:	Investing in these securities involves a high degree of risk. As an investor, you should be able to bear a complete loss of your investment. You should carefully consider the information set forth in the "Risk Factors" section of this prospectus before deciding to invest in our shares of common stock.
Dividend Policy:	We have no present plans to declare dividends and plan to retain our earnings to continue to grow our business.
Voting Rights:	Holder of our common stock are entitled to one vote per one share of common stock. Holders of Series A Preferred Stock are entitled to ten votes per one share of Series A Preferred Stock. The Series A Preferred Stock will vote together with the common stock. Our founder, Lin Li, will beneficially own 14,430,000 shares of common stock and 5,000,000 shares of Series A Preferred Stock, representing 88.26% of the total voting power of our issued and outstanding share capital immediately following the completing of this offering assuming the underwriters do not exercise their over-allotment option, or 87.72% of our total voting power if the underwriters exercise their over-allotment option in full. See "Description of Capital Stock" on page 82.

RISK FACTORS

An investment in our common stock involves a high degree of risk. Before deciding whether to invest in our common stock, you should consider carefully the risks described below, together with all of the other information set forth in this prospectus, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and our consolidated financial statements and related notes. If any of these risks actually occurs, our business, financial condition, results of operations or cash flow could be materially and adversely affected, which could cause the trading price of our common stock to decline, resulting in a loss of all or part of your investment. The risks described below and in the sections referenced above are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also affect our business. You should only consider investing in our shares of common stock if you can bear the risk of loss of your entire investment.

Risks Related to Our Corporate Structure

Northann Corp. is a holding company and will rely on dividends paid by its subsidiaries for its cash needs. Any limitation on the ability of its subsidiaries to make dividend payments to the Company, or any tax implications of making dividend payments to the Company, could limit the Company’s ability to pay its expenses or pay dividends to holders of its common stock.

Because Northann Corp. is a holding company, we conduct substantially all of our business through our subsidiaries in the United States, Hong Kong and China. Northann Corp. may rely on dividends to be paid by its subsidiaries to fund our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our stockholders, to service any debt we may incur and to pay its operating expenses. If any of the subsidiaries incurs debt on its behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to the Company.

There are no restrictions in our Articles of Incorporation or Bylaws that prevent the Company from declaring dividends. The Nevada Revised Statutes, however, prohibit the Company from declaring dividends where, after giving effect to the distribution of the dividend:

- the Company would not be able to pay its debts as they become due in the usual course of business; or
- the total assets of the Company would be less than the sum of the total liabilities of the Company plus the amount that would be needed to satisfy the rights of stockholders who have preferential rights superior to those receiving the distribution, unless otherwise permitted under our Articles of Incorporation.

According to the Limited Liability Company Act of Delaware, in general, NBS may make a distribution to the Company to the extent, after giving effect to the distribution, all liabilities of NBS, other than liabilities to the Company on account of the Company’s membership interests in NBS, do not exceed the fair value of the assets of NBS.

According to the California General Corporation Law, Dotfloor and NDC may make a distribution to their stockholders if the retained earnings of each of Dotfloor and NDC equal at least the amount of the proposed distribution. The California General Corporation Law also provides that, in the event that sufficient retained earnings are not available for the proposed distribution, a corporation may nevertheless make a distribution to its stockholders if it meets two conditions, which generally stated are as follows: (i) the corporation’s assets equal at least 1 and 1/4 times its liabilities, and (ii) the corporation’s current assets equal at least its current liabilities or, if the average of the corporation’s earnings before taxes on income and before interest expenses for the two preceding fiscal years were less than the average of the corporation’s interest expenses for such fiscal years, then the corporation’s current assets must equal at least 1 and 1/4 times its current liabilities.

Benchwick, our Hong Kong subsidiary, is permitted, under the laws of Hong Kong, to provide funding to the Company through dividend distribution out of its profits. Under the current practices of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid to the Company as a Nevada corporation.

According to the PRC Company Law and the Foreign Investment Law, each of Crazy Industry, Marco, Ringold and NCP, as a foreign invested enterprise, or FIE, is required to draw 10% of its after-tax profits each year, if any, to fund a common reserve, which may stop drawing its after-tax profits if the aggregate balance of the common reserve has already accounted for over 50% of its registered capital. These reserves are not distributable as cash dividends. Furthermore, under the EIT Law, which became effective in January 2008, the maximum tax rate for the withholding tax imposed on dividend payments from PRC foreign invested companies to their overseas investors that are not regarded as a “resident” for tax purposes is 20%. The rate was reduced to 10% under the Implementing Regulations for the EIT Law issued by the State Council. However, a lower withholding tax rate might be applied if there is a tax treaty between China and the jurisdiction of a foreign holding company. Mainland China and the Hong Kong Special Administrative Region entered into a tax arrangement to avoid double taxation and prevent fiscal evasion with respect to income tax. The tax arrangement applies where a Hong Kong resident enterprise which is considered a non-PRC tax resident enterprise, directly holds at least 25% of equity interests in a PRC enterprise. In that case the withholding tax rate in respect to the payment of dividends by such PRC enterprise to such Hong Kong resident enterprise is reduced to 5% from a standard rate of 10%, subject to approval of the PRC local tax authority. Accordingly, Benchwick, our Hong Kong subsidiary, is able to enjoy the 5% withholding tax rate for the dividends it receives from its PRC subsidiaries (Crazy Industry, Ringold and Marco if Benchwick) satisfies the conditions prescribed in relevant tax rules and regulations and obtains the required approvals. However, if Benchwick is considered a non-beneficial owner for purposes of the tax arrangement, any dividends paid to it by its PRC subsidiaries directly would not qualify for the preferential dividend withholding tax rate of 5%, but rather would be subject to a rate of 10%.

In addition, in response to the persistent capital outflow and the Renminbi’s depreciation against the U.S. dollar in the fourth quarter of 2016, the People’s Bank of China (“PBOC”) and the State Administration of Foreign Exchange, or SAFE, have implemented a series of capital control measures, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls and our PRC subsidiaries’ dividends and other distributions may be subjected to tighter scrutiny in the future.

Risks Related to Doing Business in China

Changes in China’s political, economic or social conditions could have a material adverse effect on our business and operations.

Most of our products are manufactured through NCP in China and as a result, our business, financial condition, results of operations, and prospects may be influenced to a significant degree by political, economic and social conditions in China generally. The Chinese government plays a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China’s economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes of economic conditions in China, in the policies of the Chinese government, or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, reduce production and weaken our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustments, to control the pace of economic growth. These measures may cause decreased economic activities in China, which may adversely affect our business and operating results.

Uncertainties in the interpretation and enforcement of PRC laws and regulations and changes in policies, rules, and regulations in China, which may be quick with little advance notice, could limit the legal protection available to you and us.

Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, however, the interpretations of many laws, regulations, and rules are not always uniform and enforcement of these laws, regulations, and rules involve uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, however, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy in the PRC legal system than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies, internal rules, and regulations that may have retroactive effects and may change quickly with little advance notice. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainties over the scope and effect of our contractual, property (including intellectual property), and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments, or bringing actions in China against us or our PRC subsidiaries based on foreign laws. It may also be difficult for you or overseas regulators to conduct investigations or collect evidence within China.

Our subsidiaries conduct a substantial amount of operations (including the manufacturing of most of our products) in China and most of our assets and equipment are located in China. As a result, it may be difficult for you to effect service of process upon us or our PRC subsidiaries inside China. In addition, there is uncertainty as to whether the PRC would recognize or enforce judgments of U.S. courts against us or our PRC subsidiaries predicated upon the civil liability provisions of U.S. securities laws or those of any U.S. state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the U.S. that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security, or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

It may also be difficult for you or overseas regulators to conduct investigations or collect evidence within China. For example, in China, there are significant legal and other obstacles to obtaining information needed for stockholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the authorities in China may establish a regulatory cooperation mechanism with its counterparts of another country or region to monitor and oversee cross-border securities activities, such regulatory cooperation with the securities regulatory authorities in the U.S. may not be efficient in the absence of a practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or “Article 177,” which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the territory of the PRC. Article 177 further provides that Chinese entities and individuals are not allowed to provide documents or materials related to a company’s securities and business activities to foreign agencies without prior consent from the securities regulatory authority of the PRC State Council and the competent departments of the PRC State Council. While detailed interpretation of or implementing rules under Article 177 have yet to be promulgated, the inability of an overseas securities regulator to directly conduct an investigation or evidence collection activities within China may further increase the difficulties faced by you in protecting your interests. See “Enforceability of Civil Liabilities.”

The PRC government exerts substantial influence over the manner in which our PRC subsidiaries conduct their business activities. The PRC government may also intervene or influence our operations and this offering at any time and may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our PRC subsidiaries' operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or become worthless.

Our PRC subsidiaries are currently not required to obtain permission or approval from Chinese authorities to list on U.S. exchanges, however, if our holding company or any of our PRC subsidiaries were required to obtain permission or approval in the future and were denied permission or approval from Chinese authorities to list on U.S. exchanges, we will not be able to continue listing on U.S. exchange, continue to offer securities to investors, or materially affect the interest of the investors and cause significant depreciation of the price of our common stock.

The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, property and other matters. The central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in our operations in China.

For example, the Chinese cybersecurity regulator announced on July 2, 2021, that it began investigating Didi Global Inc. (NYSE: DIDI) and two days later ordered that the company's smartphone application be removed from smartphone application stores. Similarly, our business segments may be subject to various government and regulatory interference in the regions in which we operate. We could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. We may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

Furthermore, it is uncertain when and whether we will be required to obtain permission or approval from the PRC government to list on U.S. exchanges in the future, and if so, whether such permission or approval will be obtained, whether it will later be denied or rescinded. As of the date of this prospectus, we are not required to obtain permission or approval from the PRC federal or local government and we have not received any denial to list on the U.S. exchange, our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to our business or industry. Recent statements by the PRC government indicate an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. The PRC government may act of these intentions, which could result in a material change in our PRC subsidiaries' operation, significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or become worthless.

Recent greater oversight by the Cyberspace Administration of China (the "CAC") over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering.

On December 28, 2021, the CAC, together with 12 other governmental departments of the PRC, jointly promulgated the Cybersecurity Review Measures, which took effect on February 15, 2022. The Cybersecurity Review Measures provide that, in addition to critical information infrastructure operators ("CIIOs") that intend to purchase Internet products and services, data processing operators engaging in data processing activities that affect or may affect national security must be subject to cybersecurity review by the Cybersecurity Review Office of the PRC. According to the Cybersecurity Review Measures, a cybersecurity review assesses potential national security risks that may be brought about by any procurement, data processing, or overseas listing. The Cybersecurity Review Measures further require that CIIOs and data processing operators that possess personal data of at least one million users must apply for a review by the Cybersecurity Review Office of the PRC before conducting listings in foreign countries.

On November 14, 2021, the CAC published the Security Administration Draft, which provides that data processing operators engaging in data processing activities that affect or may affect national security must be subject to network data security review by the relevant Cyberspace Administration of the PRC. According to the Security Administration Draft, data processing operators who possess personal data of at least one million users or collect data that affects or may affect national security must be subject to network data security review by the relevant Cyberspace Administration of the PRC. The deadline for public comments on the Security Administration Draft was December 13, 2021.

As of the date of this prospectus, we have not received any notice from any authorities identifying our PRC subsidiaries as CIIOs or requiring us to go through cybersecurity review or network data security review by the CAC. We believe that the operations of our PRC subsidiaries and our listing will not be affected and that we will not be subject to cybersecurity review and network data security review by the CAC for this offering, given that: (i) because our companies mainly manufacture and sell vinyl flooring products, our PRC subsidiaries are unlikely to be classified as CIIOs by the PRC regulatory agencies; (ii) our PRC subsidiaries make all of their sales through distributors and do not collect or have access to personal data of the end customers and as a result, we possess personal data of fewer than one million individual clients in our business operations as of the date of this prospectus; and (iii) since our PRC subsidiaries are in the vinyl flooring manufacture and wholesale industry, data processed in our business is unlikely to have a bearing on national security and therefore is unlikely to be classified as core or important data by the authorities. There remains uncertainty, however, as to how the Cybersecurity Review Measures and the Security Administration Draft will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures and the Security Administration Draft. If any such new laws, regulations, rules, or implementation and interpretation come into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us. We cannot guarantee, however, that we will not be subject to cybersecurity review and network data security review in the future. During such reviews, we may be required to suspend our operations or experience other disruptions to our operations. Cybersecurity review and network data security review could also result in negative publicity with respect to our Company and a diversion of our managerial and financial resources, which could materially and adversely affect our business, financial conditions, and results of operations.

The CSRC has released for public consultation the draft rules for China-based companies seeking to conduct initial public offerings in foreign markets. While such rules have not yet gone into effect, the Chinese government may exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers, which could significantly limit or completely hinder our ability to offer or continue to offer our common stock to investors and could cause the value of our common stock to significantly decline or become worthless.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. On the same day, the CSRC held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that (1) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges, such as completion of registration in the market of the United States, but have not completed the overseas listing; and (2) domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges on or prior to the effective date of the Trial Measures, may reasonably arrange the timing for submitting their filing applications with the CSRC, and shall complete the filing before completion of their overseas offering and listing.

According to Article 34 of the Trial Measures, domestic enterprises refer to enterprises registered and formed in the territory of the People's Republic of China, including domestic companies limited by shares directly conducting overseas offering and listing and domestic operating entities of entities indirectly conducting overseas offering and listing. In addition, according to Article 2 of the Trial Measures, the "direct overseas offering and listing of domestic enterprises" refers to the overseas offering and listing of companies limited by shares registered and established in China. As advised by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, because the Company is not a company registered and formed in the territory of China, its listing on NYSE American is not a "direct overseas offering and listing of domestic enterprises" as defined under the Trial Measures. Furthermore, according to Article 2 of the Trial Measures, the "indirect overseas offering and listing of domestic enterprises" refers to the overseas offering and listing of enterprises whose main business activities are in China, in the name of enterprises registered overseas, which offering and listing are based on the equity, assets, income or other similar rights and interests of the domestic enterprises. According to Article 15 of the Trial Measures, if an issuer meets both of the following conditions, it shall be deemed as a domestic enterprise conducting indirect offshore issuance and listing: (1) The proportion of a domestic enterprise's operating income, total profit, total assets or net assets for the most recent accounting year, to the relevant data in the issuer's audited consolidated financial statements for the same period, is more than 50%; (2) The issuer's main business activities are conducted within China or its main premises are located in China, or the majority of its senior management personnel are Chinese citizens or reside in China on a regular basis. As further advised by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, the Company does not meet both the requirements under Article 15 of the Trial Measures and therefore its listing on NYSE American is not an "indirect overseas offering and listing of domestic enterprises", considering that (i) the operating income and total profit of the Company's subsidiaries that were established in China for the year ended December 31, 2022 do not account for more than 50% of the operating income and total profit in our consolidated financial statements for the same period, (ii) our main business is not conducted within China, and (iii) the majority of our senior management personnel are not Chinese citizens or reside in China on a regular basis. Therefore, as concluded by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, we are not required to complete the record filing requirement under the Trial Measures. If we inadvertently conclude that such filing procedures are not required, or applicable laws, regulations, or interpretations change such that we are required to complete the filing procedures in the future, we may be subject to investigations by the regulators, fines or penalties, ordered to suspend our relevant operations and rectify any non-compliance, prohibited from engaging in relevant business or conducting any offering. Any failure of us to fully comply with new regulatory requirements may significantly limit or completely hinder our ability to offer or continue to offer our common stock, cause significant disruption to our business operations, and severely damage our reputation, which would materially and adversely affect our financial condition and results of operations and cause our common stock to significantly decline in value or become worthless.

PRC regulations relating to offshore investment activities by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37, to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles, or SAFE Circular 75, which ceased to be effective upon the promulgation of SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our stockholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, will be required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect stockholder of an SPV is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident stockholders to update their registration with the local branch of SAFE. If any PRC stockholder of such SPV fails to make the required registration or to update the previously filed registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiary in China. On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

We are aware that some of our stockholders are subject to SAFE regulations, and expect all of these stockholders will have completed all necessary registrations with the local SAFE branch or qualified banks as required by SAFE Circular 37. We cannot assure you, however, that all of these stockholders may continue to make required filings or updates in a timely manner, or at all. We can provide no assurance that we are, or will in the future continue to be informed of the identities of all PRC residents holding a direct or indirect interest in our common stock. Any failure or inability by such stockholders to comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries' ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

PRC regulation of parent/subsidiary loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We plan to use the proceeds from this offering to purchase 3D printing equipment and manufacturing facilities in the United States and for research and development of new products. However, to the extent we may need to transfer any of the proceeds from this offering to our subsidiary in Hong Kong, we are permitted to transfer the funds by capital contribution or loans without limitation on amount. To the extent we need to transfer any of the proceeds from this offering to our subsidiaries in China, under PRC laws and regulations, we are permitted to fund our PRC subsidiaries by making loans to or additional capital contributions to our PRC subsidiaries, subject to applicable government registration, statutory limitations on amount, and approval requirements. Each of our PRC subsidiaries may increase its registered capital to receive additional capital contributions from us and currently there is no statutory limit to increasing its registered capital, subject to satisfaction of applicable government and filing requirements. Pursuant to relevant PRC regulations, we may provide loans to each PRC subsidiary up to the larger amount of (i) the balance between the registered total investment amount and registered capital of such PRC subsidiary, or (ii) twice the amount of the net assets of such PRC subsidiary calculated in accordance with the People's Bank of China Circular 9, subject to satisfaction of applicable government registration or approval requirements. For any amount of loans that we may extend to our PRC subsidiaries, such loans must be registered with the local counterpart of SAFE. For more details, see "Regulations—PRC Regulations—Regulations Relating to Foreign Exchange." These PRC laws and regulations may significantly limit our ability to convert the net proceeds of this offering into RMB to fund the operation of our PRC subsidiaries. Moreover, we cannot assure you that we will be able to complete the necessary registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received or expect to receive from our offshore offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our business, including our liquidity and our ability to fund and expand our business.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of RMB to the U.S. dollar, and RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between RMB and the U.S. dollar remained within a narrow band. Since June 2010, RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the "SDR," and decided that with effect from October 1, 2016, RMB was determined to be a freely usable currency and would be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen, and the British pound. In the fourth quarter of 2016, RMB depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows from China. This depreciation halted in 2017, and RMB appreciated approximately 7% against the U.S. dollar during this one-year period. In 2018 and 2019, RMB depreciated 4.8% and 1.3% against the U.S. dollar. In 2020, the RMB appreciated approximately 6.9% against the U.S. dollar. With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces, the PRC or the U.S. government policy may impact the exchange rate between RMB and the U.S. dollar in the future. Since we own and operate stores both in the PRC and the U.S., the fluctuations in exchange rates would have a negative effect on our business and results of operations and financial condition.

Under the EIT Law, we may be classified as a PRC “resident enterprise” for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC stockholders and have a material adverse effect on our results of operations and the value of your investment.

Under the EIT Law that became effective in January 2008, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the implementation rules of the EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances, and properties of an enterprise. In addition, a circular, known as “SAT Circular 82,” issued in April 2009 by the State Administration of Taxation, or the “SAT,” and partially amended by People’s Bank of China Circular 9 promulgated in January 2014, specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and stockholders’ meetings; and half or more of the senior management or directors having voting rights. Further to SAT Circular 82, SAT issued a bulletin, known as “SAT Bulletin 45,” which took effect in September 2011 and was amended on June 1, 2015 and October 1, 2016 to provide more guidance on the implementation of SAT Circular 82 and clarify the reporting and filing obligations of Chinese controlled offshore incorporated resident enterprises, to provide more guidance on the implementation of SAT Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” SAT Bulletin 45 provides procedures and administrative details for the determination of resident status and administration on post-determination matters. Although both SAT Circular 82 and SAT Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, the determining criteria set forth in SAT Circular 82 and SAT Bulletin 45 may reflect SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, PRC enterprise groups, or by PRC or foreign individuals.

If the PRC tax authorities determine that the Company’s actual management operations is within the territory of China, we may be deemed to be a PRC resident enterprise for PRC enterprise income tax purposes and a number of unfavorable PRC tax consequences could follow. First, we would be subject to the uniform 25% enterprise income tax on our world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Finally, dividends payable by us to our investors and gains on the sale of our shares may become subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC stockholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our shares. Although up to the date of this prospectus, the Company has not been notified or informed by the PRC tax authorities that it has been deemed to be a PRC resident enterprise for the purpose of the EIT Law, we cannot assure you that it will not be deemed to be a PRC resident enterprise in the future.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

In February 2015, SAT issued a *Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises*, or “SAT Circular 7.” SAT Circular 7 provides comprehensive guidelines relating to indirect transfers of PRC taxable assets (including equity interests and real properties of a PRC resident enterprise) by a non-resident enterprise. In addition, in October 2017, SAT issued an *Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises*, or “SAT Circular 37,” effective in December 2017, which, among others, amended certain provisions in SAT Circular 7 and further clarify the tax payable declaration obligation by non-resident enterprise. Indirect transfer of equity interest and/or real properties in a PRC resident enterprise by their non-PRC holding companies are subject to SAT Circular 7 and SAT Circular 37. SAT Circular 7 provides clear criteria for an assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. As stipulated in SAT Circular 7, indirect transfers of PRC taxable assets are considered as reasonable commercial purposes if the shareholding structure of both transaction parties falls within the following situations: i) the transferor directly or indirectly owns 80% or above equity interest of the transferee, or vice versa; ii) the transferor and the transferee are both 80% or above directly or indirectly owned by the same party; iii) the percentages in bullet points i) and ii) shall be 100% if over 50% the share value of a foreign enterprise is directly or indirectly derived from PRC real properties. Furthermore, SAT Circular 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers PRC taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an indirect transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such indirect transfer to the relevant tax authority and the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding, or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

According to SAT Circular 37, where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the EIT Law, the tax authority may order it to pay the tax due within the required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority. If the non-resident enterprise, however, voluntarily declares and pays the tax payable before the tax authority orders it to do so within the required time limits, it shall be deemed that such enterprise has paid the tax in time.

We face uncertainties as to the reporting and assessment of reasonable commercial purposes and future transactions where PRC taxable assets are involved, such as offshore restructuring, selling shares of our offshore subsidiaries, and investments. In the event of being assessed as having no reasonable commercial purposes in an indirect transfer transaction, we may be subject to filing obligations or taxed if we are a transferor in such transactions, and may be subject to withholding obligations (to be specific, a 10% withholding tax for the transfer of equity interests) if we are a transferee in such transactions, under SAT Circular 7 and SAT Circular 37. Our PRC subsidiary may be requested to assist in the filing under the SAT circulars for share transfer by investors who are non-PRC resident enterprises. As a result, we may be required to expend valuable resources to comply with the SAT circulars or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that we should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the “M&A Rules,” and recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the Ministry of Commerce of the PRC (“MOFCOM”) be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. MOFCOM must also be notified in advance of mergers or acquisitions that allow one market player to take control of or to exert a decisive impact on another market player when the threshold under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the “Prior Notification Rules,” issued by the State Council in August 2008 are triggered. In addition, the security review rules issued by MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by MOFCOM. The rules further prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is clear that our business would not be deemed to be in an industry that raises “national defense and security” or “national security” concerns. MOFCOM or other government agencies, however, may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

Risks Related to Our Business and Industry

We may be subject to tax and related penalties owed to the PRC government.

We may be subject to taxes and related penalties owed to the PRC government. This risk arises from our collection of proceeds from the sales of our products in the normal course of business, by the Company, or via its subsidiaries located in the United States or Hong Kong, and whereby the remittance made to the Company's PRC subsidiaries may not be in the exact amounts reported to the PRC customs authority in connection with the application for export credit refunds which have already been refunded to the Company by the PRC government on the assumption that Company will fully remit the amounts indicated in its application. We are unable to estimate the amount due to the PRC government or determine if it is probable that the PRC government will make efforts to recover the tax credit refunds already paid to the Company and if there would be any related penalties. However, if the PRC government were to take actions to recover such export tax credit refunds, we may be required to pay additional tax and related penalties and our business and results of operations may be materially adversely affected.

Our financial condition and results or operations have been and will likely continue to be adversely impacted by the COVID-19 pandemic and the related downturn in economic conditions.

The COVID-19 pandemic continues to impact areas where we operate and sell our products. NCP manufactures our products in China and Benchwick, Marco, NDC and Dotfloor sell the products to North America, Europe and other regions. Our business is sensitive to macroeconomic events, including the COVID-19 pandemic. We have experienced certain disruptions to our business and further disruptions may occur that could materially affect our ability to obtain supplies, manufacture products or deliver inventory in a timely manner. Although we believe that we can manage our exposure to these risks, there is no guarantee that we will be able to do so in the future. The extent to which the COVID-19 pandemic continues to impact our operations, results of operations, liquidity and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the pandemic (including the possibility of further surges or variants of concern), the efficacy of the vaccination programs where we operate and sell products, supply chain disruptions, rising inflation, the ability to maintain sufficient qualified personnel due to labor shortages, employee illness, quarantine, willingness to return to work, vaccine and/or testing mandates, face-coverings and other safety requirements, or travel and other restrictions, and the actions taken by governments, businesses and individuals to contain the impact of the COVID-19 pandemic, as well as further actions taken to limit the resulting economic impact. Additionally, our suppliers and customers may also face the same and other challenges, which could lead to a decrease in construction and renovation spending and demand for our products and services. Accordingly, the COVID-19 pandemic and the related global reaction could have a material adverse effect on our business, results of operations and financial condition.

We compete with numerous flooring manufacturers in highly competitive markets. Competition can affect customer preferences, reduce demand for our products, negatively affect our product sales mix, leverage greater financial resources, or cause us to lower prices, any or all of which could adversely affect our financial condition, liquidity or results of operation.

Our markets are highly competitive. We compete for sales of flooring products with many manufacturers and large-sized wholesale distributors of vinyl flooring as well as with manufacturers who also produce other types of flooring products. Some of our competitors have greater financial resources than we do. Competition can reduce demand for our products, negatively affect our product sales mix or cause us to lower prices. Our customers consider our products' performance, content and styling, as well as customer service and price when deciding whether to purchase our products. Shifting consumer preference in our highly competitive markets whether for performance, product content, styling preferences, or our inability to develop and offer new competitive performance features, could have an adverse effect on our sales. Regulatory action or new product standards could also steer consumers away from our products.

In addition, excess industry capacity for certain products in several geographic markets could lead to industry consolidation and/or increased price competition. We are also subject to potential increased price competition from overseas competitors, which may have lower cost structures.

Our failure to compete effectively through the management of our product portfolio, by meeting consumer preferences and gaining market leadership could have a material adverse effect on our financial condition, liquidity or results of operations.

If we are unable to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products, we may not be able to maintain or increase our net revenues and profitability.

Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. New products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of flooring products or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes. Failure to anticipate and respond in a timely manner to changing consumer preferences could lead to, among other things, lower sales and excess inventory levels, which could have a material adverse effect on our financial condition.

If the availability of direct materials (raw materials, packaging, sourced products, energy) decreases, or these costs increase, and we are unable to either offset or pass along increased costs to our customers, our financial condition, liquidity or results of operations have been and could continue to be adversely affected.

The availability and cost of direct materials, including raw materials, packaging materials, energy and sourced products are critical to our operations. For example, we use substantial quantities of petrochemical-based raw materials in our manufacturing operations. The cost of some of these items has been volatile in recent years and availability has been limited at times. Ringold sources some materials from a limited number of suppliers, which, among other things, increases the risk of unavailability. In the three months ended March 31, 2023 and the fiscal years ended December 31, 2022, 2021 and 2020, 11.5%, 10.5%, 12% and 11% of the cost of revenue were for purchasing raw materials sourced from within China; 76.8%, 72.5%, 77.8% and 74.6% of the cost of revenue were for purchasing other supplies from suppliers in China that processed raw materials from out of China; and 11.7%, 17%, 10.2% and 14.4% of the cost of revenue were for purchasing raw materials sourced directly from Germany, the U.S., Japan, South Korea and other countries. The prices of raw materials sourced from outside China may be affected by international trade costs such as tariffs, transportation and foreign exchange rates, or international pandemics including but not limited to the COVID-19 pandemic, as well as geopolitical issues and the war in Ukraine.

This dependency and any limited availability could cause us to reformulate products or limit our production. Decreased access to direct materials and energy or significant increased cost to purchase these items, as well as increased transportation and trade costs, delays due to government-mandated initiatives in response to COVID-19 and any corresponding inability to pass along such costs through price increases or meet demand requirements, as applicable, have had and could continue to have a material adverse effect on our financial condition, liquidity or results of operations.

Disruption to suppliers of raw materials could have a material adverse effect on us.

Ink, coating, resin, sound padding, and glue are the principal raw materials used in our floorcovering products. We consider major suppliers to be those that accounted for more than 10% of the cost of revenues. During the three months ended March 31, 2023, we had five suppliers who collectively accounted for 73% of the total cost. During the fiscal year ended December 31, 2022, we had three suppliers who collectively accounted for 68% of the total cost. During the fiscal year ended December 31, 2021, we had five major suppliers who collectively accounted for 56% of the total cost. During the fiscal year ended December 31, 2020, we had two major suppliers who collectively accounted for 38% of the total cost. An interruption in the supply of these or other raw materials or sourced products used in our business or in the supply of suitable substitute materials or products would disrupt our operations, which could have a material adverse effect on our business. We continually evaluate sources of our principal raw materials for competitive costs, performance characteristics, brand value, and diversity of supply.

We have significant levels of sales in certain channels of distribution and reduction in sales through these channels could adversely affect our business.

A significant amount of our sales is generated through a few key customers, including large-sized wholesale distributors. We consider major customers to be those that accounted for more than 10% of sales revenues. For the three months ended March 31, 2023, two major customers accounted for a total of 48% of our total revenues. For the fiscal year ended December 31, 2022, two major customers accounted for a total of 30% of our total revenues. For the fiscal year ended December 31, 2021, two major customers accounted for a total of 28% of our total revenues. For the fiscal year ended December 31, 2020, two major customers collectively accounted for a total of 51% of our total revenues. A change in strategy by these customers to emphasize products at a lower price point than we currently offer will limit future sales opportunities with these customers. The reductions of sales through this channel could adversely affect our business if we are not able to replace the volume through other sales outlets and product offerings.

Our business is sensitive to changes in general economic conditions. Downturns in commercial and residential construction, remodeling and refurbishing activities could adversely affect our financial condition, liquidity or results of operations.

Our business has greater sales opportunities when construction is strong and, conversely, has fewer opportunities when such activity declines. The cyclical nature of commercial and residential construction and remodeling and refurbishing activities tends to be influenced by prevailing economic conditions, including the rate of growth in GDP, prevailing interest rates, government spending patterns, business, investor and consumer confidence and other factors beyond our control. Prolonged downturns in construction activity could have a material adverse effect on our financial condition, liquidity or results of operations.

We are subject to various environmental, safety and health regulations that may subject us to costs, liabilities and other obligations, which could have a material adverse effect on our business, results of operations and financial condition.

The production in our PRC facility is subject to various environmental, safety and health and other regulations that may subject us to costs, liabilities and other obligations which could have a material adverse effect on our business. The applicable requirements under these laws are subject to amendment, to the imposition of new or additional requirements and to changing interpretations of agencies or courts. We could incur material expenditures to comply with new or existing regulations, including fines and penalties and increased costs of our operations. Additionally, future laws, ordinances, regulations or regulatory guidelines could give rise to additional compliance or remediation costs that could have a material adverse effect on our business, results of operations and financial condition.

Various PRC environmental laws govern the use of our facilities. These laws govern such matters as:

- Discharge to air and water;
- Handling and disposal of solid and hazardous substances and waste, and
- Remediation of contamination from releases of hazardous substances in our facilities and off-site disposal locations.

The production in our PRC facility is also governed by PRC laws relating to workplace safety and worker health, which, among other things, establish noise standards and regulate the use of hazardous materials and chemicals in the workplace. We have taken, and will continue to take, steps to comply with these laws. If we fail to comply with present or future environmental or safety regulations, we could be subject to future liabilities. However, we cannot ensure that complying with these environmental or health and safety laws and requirements will not adversely affect our business, results of operations and financial condition.

We may be exposed to litigation, claims and other legal proceedings in the ordinary course of business relating to our products or business, which could have a material adverse effect on our business, results of operations and financial condition.

In the ordinary course of business, we may be subject to a variety of work-related and product-related claims, lawsuits and legal proceedings, including those relating to product liability, product warranty, product recall, personal injury, and other matters that are inherently subject to many uncertainties regarding the possibility of a loss to our business. Such matters could have a material adverse effect on our business, results of operations and financial condition if we are unable to successfully defend against or resolve these matters or if our insurance coverage is insufficient to satisfy any judgments against us or settlements relating to these matters. Although we have product liability insurance, the policies may not provide coverage for certain claims against us or may not be sufficient to cover all possible liabilities. Further, we may not be able to maintain insurance at commercially acceptable premium levels. Additionally, adverse publicity arising from claims made against us, even if the claims are not successful, could adversely affect our reputation or the reputation and sales of our products.

Our business operations could suffer significant losses from natural disasters, catastrophes, fires, or other unexpected events.

Our business involves substantial investments in manufacturing facilities in our facility in China. The facility could be materially damaged by natural disasters, such as floods, tornadoes, hurricanes and earthquakes, or by fire or other unexpected events such as adverse weather conditions or other disruptions to our facilities, supply chain or our customer's facilities. We could incur uninsured losses and liabilities arising from such events, including damage to our reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on our business, financial condition and results of operations.

We may need to defend ourselves against patent or trademark infringement, or other intellectual property claims, which may be time-consuming and cause us to incur substantial costs.

Companies, organizations or individuals, including our competitors, may own or obtain patents, trademarks or other proprietary rights that would prevent or limit our ability to make, use, develop or sell our vehicles or components, which could make it more difficult for us to operate our business. We may receive inquiries from patent or trademark owners inquiring whether we infringe on their proprietary rights. Companies owning patents or other intellectual property rights relating to battery packs, electric motors, fuel cells or electronic power management systems may allege infringement of such rights. In response to a determination that we have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease development, sales, or use of vehicles that incorporate the asserted intellectual property;
- pay substantial damages;
- obtain a license from the owner of the asserted intellectual property right, which license may not be available on reasonable terms or at all;
- or redesign one or more aspects or systems of our trucks

A successful claim of infringement against us could materially adversely affect our business, prospects, operating results and financial condition. Any litigation or claims, whether valid or invalid, could result in substantial costs and diversion of resources.

Our business may be adversely affected if we are unable to protect our intellectual property rights from unauthorized use by third parties.

Failure to adequately protect our intellectual property rights could result in our competitors offering similar products, potentially resulting in the loss of some of our competitive advantage, and a decrease in our revenue which would adversely affect our business, prospects, financial condition and operating results. Our success depends, at least in part, on our ability to protect our core technology and intellectual property. To accomplish this, we will rely on a combination of patents, trade secrets (including know-how), employee and third-party nondisclosure agreements, copyright, trademarks, intellectual property licenses and other contractual rights to establish and protect our rights in our technology. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary information, including our technology and processes. In connection with our collaboration, partnership and license agreements, our rights to use licensed or jointly owned technology and intellectual property under such agreements may be subject to the continuation of and compliance with the terms of those agreements. In some cases, we may not control the prosecution, maintenance or filing of licensed or jointly owned patent rights, or the enforcement of such patents against third parties.

The protection of our intellectual property rights will be important to our future business opportunities. However, the measures we take to protect our intellectual property from unauthorized use by others may not be effective for various reasons, including the following:

- any patent applications we submit may not result in the issuance of patents; the scope of our issued patents may not be broad enough to protect our proprietary rights; our issued patents may be challenged and/or invalidated by our competitors;
- the costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement impracticable;
- current and future competitors may circumvent our patents;
- and our in-licensed patents may be invalidated, or the owners of these patents may breach our license arrangements.

Patent, trademark, and trade secret laws vary significantly throughout the world. Some foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States. Further, policing the unauthorized use of our intellectual property in foreign jurisdictions may be difficult. Therefore, our intellectual property rights may not be as strong or as easily enforced outside of the United States.

Our patent applications may not be granted, which may have a material adverse effect on our ability to prevent others from commercially exploiting products similar to ours.

We cannot be certain that we are the first inventor of the subject matter to which we have filed a particular patent application, or if we are the first party to file such a patent application. If another party has filed a patent application for the same subject matter as we have, we may not be entitled to the protection sought by the patent application. Further, the scope of protection of issued patent claims is often difficult to determine. As a result, we cannot be certain that the patent applications that we file will result in the issuance of patents, or that our issued patents will afford protection against competitors with similar technology. In addition, our competitors may design around our issued patents, which may adversely affect our business, prospects, financial condition or operating results.

We may face competition from a certain licensee to whom NBS granted a non-exclusive and worldwide right to use certain patents.

Pursuant to a licensing agreement between NBS and a certain licensee, dated September 10, 2021, NBS granted the licensee a non-exclusive and worldwide right to use certain patents and the licensee paid US\$1,000,000 licensing fee and US\$60,000 in expenses. The licensing agreement has a term of 10 years. If either party materially breaches the licensing agreement and fails to cure within 30 days after such breach, the non-breaching party can terminate the licensing agreement. The licensee is in the business of hardwood panels for interior surfaces. We entered into such licensing agreement with the goal of promoting our technologies in the flooring industry. We believe that a wider market acceptance of 3D printed flooring will further establish our brand, penetrate flooring markets and encourage innovation to a well-developed and static industry. However, if the licensee engages in either the vinyl flooring or interior panel industry, we may face direct or indirect competition from the licensee. If we cannot terminate the licensing agreement in time, such competition may impact our results of operation.

Our financial statements contain an explanatory paragraph regarding uncertainty as our ability to raise capital and therefore cast substantial doubt about our ability to continue as a going concern.

Our audited financial statements for the fiscal year ended December 31, 2022 and our unaudited financial statements for the three months ended March 31, 2023 contain an explanatory paragraph regarding substantial doubt that the Company would continue as a going concern. As of and for the three months ended March 31, 2023, the Company had a working capital deficit of \$4,626,300 and net cash used in operating activities of \$895,440. As of and for the fiscal year ended December 31, 2022, the Company had a working capital deficit of \$5,394,447 and net cash used in operating activities of \$3,648,766. The Company may not have adequate liquidity to remain solvent and settle its obligations when payment become due. This going concern opinion could materially limit our ability to raise additional funds through the issuance of equity or debt securities or otherwise. Future financial statements may include an explanatory paragraph with respect to our ability to continue as a going concern. Until we generate significant recurring revenues, we expect to satisfy our future cash needs through debt or equity financing. We cannot be certain that additional funding will be available to us on acceptable terms, if at all. If funds are not available, we may be required to delay, reduce the scope of, or eliminate our development plans. This may raise substantial doubts about our ability to continue as a going concern.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, misappropriation of assets and damage to our business relationships, all of which could negatively impact our business and results of operations.

Cyber incidents may result in disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs and litigation and damage to our tenants. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those we have outsourced. Any processes, procedures and internal controls that we implement, as well as our increased awareness of the nature and extent of a risk of a cyber-incident, do not guarantee that our financial results, operations, business relationships, confidential information or price of the common stock will not be negatively impacted by such an incident.

Insider or employee cyber and security threats are increasingly a concern for all companies, including us. In addition, social engineering and phishing are a particular concern for companies with employees. We are continuously working to deploy information technology systems and to provide employee awareness training around phishing, malware and other cyber risks to ensure that we are protected against cyber risks and security breaches. Such technology and training, however, may not be sufficient to protect us and our tenants from all risks.

As a smaller company, we use third-party vendors to assist us with our network and information technology requirements. While we carefully select these third-party vendors, we cannot control their actions. Any problems caused by these third parties, including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks and security breaches at a vendor could adversely affect our business and results of operations.

We may not be able to adequately address these additional risks. If we were unable to do so, our operations might suffer, which may adversely impact our results of operations and financial condition.

We may not be able to successfully implement our business strategies and future plans.

As part of our business strategies and future plans, we intend to expand our business and have some of our products manufactured to the United States. The plan will involve the following steps: (1) find a potential location, (2) conduct title searches and due diligence to the facility, (3) apply for a mortgage unless the facility is leased, (4) complete the purchase or sign the lease, (5) start renovations and improvements, if necessary, (6) purchase new equipment for manufacturing and pollution control, and (7) hire local labor to begin operations. As of the date of this prospectus, we are in the first step and have engaged a broker to find a suitable manufacturing location. We are looking for an existing industrial facility suitable for manufacturing use that supports our manufacturing requirements that has a well-developed transportation network that would meet the demands of the operation, is served by utilities, especially electricity, natural gas, water, sewer and high-speed telecommunications, has a favorable local employment pool and competitive operating costs (labor, utilities and taxes). We believe that finding a location will be the most time-consuming and challenging part of the plan. We intend to engage local experts to navigate local laws and requirements. The cost to set up manufacturing capabilities in the United States is expected to be approximately \$20 million. We plan to finance the purchase of the facility by a mortgage and profits from the operation. We expect to start manufacturing products in the United States in three to six months after this offering is completed. If the plans are successfully executed, we intend to maintain manufacturing in the United States and China in the short term. We plan to gradually shift manufacturing from China to the United States in the long term and eventually close the manufacturing sites in China. See “Business – Growth Strategies – Made in the United States” on page 58.

While we have planned such expansion based on our outlook regarding our business prospects, there is no assurance that such plans will be commercially successful or that the actual outcome of the plans will match our expectations. The success and viability of our plans are dependent upon our ability to successfully carry out our business strategies and future plans and implement strategic business development and marketing plans effectively and upon an increase in demand for our products and services by existing and new customers in the future.

Further, the implementation of our business strategies and future plans may require substantial capital expenditure and additional financial resources and commitments. There is no assurance that these business strategies and future plans will achieve the expected results or outcome such as an increase in revenue that will be commensurate with our investment costs or the ability to generate any cost savings, increased operational efficiency and productivity improvements to our operations. There is also no assurance that we will be able to obtain financing on terms that are favorable, if at all. If the results or outcome of our future plans do not meet our expectations, if we fail to achieve a sufficient level of revenue or if we fail to manage our costs efficiently, we may not be able to recover our investment costs and our business, financial condition, results of operation and prospects may be adversely affected.

We will grant share-based awards in the future. Exercise of the share options or restricted shares granted will increase the number of common stock in circulation, which may adversely affect the market price of our common stock.

On May 30, 2023, the Company adopted the 2023 Equity Incentive Plan, or the 2023 Plan, for the purpose of granting share based compensation awards to current or prospective employees, directors, officers, advisors or consultants of the Company or its affiliates and align their interests with ours. The maximum aggregate number of shares of common stock we are authorized to issue pursuant to all awards under the 2023 Plan is 4,000,000. As of the date of this prospectus, no shares of common stock were granted under the 2023 Plan. We may adopt other share incentive plans in the future that permits granting of share-based compensation awards to employees and directors, which will result in significant share-based compensation expenses to us.

Competition for highly skilled personnel is often intense and we may incur significant costs or not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Our ability to attract or retain highly skilled employees may be adversely affected by declines in the perceived value of our equity or equity awards. Furthermore, there are no assurances that the number of shares reserved for issuance under our share incentive plans will be sufficient to grant equity awards adequate to recruit new employees and to compensate existing employees.

Risks Related to Our Common Stock, Preferred Stock and this Offering

Our common stock may be prohibited from being traded on a national exchange under the Holding Foreign Companies Accountable Act (the “HFCA Act”) and the Consolidated Appropriations Act, 2023, if the Public Company Accounting Oversight Board (the “PCAOB”) is unable to inspect our auditors for two consecutive years. The delisting of our common stock, or the threat of their being delisted, may materially and adversely affect the value of your investment.

On May 20, 2020, the U.S. Senate passed the HFCA Act requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a national exchange. On December 2, 2020, the U.S. House of Representatives approved the HFCA Act. On December 18, 2020, the HFCA Act was signed into law.

On March 24, 2021, the SEC announced the adoption of interim final amendments to implement the submission and disclosure requirements of the HFCA Act. In the announcement, the SEC clarifies that before any issuer will have to comply with the interim final amendments, the SEC must implement a process for identifying covered issuers. The announcement also states that the SEC staff is actively assessing how best to implement the other requirements of the HFCA Act, including the identification process and the trading prohibition requirements.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act and on December 29, 2022, legislation entitled “Consolidated Appropriations Act, 2023” (the “Consolidated Appropriations Act”) was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCA Act by requiring the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading.

On September 22, 2021, the PCAOB adopted a final rule implementing the HFCA Act, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCA Act, whether the board of directors of a company is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction.

On December 2, 2021, the SEC issued amendments to finalize rules implementing the submission and disclosure requirements in the HFCA Act, which became effective on January 10, 2022. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions.

On December 16, 2021, the PCAOB issued a report on its determinations that it was unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in Mainland China and in Hong Kong because of positions taken by PRC and Hong Kong authorities in those jurisdictions.

On August 26, 2022, the PCAOB announced that it had signed a Statement of Protocol (the “Statement of Protocol”) with the CSRC and the Ministry of Finance of China. The terms of the Statement of Protocol would grant the PCAOB complete access to audit work papers and other information so that it may inspect and investigate PCAOB-registered accounting firms headquartered in China and Hong Kong. On December 15, 2022, the PCAOB announced that it was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong completely in 2022. The PCAOB vacated its previous 2021 determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong.

Our auditor, WWC, P.C., the independent registered public accounting firm that issued the audit report included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the United States and a U.S.-based accounting firm registered with the PCAOB, is headquartered in Mateo, CA and is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. WWC, P.C., is not headquartered in China or Hong Kong. Notwithstanding the foregoing, if the PCAOB determines that it cannot inspect or fully investigate our auditor at such future time, trading in our common stock will be prohibited under the HFCA Act and NYSE American may determine to delist our common stock.

Moreover, the recent developments would add uncertainties to our offering, and we cannot assure you whether SEC, NYSE American or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or the sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements. However, the recent developments would add uncertainties to our offering and we cannot assure you whether the national securities exchange we apply to for listing or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach, or experience as it relates to our audit.

The approval or filing requirements of the China Securities Regulatory Commission (CSRC) may be required in connection with this offering under PRC law.

The M&A Rules require an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the CSRC, prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, the interpretation and application of the regulations remain unclear, and this offering may ultimately require approval from the CSRC. If CSRC approval is required, it is uncertain whether it would be possible for us to obtain the approval and any failure to obtain or delay in obtaining CSRC approval for this offering would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies.

While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC counsel, Grandall Law Firm, that the CSRC's approval is not required for the listing and trading of our common stock on the NYSE American in the context of this offering, given that:

- the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation;
- we established our PRC subsidiaries by means of direct investment rather than by merger with or acquisition of PRC domestic companies; and
- no provision in this regulation clearly classifies contractual arrangements as a type of transaction subject to its regulation.

However, our PRC legal counsel, Grandall Law Firm, has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering and its opinions summarized above are subject to any new laws, regulations and rules or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC governmental agencies, including the CSRC, would reach the same conclusion as we do. If it is determined that CSRC approval is required for this offering, we may face sanctions by the CSRC or other PRC regulatory agencies for failure to seek CSRC approval for this offering. These sanctions may include fines and penalties on our operations in the PRC, limitations on our operating privileges in the PRC, delays in or restrictions on the repatriation of the proceeds from this offering into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our PRC subsidiaries or other actions that could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our common stock. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before the settlement and delivery of the common stock that we are offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the common stock we are offering, you would be doing so at the risk that the settlement and delivery may not occur.

In addition, on February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. On the same day, the CSRC held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that (1) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges, such as completion of registration in the market of the United States, but have not completed the overseas listing; and (2) domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges on or prior to the effective date of the Trial Measures, may reasonably arrange the timing for submitting their filing applications with the CSRC, and shall complete the filing before completion of their overseas offering and listing.

We have been closely monitoring the development in the regulatory landscape in China, particularly regarding the requirement of filings or approvals, including on a retrospective basis, from the CSRC, the CAC or other PRC authorities with respect to this offering. As of the date of this prospectus, we have not received any inquiry, notice, warning, sanction, or any regulatory objection to this offering from the CSRC, the CAC, or any other PRC authorities that have jurisdiction over our operations. However, if any filings, approval, review or other procedure is in fact required, we are not able to guarantee that we will obtain such filings, approval or complete such review or other procedure in a timely manner or at all. For any approval that we may be able to obtain, it could nevertheless be revoked and the terms of its issuance may impose restrictions on our operations and offerings relating to our securities. Any failure or perceived failure by us to comply with such filing requirements under the Trial Measures may result in forced corrections, warnings and fines against us, could materially hinder our ability to offer or continue to offer our securities and could cause the value of our securities to significantly decline or become worthless.

The offering price for our common stock may not be indicative of prices that will prevail in the trading market and such market prices may be volatile.

The offering price for our common stock will be determined by negotiations between us and the underwriters and does not bear any relationship to our earnings, book value or any other indicia of value. We cannot assure you that the market price of our common stock will not decline significantly below the offering price. The financial markets in the United States and other countries have experienced significant price and volume fluctuations in the last few years. Volatility in the price of our common stock may be caused by factors outside of our control and may be unrelated or disproportionate to changes in our results of operations.

You may experience extreme stock price volatility, including any stock-run up, unrelated to our actual or expected operating performance, financial condition or prospects, making it difficult for prospective investors to assess the rapidly changing value of our common stock.

Our common stock may be subject to extreme volatility that is seemingly unrelated to the underlying performance of our business. In particular, our common stock may be subject to rapid and substantial price volatility, low volumes of trades and large spreads in bid and ask prices, given that we will have relatively small public floats after this offering. Such volatility, including any stock-run up, may be unrelated to our actual or expected operating performance, financial condition or prospects.

Holder of our common stock may also not be able to readily liquidate their investment or may be forced to sell at depressed prices due to low volume trading. Broad market fluctuations and general economic and political conditions may also adversely affect the market price of our common stock. As a result of this volatility, investors may experience losses on their investment in our common stock. Furthermore, the potential extreme volatility may confuse the public investors of the value of our stock, distort the market perception of our stock price, our company's financial performance, public image, and negatively affect the long-term liquidity of our common stock, regardless of our actual or expected operating performance. If we encounter such volatility, including any rapid stock price increases and declines seemingly unrelated to our actual or expected operating performance and financial condition or prospects, it will likely make it difficult and confusing for prospective investors to assess the rapidly changing value of our common stock and understand the value thereof.

You will experience immediate and substantial dilution in the net tangible book value of our common stock purchased.

The offering price of our common stock is substantially higher than the net tangible book value per share of our common stock. Consequently, when you purchase our common stock in the offering and upon completion of the offering, you will incur immediate dilution of US\$3.43 per share, based on an assumed offering price of US\$4.00 per share, assuming the underwriters do not exercise the over-allotment option. In addition, you may experience further dilution to the extent that additional shares of common stock are issued upon the exercise of outstanding warrants or options we may grant from time to time.

We do not intend to pay dividends for the foreseeable future.

We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

If securities or industry analysts do not publish research or reports about our business, or if they publish a negative report regarding our shares of common stock, the price of our common stock and trading volume could decline.

The trading market for our common stock may depend in part on the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade us, the price of our common stock would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the price of our common stock and the trading volume to decline.

The market price of our common stock may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the offering price.

The offering price for our common stock will be determined through negotiations between the underwriters and us and may vary from the market price of our common stock following our offering. If you purchase our common stock in this offering, you may not be able to resell those shares at or above the offering price. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

Our management has broad discretion to determine how to use the funds raised in the offering and may use them in ways that may not enhance our results of operations or the price of our shares of common stock.

We anticipate that we will use the net proceeds from this offering to purchase 3D printing equipment and manufacturing facilities in the United States and for research and development of new products. Our management will have significant discretion as to the use of the net proceeds to us from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the market price of our shares of common stock.

NYSE American may apply additional and more stringent criteria for our initial and continued listing because we plan to have a small public offering and insiders will hold a large portion of the company's listed securities.

NYSE American Company Guide Section 101 provides NYSE American with broad discretionary authority over the initial and continued listing of securities in NYSE American and NYSE American may use such discretion to deny initial listing, apply additional or more stringent criteria for the initial or continued listing of particular securities, or suspend or delist particular securities based on any event, condition, or circumstance that exists or occurs that makes initial or continued listing of the securities on NYSE American inadvisable or unwarranted in the opinion of NYSE American, even though the securities meet all enumerated criteria for initial or continued listing on NYSE American. In addition, NYSE American has used its discretion to deny initial or continued listing or to apply additional and more stringent criteria in the instances, including but not limited to: (i) where the company engaged an auditor that has not been subject to an inspection by the PCAOB, an auditor that PCAOB cannot inspect, or an auditor that has not demonstrated sufficient resources, geographic reach, or experience to adequately perform the company's audit; (ii) where the company planned a small public offering, which would result in insiders holding a large portion of the company's listed securities. NYSE American was concerned that the offering size was insufficient to establish the company's initial valuation, and there would not be sufficient liquidity to support a public market for the company; and (iii) where the company did not demonstrate sufficient nexus to the U.S. capital market, including having no U.S. stockholders, operations, or members of the board of directors or management. Our public offering will be relatively small and the insiders of our Company will hold a large portion of the company's listed securities. NYSE American might apply additional and more stringent criteria for our initial and continued listing, which might cause a delay or even denial of our listing application.

As a "controlled company" under the rules of the NYSE American Company Guide, we may choose to exempt our Company from certain corporate governance requirements that could have an adverse effect on our public stockholders.

Lin Li, our Chairman of the Board, Chief Executive Officer, President, Secretary, and Treasurer, currently owns and will continue to own a majority of the voting power of our issued and outstanding common stock after the offering. Under the NYSE American Company Guide Section 801(a), a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company". A "controlled company" may elect not to comply with certain corporate governance requirements, including the requirement that a majority of our directors be independent, as defined in the NYSE American Company Guide, the requirement that our director nominees must be selected or recommended to the Board for determination, by either a Nomination Committee comprised solely of independent directors or by a majority of the independent directors, the requirement that we have a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws, and the requirement that compensation of the chief executive officer must be determined, or recommended to the Board for determination, either by a Compensation Committee comprised of independent directors or by a majority of the independent directors on its Board of Directors and that compensation for all other officers must be determined, or recommended to the Board for determination, either by such Compensation Committee or a majority of the independent directors on the company's Board of Directors. Although we do not intend to rely on the "controlled company" exemption under the NYSE American Company Guide, we could elect to rely on this exemption in the future. If we elect to rely on the "controlled company" exemption, a majority of the members of our Board of Directors might not be independent directors and our nominating and corporate governance and compensation committees might not consist entirely of independent directors. Accordingly, during any time while we remain a controlled company relying on the exemption and during any transition period following a time when we are no longer a controlled company, you would not have the same protections afforded to shareholders of companies that are subject to all of the NYSE American corporate governance requirements. Our status as a controlled company could cause our common stock to look less attractive to certain investors or otherwise harm our trading price.

Anti-takeover provisions in our charter documents and Nevada law could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock.

We are a Nevada corporation and the anti-takeover provisions of the Nevada Revised Statutes may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. An interested stockholder is a person who, together with the affiliates and associates, beneficially owns (or within the prior two years, did beneficially own) ten percent or more of the Company's capital stock entitled to vote.

In addition, our Articles of Incorporation and Bylaws may discourage, delay, or prevent a change in our management or control over us that stockholders may consider favorable. Our Articles of Incorporation and our Bylaws (i) authorize the issuance of "blank check" preferred stock that could be issued by our Board to thwart a takeover attempt; (ii) provide that vacancies on our Board, including newly created directorships, may be filled by a majority vote of directors then in office, and (iii) provide that the Board shall have the sole power to amend, modify or repeal the Bylaws.

We cannot predict the impact our multi-class structure may have on the stock price of our common stock.

We cannot predict whether our multi-class structure will result in a lower or more volatile market price of our common stock or in adverse publicity or other adverse consequences. For example, certain index providers have policies that restrict or prohibit the inclusion of companies with multiple-class share structures in certain of their indices, including the Russell 2000 and the S&P 500, S&P MidCap 400 and S&P SmallCap 600, which together make up the S&P Composite 1500. Beginning in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices. However, in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under the announced policies, our multi-class capital structure will make us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track those indices will not be investing in our stock. These policies may depress the valuations of publicly traded companies that are excluded from the indices compared to those of other similar companies that are included. Because of our multi-class structure, we will likely be excluded from certain of these indices and we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from stock indices would likely preclude investment by many of these funds and could make shares of our common stock less attractive to other investors. As a result, the market price of shares of our common stock could be adversely affected.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward looking statements that involve risks and uncertainties, principally in the sections entitled “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” All statements other than statements of historical fact contained in this prospectus, including statements regarding future events, our future financial performance, business strategy and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “should,” or “will” or the negative of these terms or other comparable terminology. Although we do not make forward looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under “Risk Factors” or elsewhere in this prospectus, which may cause our or our industry’s actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements.

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this prospectus. Before you invest in our securities, you should be aware that the occurrence of the events described in the section entitled “Risk Factors” and elsewhere in this prospectus could negatively affect our business, operating results, financial condition and stock price. Except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this prospectus to conform our statements to actual results or changed expectations.

ENFORCEABILITY OF CIVIL LIABILITIES

Although all of our directors (including director appointees) and officers are located in the United States, the assets of our PRC operations are located in the PRC. As a result, it may be difficult for a shareholder to effect service of process within the United States upon us or our PRC subsidiaries inside China. In addition, there is uncertainty as to whether the PRC would recognize or enforce judgments of U.S. courts against us or our PRC subsidiaries predicated upon the civil liability provisions of U.S. securities laws or those of any U.S. state.

We have been advised by Grandall Law Firm, our PRC legal counsel that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or other form of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against a company in China for disputes if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit. It will be, however, difficult for U.S. shareholders to originate actions in the PRC against us or our directors who are located in the PRC in accordance with PRC laws because we are incorporated under the laws of the State of Nevada and it will be difficult for U.S. shareholders, by virtue only of holding our common stock, to establish a connection to the PRC for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law. As a result of the foregoing, it would be very expensive and time-consuming for a stockholder to either seek to enforce a U.S. judgment in China or to commence an action in a Chinese court, with a strong likelihood that the stockholder will not be successful.

We have also been advised by Grandall Law Firm that it may also be difficult for a stockholder or overseas regulators to conduct investigations or collect evidence within China. For example, in China, there are significant legal and other obstacles to obtaining information needed for stockholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the authorities in China may establish a regulatory cooperation mechanism with its counterparts of another country or region to monitor and oversee cross-border securities activities, such regulatory cooperation with the securities regulatory authorities in the U.S. may not be efficient in the absence of a practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or “Article 177,” which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the territory of the PRC. Article 177 further provides that Chinese entities and individuals are not allowed to provide documents or materials related to securities business activities to foreign agencies without prior consent from the securities regulatory authority of the PRC State Council and the competent departments of the PRC State Council. While detailed interpretation of or implementing rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

USE OF PROCEEDS

After deducting the estimated underwriting discount, non-accountable expense allowance and offering expenses payable by us, we expect to receive net proceeds of approximately US\$9,670,000 from this offering, assuming an initial public offering price of US\$4.00 per share of common stock (the mid-point of the range set forth on the cover page of this prospectus) and assuming no exercise of the over-allotment option.

We plan to use the net proceeds of this offering to start manufacturing operations in the United States and to grow our business as follows:

Description of Use	Estimated Amount of Net Proceeds in US\$	Percentage of Net Proceeds
Acquisition of real estate, facilities and equipment in the United States	US\$ 4,351,500	45%
Product Development	US\$ 483,500	5%
Sales and Marketing Activities	US\$ 967,000	10%
General working capital	US\$ 3,868,000	40%
Total	US\$ 9,670,000	100%

The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the net proceeds of this offering. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus.

DIVIDEND POLICY

We plan to retain any earnings for the foreseeable future for our operations. We have never paid any dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements and such other factors as our board of directors deems relevant.

CAPITALIZATION

The following tables set forth our capitalization as of March 31, 2023:

- on an actual basis;
- on a pro forma as adjusted basis, giving effect to the completion of this offering of 3,000,000 shares of common stock (assuming the underwriters do not exercise the over-allotment option) at an assumed public offering price of US\$4.00 per share, which is the midpoint of the price range indicated on the cover of this prospectus, and to reflect the application of the proceeds after deducting the underwriting discount, non-accountable expense allowance and other estimated expenses.

You should read this table in conjunction with our financial statements and related notes appearing elsewhere in this prospectus and “Use of Proceeds”.

	As of March 31, 2023 (US\$)	
	Actual	Pro forma as adjusted
Bank borrowings— current	6,961,094	6,961,094
Bank borrowings – non-current	132,946	132,946
Total bank borrowings	7,094,040	7,094,040
Convertible Notes	436,987	436,987
Common stock, \$0.001 par value, 400,000,000 shares authorized, 20,000,000 shares issued and outstanding on an actual basis, 23,000,000 shares issued and outstanding on an as adjusted basis	20,000	23,000
Preferred stock, \$0.001 par value, 20,000,000 shares authorized, 5,000,000 shares issued and outstanding as of March 31, 2023	5,000	5,000
Subscription receivable	(25,000)	(25,000)
Additional Paid-in Capital	925,000	10,592,000
Retained earnings	2,004,096	2,004,096
Accumulated other comprehensive income	(396,155)	(396,155)
Total Stockholders’ Equity	2,532,941	12,202,941
Total Capitalization	10,063,968	19,733,968

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the offering price per share and the pro forma net tangible book value per share after the offering. Dilution results from the fact that the per share offering price is substantially in excess of the book value per share attributable to the existing stockholders for our presently outstanding shares of common stock. Our net tangible book value attributable to stockholders at March 31, 2023 was US\$2,532,941 or approximately US\$0.13 per share. Net tangible book value per share as of March 31, 2023 represents the amount of total assets less intangible assets (but includes land use right) and total liabilities, divided by the number of shares outstanding.

Upon the firm commitment offering is completed, we will have 23,000,000 shares of common stock outstanding upon completion of the offering, assuming the underwriters do not exercise the over-allotment option. Our post offering pro forma net tangible book value, which gives effect to receipt of the net proceeds from the offering and issuance of additional shares in the offering, but does not take into consideration any other changes in our net tangible book value after March 31, 2023, will be approximately US\$12,202,941 or approximately US\$0.53 per share. This would result in dilution to investors in this offering of approximately US\$3.47 per share or approximately 86.74% from the assumed offering price of \$4.00 per share. Net tangible book value per share would increase to the benefit of present stockholders by US\$0.40 per share attributable to the purchase of the shares by investors in this offering.

The following table sets forth the estimated net tangible book value per share after the offering and the dilution to persons purchasing shares.

	Firm Commitment Offering (US\$)
Assumed offering price per share	\$ 4.00
Net tangible book value per share as of March 31, 2023	\$ 0.13
Increase in net tangible book value per share after this offering	\$ 0.40
Net tangible book value per share after the offering	\$ 0.53
Dilution per share to new investors	\$ 3.47

A US\$1 increase (decrease) in the assumed initial public offering price of US\$4 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the as adjusted net tangible book value per share by US\$0.12, and increase (decrease) dilution to new investors by US\$0.12 per share, in each case assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts, non-accountable expense allowance and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional common stock in this offering, the as adjusted net tangible book value after the offering would be US\$0.59 per share, the increase in net tangible book value to existing stockholders would be US\$0.46 per share, and the dilution to new investors would be US\$3.41 per share, in each case assuming an initial public offering price of US\$4.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus.

The following table summarizes, on a pro forma basis as of March 31, 2023, the differences between the existing stockholders and the new investors with respect to the number of common stock purchased from us in this offering, the total consideration paid and the average price per share paid at the assumed initial public offering price of US\$4.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts, non-accountable expense allowance and estimated offering expenses. The total number of shares of common stock does not include shares of common stock issuable upon the exercise of the over-allotment option granted to the underwriters.

	Shares of Common Stock Purchased		Total Consideration		Average Price Per Share of Common Stock
			Amount		
	Number	Percent	US\$	Percent	US\$
Existing stockholders	20,000,000	87.0%	20,000	0.2 %	0.001
New investors	3,000,000	13.0%	12,000,000	99.8 %	4.00
Total	23,000,000	100.0%	12,020,000	100.00%	0.52

The pro forma as adjusted information as discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our common stock and other terms of this offering determined at the pricing.

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

The information set forth in this section contains certain “forward-looking statements”, including, among others (i) expected changes in our revenue and profitability, (ii) prospective business opportunities and (iii) our strategy for financing our business. Forward-looking statements are statements other than historical information or statements of current condition. Some forward-looking statements may be identified by use of terms such as “believes”, “anticipates”, “intends” or “expects”. These forward-looking statements relate to our plans, liquidity, ability to complete financing and purchase capital expenditures, growth of our business including entering into future agreements with companies, and plans to successfully develop and obtain approval to market our product. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Although we believe that our expectations with respect to the forward-looking statements are based upon reasonable assumptions within the bounds of our knowledge of our business and operations, in light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements in this prospectus should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting forward-looking statements. Our revenues and results of operations could differ materially from those projected in the forward-looking statements as a result of numerous factors, including, but not limited to, the following: the risk of significant natural disaster, the inability of our company to insure against certain risks, inflationary and deflationary conditions and cycles, currency exchange rates, and changing government regulations domestically and internationally affecting our products and businesses.

You should read the following discussion and analysis in conjunction with the Financial Statements and Notes attached hereto, and the other financial data appearing elsewhere in this prospectus.

US Dollars are denoted herein by “USD”, “\$” and “dollars”

Overview

We commenced operations in August 2013 with the establishment of NBS in Delaware.

In December 2013, NCP was established in China. Most of our products are manufactured through NCP.

In March 2014, Benchwick was established in Hong Kong. All the wholesale and distribution operations are conducted through Benchwick.

In April 2014, Marco was established in China. All the import/export of our products are conducted through Marco.

In February 2016, NDC was established in California. NDC is a distribution center in the United States and maintains a small inventory for retail sales.

In September 2017, Ringold was established in China. All of the raw materials are procured from third parties through Ringold.

In September 2018, Crazy Industry was established in China. Crazy Industry is the research and development hub.

In June 2020, Dotfloor was established in California. Dotfloor operates dotfloor.com, our online store that offers our vinyl flooring products to retail customers in the United States.

In March 2022, Northann, our current ultimate holding company, was incorporated in Nevada as part of the restructuring transactions in contemplation of our initial public offering. In connection with its incorporation, in April 2022, we completed a share swap transaction and issued common stock and Series A Preferred Stock of Northann to the then existing shareholders of NBS, based on their then respective equity interests held in NBS. NBS then became our wholly owned subsidiary.

Our revenue mainly consists of wholesale and retail of the vinyl flooring products, which are primarily marketed and sold in the United States and Canada.

We have also licensed some of our patents to other manufacturers with the goal to promote our technologies in the flooring industry. We believe that a wider market acceptance of 3D printed flooring will help establish our brand further and to penetrate the markets and encourages innovation and changes to an already developed and static industry.

Our cost refers to the cost of material and labor cost. The percentage of direct material was over 90% of the total cost of revenue. If the availability of direct materials (raw materials, packaging, sourced products, energy) decreases, or these costs increase, and we are unable to either offset or pass along increased costs to our customers, our financial condition, liquidity or results of operations could be adversely affected.

Key Factors that Affect Results of Operations

We believe the key factors that affect and could affect our affecting its financial condition and results of operations include the following:

- We may fail to innovate or offer new products which align with changing market and customer demand.
- Our business may face risks of clients' default on payment.
- We may not manage our growth effectively, and our profitability may suffer.
- Our reputation and brand recognition is crucial to our business. Any harm to our reputation or failure to enhance our brand recognition may materially and adversely affect our business, financial condition and results of operations.
- Increases in labor costs and market price of raw materials may adversely affect our gross margin and results of operations.
- Certain of our products have historically faced significant competition both in the United States and Canada markets, and we have successfully competed against our competitors with our customer service, quality products and rapid fulfilment of customer orders. However, our business could be adversely affected by competitors who reduce prices, improve quality of the products they offer or take other competitive actions, which may reduce our customers' purchases of products from us.
- Our business operations have been and may continue to be materially and adversely affected by the global supply chain disruption as a result of the COVID-19 pandemic.
- Rising inflation rate may adversely affect our results of operation. Recently, inflation has trended significantly higher than in prior periods, which may negatively impact our business. Ongoing labor shortages and surge of oil and gas price, driven in part by the COVID-19 pandemic, geopolitical issues and the war in Ukraine, continue to have adverse macroeconomics impact and may result in our cost overruns. In an effort to mitigate the impact, we have raised the price of products to cover increase in costs and slowed down investments on products with low profit-margins.

Impact of the COVID-19 Pandemic on Our Operations and Financial Performance

The COVID-19 pandemic has had a significant impact on the global economy since 2020, causing disruptions in supply chains, market performance, inflation, and recession. As a result, many customers have overstocked their inventory, leading to a slowdown in purchasing and sales. Our business is sensitive to macroeconomic events, including the COVID-19 pandemic. We have experienced certain disruptions to our business and further disruptions may occur that could materially affect our ability to obtain supplies, manufacture products or deliver inventory in a timely manner. Although we believe that we can manage its exposure to these risks, there is no guarantee that we will be able to do so in the future. The extent to which the COVID-19 pandemic continues to impact our operations, results of operations, liquidity and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the pandemic (including the possibility of further surges or variants of concern), the efficacy of the vaccination programs where we operate and sell products, supply chain disruptions, rising inflation, the ability to maintain sufficient qualified personnel due to labor shortages, employee illness, quarantine, willingness to return to work, vaccine and/or testing mandates, face-coverings and other safety requirements, or travel and other restrictions, and the actions taken by governments, businesses and individuals to contain the impact of the COVID-19 pandemic, as well as further actions taken to limit the resulting economic impact. Additionally, our suppliers and customers may also face the same and other challenges, which could lead to a decrease in construction and renovation spending and demand for our products and services. Accordingly, the COVID-19 pandemic and the related global reaction could have a material adverse effect on our business, results of operations and financial condition.

In the three months ended March 31, 2023, and the fiscal years ended December 31, 2022, 2021 and 2020, the cost of raw materials accounted for 31%, 65%, 58% and 76% of the total revenue, and the cost of shipping accounted for 6%, 18%, 16% and 6% of the total revenue, respectively. The fluctuation in raw materials cost as a percentage of the total revenue was due to the fluctuation in the price of raw materials. The decrease in shipping cost as a percentage of the total revenue from fiscal year 2022 to the three months ended March 31, 2023 was due to the significantly decreased freight cost since the middle of 2022. The increase in shipping cost as a percentage of the total revenue from fiscal year 2020 to fiscal year 2021 was partly due to the increase in shipping price and partly due to the fact that we had a predominantly DDP (delivered duty paid) shipping structure in fiscal year 2021 as compared to a predominantly FOB (free on board) shipping structure in fiscal year 2020. The increase in shipping cost as a percentage of the total revenue from fiscal year 2021 to the fiscal year 2022 was due to the increased freight cost per shipment as our revenue decreased in 2022. In an effort to mitigate the impacts, we have raised the price of the products and extended shipping planning from two months to six months in advance. If the supply chain disruptions continue and we cannot develop alternate sourcing quickly on favorable terms, we may experience additional increased cost and delay in delivery of our products, which could result in loss of sales and loss of customers, and adversely impact our margins and results of operation.

To mitigate the disruption on supply chain caused by the Covid-19 pandemic, during the fiscal year ended December 31, 2022, we purchased finished products from traditional manufacturers in Belgium, Brazil, Vietnam and Indonesia and sold and delivered those products to our customers in the United States. We decided to do so because the supply chain in and out of China was significantly interrupted due to the constant lock down in different region across China in 2022. In addition, we cut cost on tariff by having shipments into the United States from these countries instead of from China.

See “Risk Factors—Risks Related to Our Business and Industry— Our financial condition and results or operations have been and will likely continue to be adversely impacted by the COVID-19 pandemic and the related downturn in economic conditions” on page 25.

Critical Accounting Policies and Estimates

Use of Estimates

The preparation of these consolidated financial statements requires management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an on-going basis, the Company evaluates its estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Identified below are the accounting policies that reflect the Company’s most significant estimates and judgments, and those that the Company believes are the most critical to fully understanding and evaluating its consolidated financial statements.

During the period from March 2020 to May 2023, the World Health Organization declared coronavirus COVID-19 a global pandemic. The COVID-19 pandemic has negatively impacted the global economy, workforces, customers, and created significant volatility and disruption of financial markets. The pandemic may impact Company’s future estimates including, but not limited to, our allowance for doubtful accounts, inventory valuations, fair value measurements, asset impairment charges. It is not possible for the Company to predict the duration or magnitude of the adverse results of the pandemic and its effects on its business or results of operations at this time.

Revenue Recognition

The Company recognizes revenues when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. The Company recognizes revenues following the five-step model prescribed under ASU No. 2014-09: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) the Company satisfies the performance obligation.

Revenue for sales of products which are primarily comprised of hardwood floors and three-dimensional printed flooring are recognized at the time of delivery of the products set forth in contracts with customers. At the time of delivery, physical and legal control of the asset is passed from the Company to its customer, at which time the Company believes it has satisfied the single performance obligation to complete a sales transaction in order to recognize revenue. The Company’s contracts do not allow for returns, refunds, or warranties; however, it is customary in the industry to manufacturers to ship a small portion of extra product to allow for product quality issues. Also, as matter of good business practice, under very specific situations, the Company has historically agreed to provide minor discounts to customers who made complaints on products purchased. The Company has recorded these costs as period expenses when incurred as the Company is not able to reliably estimate such future expenses.

With respect to patent licensing, the Company grants the use of certain intellectual property to its customer for a fixed fee over a specified length of time. The management believes that patent licensing should be interpreted as a single performance obligation and revenues from patent licensing should be recognized over time.

Revenues are recognized when control of the promised goods or services is transferred to our customers, which may occur at a point in time or over time depending on the terms and conditions of the agreement, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Practical expedients and exemption

The Company has not incurred any costs to obtain contracts and does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

The Company typically enters into agreements with its customers where its set forth the product to be sold, the price, payment terms, and any antecedent terms such as shipping and delivery specifications; these terms and conditions are most typically specified in purchase order issued by its customers to the Company. The Company typically recognizes revenue at point in time, which is when physical possession and legal title are transferred to the customer. The location of transfer may be a shipping port or a specified destination; at this point the customer reasonably expect to pay for the product, or in the event where it has paid in advance. The Company’s performance obligation has been satisfied and the funds are considered earned by the Company. If the Company sells products on account to customers, they are typically paid within 90 days. Any funds received in advance for the products yet to be transferred to its customer are contract liabilities that are recorded as unearned revenue on the Company’s consolidated balance sheets. \$1,667,355, \$1,389,292 and \$278,350 where recognized as revenue from unearned revenue during the years ended December 31, 2022, 2021 and 2020.

Fair Value of Financial Instruments

U.S. GAAP establishes a three-tier hierarchy to prioritize the inputs used in the valuation methodologies in measuring the fair value of financial instruments. This hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three-tier fair value hierarchy is:

Level 1 – observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – include other inputs that are directly or indirectly observable in the marketplace.

Level 3 – unobservable inputs which are supported by little or no market activity.

The carrying value of the Company's financial instruments, including cash, accounts receivable, other current assets, accounts payable, and accruals and other payable approximate their fair value due to their short maturities.

In accordance with ASC 825, for investments in financial instruments with a variable interest rate indexed to performance of underlying assets, the Company elected the fair value method at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the accompanying consolidated statements of operations and comprehensive loss as other income (expense). To estimate fair value, the Company refers to the quoted rate of return provided by banks at the end of each period using the discounted cash flow method. The Company classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

As of December 31, 2022, 2021 and 2020, the Company had no investments in financial instruments.

Income tax

The Company accounts for income taxes using an asset and liability approach which allows for the recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigations based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the year incurred. GAAP also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The Company accounts for an unrecognized tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the tax authorities. The Company considers and estimates interest and penalties related to the gross unrecognized tax benefits and includes as part of its income tax provision based on the applicable income tax regulations.

The Company did not accrue any liability, interest or penalties related to uncertain tax positions in the provision for income taxes line of the consolidated statements of operations for the year ended December 31, 2022. The Company had no uncertain tax position for the years ended December 31, 2022, 2021 and 2020.

Recent Accounting Pronouncements

See the discussion of the recent accounting pronouncements contained in Note 2 to the consolidated financial statements, “Summary of Significant Accounting Policies”.

Results of Operations

Comparison for the Three Months Ended March 31, 2023 and 2022

The following table sets forth key components of our results of operations for the three months ended March 31, 2023 and 2022, both in dollars and as a percentage of our revenues.

	Three Months Ended March 31,			
	2023		2022	
	Amount	of Revenue	Amount	of Revenue
Revenues	2,734,933	100.00%	7,659,068	100.00%
Cost of revenues	1,484,991	54.30%	5,620,988	73.39%
Gross profit	1,249,942	45.70%	2,038,080	26.61%
Operating expenses				
Selling expenses	198,491	7.26%	272,443	3.56%
General and administrative expenses	355,127	12.98%	250,245	3.27%
Research and development expenses	300,212	10.98%	478,872	6.25%
Finance Cost	-	-	-	-
Income from operations	396,112	14.48%	1,036,520	13.53%
Other Income (expenses)				
Interest expense	(87,737)	(3.21)%	(87,175)	(1.14)%
Amortization of debt discounts	(123,288)	(4.51)%	-	%
Other income	159	0.01%	8,564	0.11%
Other expenses	-	0.00%	(1)	(0.00)%
Exchange loss	5,600	0.20%	5,374	(0.07)%
Net Income before taxes	190,846	6.98%	963,282	12.58%
Income tax benefit (expenses)	(5,380)	(0.20)%	(13,841)	(0.18)%
Net income	185,466	6.78%	949,441	12.40%
Other comprehensive loss				
Foreign currency translation adjustment	373,736	13.67%	1,264,491	16.51%
Total comprehensive income	559,202	20.45%	2,213,932	28.91%

Revenues. Our revenues were \$2,734,933 for the three months ended March 31, 2023, representing a decrease of \$4,924,135 or 64% from \$7,659,068 for the three months ended March 31, 2022. The decrease was mainly due to a decrease in sales volume in the three months ended March 31, 2023 as compared to the same period in 2022. The COVID-19 pandemic has caused significant disruptions to the global economy since 2020. One of the main impacts has been on the supply chain, with factory shutdowns and transportation delays leading to a decrease in the availability of goods. This has resulted in a decrease in market performance and an increase in inflation, as demand for goods outstrips supply.

In response to the uncertainty caused by the pandemic, many customers have overstocked their inventory in 2021 and 2022. They have done this to ensure that they have enough stock to meet their needs in case of further disruptions to the supply chain. However, this has led to a slowdown in purchasing and sales, as customers are reluctant to purchase additional inventory until they have depleted their existing stock.

This slowdown in purchasing and sales has had a knock-on effect on the economy, as it reduces the demand for goods and services. This, in turn, has led to a decrease in production and orders, contributing to the overall industry challenges caused by the pandemic.

	Three Months Ended March 31,	
	2023	2022
Sales of products	\$ 2,709,933	\$ 7,634,068
Patent licensing	\$ 25,000	\$ 25,000
Total	\$ 2,734,933	\$ 7,659,068

Cost of revenues. Our cost of revenues was \$1,484,991 for the three months ended March 31, 2023, compared to \$5,620,988 for the same period in 2022. Cost of revenues refers to the cost of material and labor cost; the percentage of direct material was over 90% of the total cost of revenues. The decrease of cost of revenues compared to the three months ended March 31, 2022 was primarily due to the corresponding decrease in revenues, and higher production efficiency. We paid tariffs of \$60,309 during the three months ended March 31 2023, and \$171,554 during the three months ended March 31 2022. The decrease in tariff was mainly due to decrease in revenue.

Gross profit and gross margin. Our gross profit was \$1,249,942 for the three months ended March 31, 2023, compared with a gross profit of \$2,038,080 for the same period in 2022. Gross margin increased from 26.61% for the three ended March 31, 2022 to 45.70% for the three months ended March 31, 2023 higher production efficiency.

Selling expenses. As shown below, our selling expenses consist primarily of compensation and benefits to our selling department and other expenses incurred in connection with general operations. Our selling expenses decreased by \$73,952 to \$198,491 for the three months ended March 31, 2023, from \$272,443 for the same period in 2022. Freight insurance decreased by \$100,220 compared to the three months ended March 31, 2022 due to decrease in revenue.

	March 31, 2023		March 31, 2022		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Salaries and Social Insurance	92,284	46.49%	96,708	35.50%	(4,424)	(4.58)%
Freight insurance	18,286	9.21%	118,506	43.50%	(100,220)	(84.57)%
Rent	6,627	3.34%	9,747	3.58%	(3,120)	(32.01)%
Advertising fee	31,708	15.98%	32,002	11.74%	(294)	(0.92)%
Travel fee	49,543	24.96%	15,480	5.68%	34,063	220.05%
Others	43	0.02%	-	0.00%	43	0.00%
Total selling expenses	<u>198,491</u>	<u>100.00%</u>	<u>272,443</u>	<u>100.00%</u>	<u>(73,952)</u>	<u>(27.14)%</u>

General and administrative expenses. As shown below, our general and administrative expenses consist primarily of compensation and benefits to our general management, finance and administrative staff, professional fees and other expenses incurred in connection with general operations. Our general and administrative expenses increased by \$104,882 to \$355,127 for the three months ended March 31, 2023, from \$250,245 for the same period in 2022. The increase was mainly caused by the increase of service fees for legal, auditing and other professional services in connection with our plan for equity financing.

	March 31, 2023		March 31, 2022		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Salary and Social Insurance	44,491	12.53%	65,509	26.18%	(21,018)	(32.08)%
Service fees	155,590	43.81%	65,186	26.05%	90,404	138.69%
Royalty fee	6,902	1.95%	6,658	2.66%	244	3.66%
Entertainment expenses	15,530	4.37%	21,500	8.59%	(5,970)	(27.77)%
Taxation	-	0.00%	807	0.32%	(807)	(100.00)%
Depreciation and amortization	34,975	9.85%	39,664	15.85%	(4,689)	(11.82)%
Bad debt	-	0.00%	-	0.00%	-	0.00%
Rent	11,377	3.20%	5,050	2.02%	6,327	125.29%
Travel fee	28,666	8.07%	9,830	3.93%	18,836	191.62%
Office expenses	25,208	7.10%	17,243	6.89%	7,965	46.19%
Other	32,388	9.12%	18,798	7.51%	13,590	72.29%
Total general and administrative expenses	<u>355,127</u>	<u>100.00%</u>	<u>250,245</u>	<u>100.00%</u>	<u>104,882</u>	<u>41.91%</u>

Research and development expenses. Our research and development expenses were \$300,211 for the three months ended March 31, 2023, compared to \$478,872 for the same period last year. The decrease was primarily due to relatively high research and development expenditures in prior years.

Income tax expense. Our Income tax expense was \$5,380 for the three months ended March 31, 2023 and \$13,841 for the three months ended March 31, 2022.

Net income. As a result of the cumulative effect of the factors described above, our net income was \$185,466 for the three months ended March 31, 2023 and \$949,441 for the three months ended March 31, 2022. The decrease was primarily due to the decrease in revenue.

Comparison of Years Ended December 31, 2022, 2021 and 2020

The following table sets forth key components of our results of operations during the years ended December 31, 2022, 2021 and 2020, both in dollars and as a percentage of our revenues.

	December 31, 2022		December 31, 2021		December 31, 2020	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenues	20,957,972	100.00%	34,525,344	100.00%	13,094,087	100.00%
Cost of revenues	15,203,140	72.54%	28,693,584	83.11%	8,573,333	65.47%
Gross profit	5,754,832	27.46%	5,831,760	16.89%	4,520,754	34.53%
Operating expenses						
Selling expenses	1,049,529	5.01%	1,252,240	3.63%	1,018,003	7.77%
General and administrative expenses	1,159,099	5.53%	1,099,767	3.19%	1,081,153	8.26%
Research and development expenses	1,468,989	7.01%	2,334,126	6.76%	1,872,216	14.30%
Income from operations	2,077,215	9.91%	1,145,627	3.32%	549,382	4.20%
Other Income (expenses)						
Interest expense	(366,881)	(1.75)%	(6,568)	(0.02)%	(2,113)	(0.02)%
Amortization of debt discounts	(313,699)	(1.50)%	-	-	-	-
Other income	36,462	0.17%	55,508	0.16%	162,307	1.24%
Other expenses	(172,857)	(0.82)%	(8,410)	(0.02)%	(40,556)	(0.31)%
Exchange loss	(204,197)	(0.97)%	(306,786)	(0.89)%	(265,217)	(2.03)%
Net Income before taxes	1,056,043	5.04%	879,371	2.55%	403,803	3.08%
Income tax benefit (expenses)	(126,984)	(0.61)%	(556,689)	(1.61)%	40,296	0.31%
Net income	929,059	4.43%	322,682	0.93%	444,099	3.39%
Other comprehensive loss						
Foreign currency translation adjustment	522,677	2.49%	313,035	0.91%	(623,281)	(4.76)%
Total comprehensive income	1,451,736	6.93%	635,717	1.84%	(179,182)	(1.37)%

Revenues. Our revenues were \$20,957,972 for the year ended December 31, 2022, representing a decrease of \$13,567,372 or 39% from \$34,525,344 for the year ended December 31, 2021. The decrease was mainly due to the lower turnover of stock inventory and a decrease in sales volume for the year ended December 31, 2022 as compared to the same period of 2021. In response to the supply chain disruptions in 2021 and the first half of 2022, some of our customers stockpiled our products and placed orders in large quantity in 2021, causing their demands to decrease in 2022. In addition, due to the slowdown in consumer spending in the United States in 2022, we received less orders from our customers for the year ended December 31, 2022 as compared to the same period in 2021.

Our revenues were \$34,525,344 for the year ended December 31, 2021, representing an increase of \$21,431,256 or 164% from \$13,094,087 for the year ended December 31, 2020. The increase was mainly due to an increase in our 3D printed products offered as a result of the implementation of a more advanced 3D printing technology, and an increase in patent licensing revenue that was initiated during 2021. The customer base increased as a result of our marketing efforts combined with businesses in the United States reopening after being closed due to the COVID-19 pandemic.

	For the Years Ended December 31,		
	2022	2021	2020
Sales of products	\$ 20,857,972	\$ 34,498,857	\$ 13,094,087
Patent licensing	\$ 100,000	\$ 26,487	\$ -
Total	\$ 20,957,972	\$ 34,525,344	\$ 13,094,087

Cost of Revenue. Our cost of revenues was \$15,203,140 for the year ended December 31, 2022, compared to \$28,693,584 for the same period in 2021. Cost of revenues refer to the cost of material and labor cost. The percentage of direct material was over 90% of the total cost of revenues. The decrease of cost of revenues compared to the year ended December 31, 2021 was primarily due to the corresponding decrease in revenues, and higher raw material cost impacted by the COVID-19 pandemic, as well as higher production cost due to better quality control we implemented during 2022. We paid tariffs of \$628,526 for the year ended December 31, 2022, and \$795,666 for the year ended December 31, 2021. The decrease in tariff was mainly due to a predominantly FOB (free on board) shipping structure in fiscal year 2022 as compared to a predominantly DDP (delivered duty paid) shipping structure in fiscal year 2021.

Our cost of revenues was \$28,693,584 for the year ended December 31, 2021, compared to \$8,573,333 for the same period in 2020. Cost of revenues refer to the cost of material and labor cost. The percentage of direct material was over 90% of the total cost of revenues. The increase of cost of revenues compared to 2020 was primarily due to the corresponding increase in revenues, and higher raw material cost impacted by the COVID-19 pandemic, as well as higher production cost due to better quality control we implemented during 2021. We paid tariffs of \$795,666 in 2021, and \$57,328 in 2020. The increase in tariff was mainly due to a predominantly DDP (delivered duty paid) shipping structure in fiscal year 2021 as compared to a predominantly FOB (free on board) shipping structure in fiscal year 2020.

Gross profit and gross margin. Our gross profit was \$5,754,832 for the year ended December 31, 2022, compared with a gross profit of \$5,831,760 for the same period in 2021. Gross margin increased from 16.89% during 2021 to 27.46% during 2022 due to lower shipment costs.

Our gross profit was \$5,831,760 for the year ended December 31, 2021, compared with a gross profit of \$4,520,754 for the same period in 2020. Gross margin decreased from 34.53% during 2020 to 16.89% during 2021 because of higher shipment costs.

Selling expenses. As shown below, our selling expenses consist primarily of compensation and benefits to our selling department and other expenses incurred in connection with general operations. Our selling expenses decreased by \$202,711 to \$1,049,529 for year ended December 31, 2022, from \$1,252,240 for the same period in 2021. The decrease in freight by \$212,999 compared to 2021 was due to lower volume of sales during 2022. Salaries and social insurance decreased by \$30,590 compared to 2021. The decrease of salaries and social insurance was due to the decrease in the number of staff from the sales department.

	December 31, 2022		December 31, 2021		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Salaries and Social Insurance	325,471	31.01%	356,061	28.43%	(30,590)	(8.59)%
Freight	464,158	44.23%	677,157	54.08%	(212,999)	(31.45)%
Rent	39,989	3.81%	38,886	3.11%	1,103	2.84%
Advertising fee	119,775	11.41%	19,479	1.56%	100,296	514.89%
Travel fee	100,136	9.54%	21,344	1.70%	78,792	369.15%
Others	-	-%	139,313	11.13%	(139,313)	(100.00)%
Total selling expenses	1,049,529	100.00%	1,252,240	100.00%	(202,711)	(16.19)%

As shown below, our selling expenses consist primarily of compensation and benefits to our selling department and other expenses incurred in connection with general operations. Our selling expenses increased by \$234,236 to \$1,252,240 for year ended December 31, 2021, from \$1,018,003 for the same period in 2020. The increase in freight by \$212,451 compared to 2020 was due to higher volume of sales during 2021. Salaries and social insurance increased by \$83,732 compared to 2020, the increase of salaries and social insurance was due to more business activities. The Company paid more expenses related to product sales.

	December 31, 2021		December 31, 2020		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Salaries and Social Insurance	356,061	28.43%	272,329	26.75%	83,732	30.75%
Freight	677,157	54.08%	464,706	45.65%	212,451	45.72%
Rent	38,886	3.11%	25,796	2.53%	13,090	50.74%
Advertising fee	19,479	1.56%	79,293	7.79%	(59,814)	(75.43)%
Travel fee	21,344	1.70%	22,376	2.20%	(1,032)	(4.61)%
Others	139,313	11.13%	153,503	15.08%	(14,190)	(9.24)%
Total selling expenses	1,252,240	100.00%	1,018,003	100.00%	234,237	23.01%

General and administrative expenses. As shown below, our general and administrative expenses consist primarily of compensation and benefits to our general management, finance and administrative staff, professional fees and other expenses incurred in connection with general operations. Our general and administrative expenses increased by \$59,332 to \$1,159,099 for the year ended December 31, 2022, from \$1,099,767 for the same period in 2021. The increase was mainly caused by the increase of service fees for legal, auditing and other professional services.

	December 31, 2022		December 31, 2021		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Salary and Social Insurance	172,575	14.89%	251,713	22.89%	(79,138)	(31.44)%
Service fees	427,635	36.89%	343,806	31.26%	83,829	24.38%
Royalty fee	24,231	2.09%	161,032	14.64%	(136,801)	(84.95)%
Entertainment expenses	77,740	6.71%	16,173	1.47%	61,567	380.68%
Taxation	89,424	7.71%	110,079	10.01%	(20,655)	(18.76)%
Depreciation and amortization	166,801	14.39%	103,270	9.39%	63,531	61.52%
Rent	36,102	3.12%	50,484	4.59%	(14,382)	(28.49)%
Travel fee	27,259	2.35%	16,371	1.49%	10,888	66.51%
Office expenses	53,201	4.59%	1,291	0.12%	51,910	4020.91%
Other	84,131	7.26%	45,548	4.14%	38,583	84.71%
Total general and administrative expenses	1,159,099	100.00%	1,099,767	100.00%	59,332	5.39%

As shown below, our general and administrative expenses consist primarily of compensation and benefits to our general management, finance and administrative staff, professional fees and other expenses incurred in connection with general operations. Our general and administrative expenses increased by \$18,615 to \$1,099,767 for the year ended December 31, 2021, from \$1,081,152 for the same period in 2020. The increase was mainly caused by the increase of service fees for legal, auditing and other professional services.

	December 31, 2021		December 31, 2020		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Salary and Social Insurance	251,713	22.89%	252,517	23.36%	(804)	(0.32)%
Service fees	343,806	31.26%	283,240	26.20%	60,566	21.38%
Royalty fee	161,032	14.64%	147,731	13.66%	13,301	9.00%
Entertainment expenses	16,173	1.47%	15,900	1.47%	273	1.72%
Taxation	110,079	10.01%	101,352	9.37%	8,727	8.61%
Depreciation and amortization	103,270	9.39%	137,232	12.69%	(33,962)	(24.75)%
Rent	50,484	4.59%	52,327	4.84%	(1,843)	(3.52)%
Travel fee	16,371	1.49%	7,925	0.73%	8,446	106.57%
Office expenses	1,291	0.12%	8,966	0.83%	(7,675)	(85.60)%
Other	45,548	4.14%	73,963	6.84%	(28,415)	(38.42)%
Total general and administrative expenses	1,099,767	100.00%	1,081,153	100.00%	18,614	1.72%

Research and development expenses. Our research and development expenses were \$1,468,989 for the year ended December 31, 2022, compared to \$2,334,126 for the same period in 2021. Our research and development expenses were \$2,334,126 for the year ended December 31, 2021, compared to \$1,872,216 for the same period in 2020. In 2021, Northann Corp made significant expenditures in research and development mainly due to investments in enhancing 3D printing technology and the development of Envision, an AI learning system. In 2022, expenditures decreased as a result of successfully implementing these innovations and improvements, leading to increased efficiency and performance.

Income tax expense. Our Income tax expense was \$126,984 for the year ended December 31, 2022 and income tax expense was \$556,689 for the year ended December 31, 2021.

Net income. As a result of the cumulative effect of the factors described above, our net income was \$929,059, and \$322,682 for the years ended December 31, 2022, 2021, respectively. The increase from 2021 to 2022 was primarily due to the significant decrease in research and development expenses in 2022 as previously discussed.

Liquidity and Capital Resources

As of March 31, 2023, December 31, 2022, 2021 and 2020, we had cash of \$91,941, \$251,100, \$748,814 and \$350,843. To date, we have financed our operations primarily through our business operations, and borrowings from our stockholders, related and unrelated parties.

The Company believes that its current levels of cash and cash flows from operations will be sufficient to meet its anticipated cash needs for at least the next twelve months. However, it may need additional cash resources in the future if it finds and wishes to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. If it determines that its cash requirements exceed its amounts of cash on hand or if it decides to further optimize its capital structure, it may seek to issue additional debt or equity securities or obtain credit facilities or other sources of funding.

The following table set forth a summary of its cash flows for the periods indicated:

	For the Years Ended		
	December 31,		
	2022	2021	2020
Net cash (used in) or provided by operating activities	\$ (3,648,766)	\$ 4,554,180	\$ (897,899)
Net cash (used in) investing activities	\$ (150,607)	\$ (1,318,965)	\$ (758,715)
Net cash provided by or (used in) financing activities	\$ 2,778,983	\$ (3,139,008)	\$ 2,142,680

Operating Activities

Net cash used in operating activities was \$895,440 for the three months ended March 31, 2023, as compared to \$964,368 net cash used in operating activities for the three months ended March 31, 2022.

The net cash used in operating activities for the three months ended March 31, 2023 mainly included our net income of \$185,466, a decrease in accounts receivable of \$478,162, an increase in inventories of \$1,233,379 and a decrease in accounts payable of \$775,741, as compared with balances on December 31, 2022. The net cash used in operating activities for the three months ended March 31, 2022 mainly included our net income of \$949,440, a decrease in accounts receivable of \$1,254,418, an increase in inventories of \$1,651,195 and a decrease in unearned revenue of \$1,459,159, as compared with balances on December 31, 2021.

Net cash used in operating activities was \$3,648,766 for the year ended December 31, 2022, as compared to \$4,554,180 net cash provided by operating activities for the year ended December 31, 2021. Net cash used in operating activities was \$897,899 for the year ended December 31, 2020.

The net cash used in operating activities for the year ended December 31, 2022 was mainly due to our net income of \$929,059, an increase in inventories of \$1,703,184, a decrease in accounts payable of \$1,483,555 and a decrease in unearned revenue of \$1,667,355.

The net cash provided in operating activities for the year ended December 31, 2021 mainly included our net income of \$322,682, an increase in accounts payable of \$3,197,285, which was partially offset by an increase in account receivables of \$1,154,428, an increase in inventory of \$594,025.

The net cash used in operating activities for the year ended December 31, 2020 mainly included our net income of \$444,099, an increase in other receivables of \$657,007, which was partially offset by an increase in inventory of \$1,340,944 and accounts payable of \$1,384,901. The receivable term is extended to accommodate the competitive market condition. The increase in accounts payable was significant because of higher raw material and logistics costs.

Investing Activities

Net cash used in investing activities was \$159,398 for the three months ended March 31, 2023, as compared to \$239,644 net cash used in investing activities for the three months ended March 31, 2022. The net cash used in investing activities for the three months ended March 31, 2023 mainly consisted of purchase of property and equipment and the payment for construction in process and land used right. The net cash used in investing activities for the three months ended March 31, 2022 also mainly included purchase of property and equipment and the payment for land used right.

Net cash used in investing activities was \$150,607 for the year ended December 31, 2022, as compared to \$1,318,965, net cash used in investing activities for the year ended December 31, 2021. The net cash used in investing activities for the year ended December 31, 2022 was mainly attributable to the payment of construction in process. The net cash used in investing activities for the year ended December 31, 2021 was mainly attributable to purchase of property and equipment and the payment of construction in process.

Net cash used in investing activities was \$1,318,965 for the year ended December 31, 2021, as compared to \$758,715, net cash used in investing activities for the year ended December 31, 2020. The net cash used in investing activities for the year ended December 31, 2021 mainly included purchase of property and equipment and the payment of construction in process. The net cash used in investing activities for the year ended December 31, 2020 mainly included purchase of property and equipment.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2023 was \$521,943, as compared to net cash used in financing activities of \$470,018 for the three months ended March 31, 2022. The change was mainly due to the borrowing amounting \$550,337 made by the related parties of our Company.

Net cash provided by financing activities for the year ended December 31, 2022 was \$2,778,983, as compared to net cash used in financing activities of \$3,139,008 for the year ended December 31, 2021. For the year ended December 31, 2022, we obtained loan borrowings of \$772,016, the short-term loan increased by \$776,236 and the long-term loan decreased by \$4,220, respectively. Amounts received from or related party increased by \$1,081,967. Two investors had invested in the Company for \$925,000 in total. For the year ended December 31, 2021, we obtained short-term loan borrowings of \$1,767,246 with the amounts repaid to related party of \$4,906,254.

Net cash used in financing activities for the year ended December 31, 2021 was \$3,139,008, as compared to net cash provided by financing activities of \$2,142,680 for the year ended December 31, 2020. For the year ended December 31, 2021, we obtained short-term loan borrowings of \$1,767,246, and related party payments of \$4,906,254. During the year of 2020, we obtained short-term borrowings of \$782,430.

Contractual Obligations

The Company's subsidiary NDC has an operating lease primarily for its corporate office and equipment. The lease contract was within three years and the renewal was at landlord's discretion.

Operating lease expenses were \$6,969 and \$6,768 for the three months ended March 31, 2023 and 2022, respectively.

Operating lease expenses were \$27,340, \$26,544 and \$8,760 for the years ended December 31, 2022, 2021 and 2020, respectively.

Off-Balance Sheet Transactions

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

JOBS Act

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, eases certain reporting requirements for qualifying public companies. We will qualify as an "emerging growth company" and under the JOBS Act will be allowed to comply with new or revised accounting pronouncements based on the effective date for private (not publicly traded) companies. We are electing to delay the adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Quantitative and Qualitative Disclosures about Market Risk

(a) Concentrations

During the three months ended March 31, 2023, two customers each accounted for 32.6% and 15% of the Company's revenues, respectively. During the three months ended March 31, 2022, two customers accounted for 60% and 13% of the Company's revenues. No other customer accounts for more than 10% of the Company's revenue for the three months ended March 31, 2023 and 2022.

As of March 31, 2023, two customers accounted for 71% of the Company's accounts receivable. As of March 31, 2022, six customers accounted for 89% of the Company's accounts receivable. No other customer accounts for more than 10% of the Company's accounts receivable for the three months ended March 31, 2023 and 2022.

During the three months ended March 31, 2023, five suppliers accounted for a total of 73% of the Company's cost of revenues. During the three months ended March 31, 2022, five suppliers accounted for a total of 36% of the Company's cost of revenues. No other supplier accounts for over 10% of the Company's cost of revenues.

As of March 31, 2023, no supplier accounted for 10% of the Company's accounts payable. As of March 31, 2022, one supplier accounted for 11% of the Company's accounts payable. No other supplier accounts for over 10% of the Company's accounts payable.

During the fiscal year ended December 31, 2022, two customers accounted for nearly 30% of the Company's revenues. During the fiscal year ended December 31, 2021, two customers accounted for nearly 28% of the Company's revenues. During the fiscal year ended December 31, 2020, two customers each accounted for 39% and 12% of the Company's revenues, respectively. No other customer accounts for more than 10% of the Company's revenue in the years ended December 31, 2022, 2021 and 2020.

As of December 31, 2022, five customers accounted for 90% of the Company's accounts receivable. As of December 31, 2021, five customers accounted for 91% of the Company's accounts receivable. As of December 31, 2020, three customers accounted for 100% of the Company's accounts receivable, respectively. No other customer accounts for more than 10% of the Company's accounts receivable for the years ended December 31, 2022, 2021 and 2020.

During the fiscal year ended December 31, 2022, three suppliers accounted for a total of 68% of the Company's cost of revenues. During the fiscal year ended December 31, 2021, five suppliers accounted for a total of 56% of the Company's cost of revenues. During the fiscal year ended December 31, 2020, two suppliers accounted for a total of 38% of the Company's cost of revenues. No other supplier accounts for over 10% of the Company's cost of revenues.

As of December 31, 2022, no supplier accounted for over 10% of the Company's accounts payable. As of December 31, 2021, one supplier accounted for 11% of the Company's accounts payable. As of December 31, 2020, two suppliers accounted for 22% of the Company's accounts payable.

(b) *Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. As of March 31, 2023 and 2022, December 31, 2022, 2021 and 2020, substantially all of the Company's cash were held by major financial institutions located in the PRC, which management believes are of high credit quality.

For the credit risk related to trade accounts receivable, the Company performs ongoing credit evaluations of its customers and, if necessary, maintains reserves for potential credit losses. Historically, such losses have been within management's expectations.

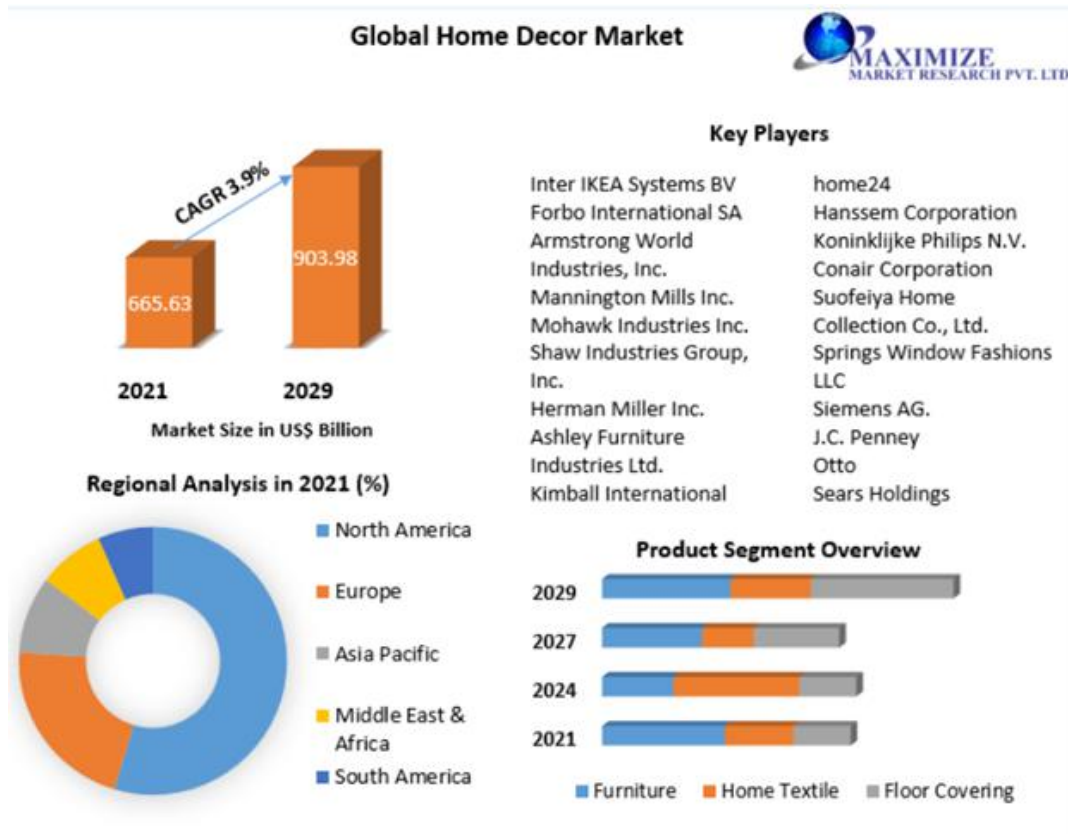
INDUSTRY

The decor industry covers a wide range of businesses, mainly involving residential, commercial buildings, infrastructure and other fields, including floor materials, plates, furniture and many other materials and products. Decor products are primarily used to in the decoration of interior and exterior of buildings, to further improve the durability, the aesthetic appeals and functions of buildings.

Flooring materials are indispensable materials in infrastructures, commercial buildings and residential decoration. Flooring materials include floors, carpets, ceramic tiles and other flooring fixtures, among which the new generation of flooring materials are the combination of natural and synthetic polymers and limestone-based materials. Such combinations could be manufactured in different forms, such as luxury vinyl tiles, composite floor tiles and vinyl planks. In recent years, the number of global infrastructure projects has increased dramatically, which has also increased the demand for flooring materials. The global vinyl flooring market is one of the beneficiaries of this trend, which is growing rapidly, and we believe that it will continue to grow in the future.

Industry Market

The following chart shows an overview of the global home decoration market in recent years:



(Source: Home Decor Market: Industry Analysis and Forecast (2022-2029) by Product Type, Distribution Channel, and Region, available at: <https://www.maximizemarketresearch.com/market-report/global-home-decor-market/21247/>)

In 2020, the global home decoration market was worth US \$665.63 billion. By 2029, it is expected to reach US \$903.98 billion, with a compound annual growth rate (“CAGR”) of 3.9% from 2022 to 2029. Our competitors include large global suppliers of flooring materials for residential and commercial use such as Mohawk, Floor Décor and Trex Company. The global regional market ranking: 1. North America, 2. Asia Pacific, 3. Europe, 4. Middle East and Africa, 5. South America.

The following chart shows the trend of the global flooring market in recent years:



(Source: Flooring Market Size By Product (Soft Coverings, Resilient Flooring, Non-resilient Flooring, Seamless Flooring), By Application (Residential, Commercial, Industrial) & Global Forecast, 2023 – 2032, available at: <https://www.gminsights.com/industry-analysis/flooring-market-size>)

In 2022, the global flooring market exceeded US \$440 billion. It is estimated that the CAGR will exceed 4% from 2023 to 2032, and the global flooring market will exceed US \$728.71 billion by 2032.

North America Flooring Market size surpassed USD 38.75 billion in 2020 and is anticipated to exhibit a CAGR of 5.1% between 2021 and 2027, in 2027 the market size in North America is expected to be USD 54.89 billion (source: North America Flooring Market Forecast 2027 By Application (Residential, Commercial, Industrial), By Product (Soft Coverings, Resilient Flooring LVT, VCT, Vinyl Sheet, Fiberglass, Linoleum, Non-Resilient Flooring Ceramic, Stone, Seamless Flooring), Research Report, Country Outlook (U.S., Canada), COVID-19 Impact Statistics, Price Trends, Historic Data, Growth Prospects, Competitive Industry Share, available at: <https://www.graphicalresearch.com/industry-insights/1904/north-america-flooring-market>)

The market value of vinyl flooring in 2022 was S \$29.10 billion, and it is expected to reach US \$50 billion by 2030, with a CAGR of 6.30% from 2023 to 2030. (Source: <https://www.verifiedmarketresearch.com/product/vinyl-flooring-market/>)

Influence of 3D Printing Technology on Industry

Vinyl flooring features high durability, low maintenance and affordable price. Vinyl flooring is waterproof and easy to clean. Vinyl flooring has the potential to improve air quality. Advanced technologies have made vinyl flooring almost indistinguishable from natural flooring (such as abundant wood and high-quality stone finishes). In addition, vinyl flooring comes in a wide variety of sizes, shapes, colors and patterns. Advanced technology has also encouraged innovation and customization in designs, which may have a positive impact on the market.

The emergence of 3D printing is one of the most disruptive innovations in the past two decades. 3D printing is a computerized process in which liquid molecules or powders are melted onto specific media (such as paper, textiles, etc.) to print or create three-dimensional objects. 3D printing simplifies the working mode of manufacturing industry, and product customization, modeling and design have been fully developed. Reduction of manufacturing and process costs is the key factor for the revenue growth of 3D printing market, and it is also the driving force for promoting the sustainable growth of the market. 3D printing is a faster and more durable, method of product development and production. 3D printing has no limitation on geometries and thus creates an endless list of possibilities

More and more people realize the use and benefits of 3D printing instead of conventional manufacturing methods, which we believe will further promote the growth of the market. The 3D printing market is expected to witness a healthy growth in North America as the region maintains a leading position catalyzed by its early and frequent adoption of this technology. Following North America, Europe, Italy, Germany, France and Sweden offer lucrative development opportunities for participants in the 3D printing market.

3D printing and adaptable robots shorten supply chain footprints, allow for digital inventory, and reduce materials waste while cutting costs and time-to-production. For examples, manufacturers can produce 3D-printed parts on demand, in single or small batch runs, to eliminate the need to hold physical inventory of spare and low volume parts. A “digital inventory” of part designs and printing instructions can combine with physical inventory of raw materials, to save storage space in warehouses. Manufacturers can place 3D printers near the destinations of end- product, to reduce supply chain footprints and shipping costs. 3D Printing allows manufacturers to use less storage place and reduce reliance on suppliers while saving time and cost.

In addition, on May 6, 2022, President Biden launched the “Additive Manufacturing Forward” (AM Forward) program, a voluntary compact between large, iconic manufacturers and their smaller U.S. based suppliers. Additive manufacturing is referred to more commonly as 3D printing. The AM Forward program identifies 3D printing as an instrumental technology to build supply chain resilience, and therefore improving industrial competitiveness.

We have the ability to manufacture decor materials by 3D printing technology. We use 3D printing technology to manufacture products in the decor industry and are the only manufacturer in the industry that uses 3D printing technology to manufacture vinyl flooring. We can make full use of the advantages of 3D printing technology to produce high-quality affordable vinyl flooring products more efficiently, with greater flexibility. In the future, we plan to apply 3D printing technology to more flooring materials, such as solid wood flooring and laminate flooring, and even to the manufacture of furniture, cabinets and other products.

In addition, environmental protection will be acted as the principal focus of the decor industry in the future development. Product development will concentrate on low-carbon footprint. Not only do we believe that green manufacturing will be adopted in the production process but also low-carbon development shall be integrated into the entire industrial chain. We plan to build a green industrial chain ecology, encourage circular economy, devote more to low-carbon, energy-saving and environmental protection. The computerized characteristics of 3D printing technology can effectively reduce production consumption and perfectly keep up with the growing trend of low carbonization.

CORPORATE HISTORY AND STRUCTURE

We commenced operations in August 2013 with the establishment of NBS in Delaware.

In December 2013, NCP was established in China. Most of our products are manufactured through NCP.

In March 2014, Benchwick was established in Hong Kong. All the wholesale and distribution operations are conducted through Benchwick.

In April 2014, Marco was established in China. All the import/export of our products are conducted through Marco.

In February 2016, NDC was established in California. NDC is a distribution center in the United States and maintains a small inventory for retail sales.

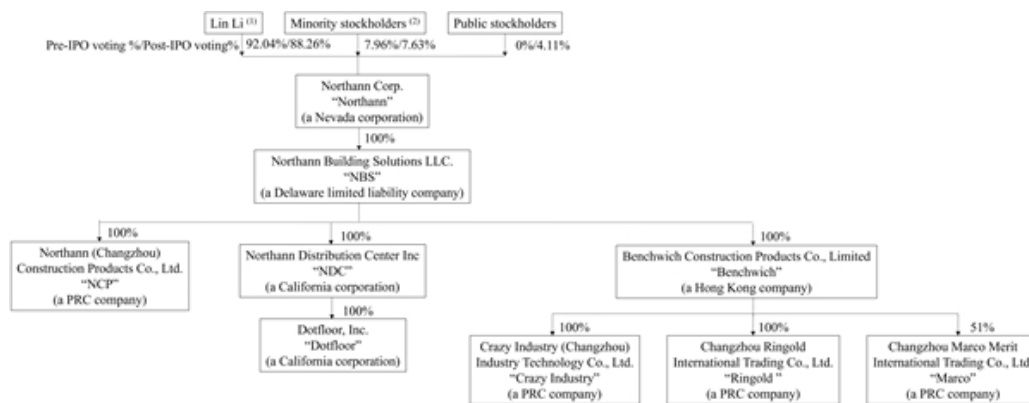
In September 2017, Ringold was established in China. All of the raw materials are procured from third parties through Ringold.

In September 2018, Crazy Industry was established in China. Crazy Industry is the research and development hub.

In June 2020, Dotfloor was established in California. Dotfloor operates dotfloor.com, our online store that offers our vinyl flooring products to retail customers in the United States.

In March 2022, Northann, our current ultimate holding company, was incorporated in Nevada as part of the restructuring transactions in contemplation of our initial public offering. In connection with its incorporation, in April 2022, we completed a share swap transaction and issued common stock and Series A Preferred Stock of Northann to the then existing stockholders of NBS, based on their then respective equity interests held in NBS. NBS then became our wholly owned subsidiary.

The following diagram illustrates our current corporate structure and upon completion of this offering based on a proposed number of 3,000,000 shares of common stock being offered, assuming no exercise of the over-allotment option. All percentages reflect the voting ownership interests instead of the equity interests held by each of our stockholders given that each holder of common stock is entitled to one vote per one share of common stock and each holder of Series A Preferred Stock is entitled to ten votes per one share of Series A Preferred Stock.



- (1) Represents an aggregate of 14,430,000 shares of common stock and 5,000,000 shares of Series A Preferred Stock held by Lin Li, as of the date of this prospectus.
- (2) Represents an aggregate of 5,570,000 shares of common stock held by 12 stockholders, each holding less than 5% of the total issued and outstanding common stock as of the date of this prospectus.

Permissions and Approvals

Our PRC subsidiaries are not operating in an industry that prohibits or limits foreign investment. In addition, as advised by our PRC counsel, Grandall Law Firm, other than those permissions or approvals required for a domestic company in China to engage in the businesses similar to ours, we are not required to obtain any permissions or approvals from Chinese authorities, including the China Securities Regulatory Commission (CSRC), Cyberspace Administration of China (CAC) or any other governmental agency that is required to operate the business of the PRC subsidiaries and to offer the securities of the Company to foreign investors. However, if we do not receive or maintain the permissions and approvals, or we inadvertently conclude that such permissions and approvals are not required, or applicable laws, regulations, or interpretations change such that we are required to obtain permission and approval in the future, we may be subject to investigations by competent regulators, fines or penalties, ordered to suspend our relevant operations and rectify any non-compliance, prohibited from engaging in relevant business or conducting any offering, and these risks could result in a material adverse change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless. See “Risk Factors – Risks Related to Doing Business in China – The PRC government exerts substantial influence over the manner in which our PRC subsidiaries conduct their business activities. The PRC government may also intervene or influence our operations and this offering at any time and may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or become worthless.” on page 19.

As of the date of this prospectus, our PRC subsidiaries have received from PRC authorities all requisite licenses, permissions or approvals needed to engage in the businesses currently conducted in China, and no permission or approval has been denied. Such licenses and permissions include a business license, the registration receipt of stationary pollution source discharge, the registration of foreign trade operator, and a customs declaration corporate registration certificate. The following table provides details on the licenses and permissions held by our PRC subsidiaries.

Company	License/Permission/Approval	Issuing Authority	Validity
Crazy Industry	Business License	Changzhou Municipal Administration for Market Regulation	Long term
Crazy Industry	Registration Receipts of Stationary Pollution Source Discharge	Ministry of Ecology and Environment of the People's Republic of China	Until June 19, 2025
Marco	Business License	Changzhou Municipal Administration for Market Regulation	Until April 22, 2034
Marco	Registration of Foreign Trade Operator	Changzhou Bureau of Commerce	Long term
Marco	Customs Declaration Corporate Registration Certificate	Changzhou Customs	Long term
Ringold	Business License	Changzhou Municipal Administration for Market Regulation	Until September 27, 2037
NCP	Business License	Changzhou Municipal Administration for Market Regulation	Until December 3, 2043
NCP	Registration Receipts of Stationary Pollution Source Discharge	Ministry of Ecology and Environment of the People's Republic of China	Until April 6, 2026

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the “Trial Measures”, and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. As of the date of this prospectus, we have not received any inquiry, notice, warning, sanction, or any regulatory objection to this offering from the CSRC, the CAC, or any other PRC authorities that have jurisdiction over our operations. According to Article 34 of the Trial Measures, domestic enterprises refer to enterprises registered and formed in the territory of the People’s Republic of China, including domestic companies limited by shares directly conducting overseas offering and listing and domestic operating entities of entities indirectly conducting overseas offering and listing. In addition, according to Article 2 of the Trial Measures, the “direct overseas offering and listing of domestic enterprises” refers to the overseas offering and listing of companies limited by shares registered and established in China. As advised by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, because the Company is not a company registered and formed in the territory of China, its listing on NYSE American is not “direct overseas offering and listing of domestic enterprises” as defined under the Trial Measures. Furthermore, according to Article 2 of the Trial Measures, the “indirect overseas offering and listing of domestic enterprises” refers to the overseas offering and listing of enterprises whose main business activities are in China, in the name of enterprises registered overseas, which offering and listing are based on the equity, assets, income or other similar rights and interests of the domestic enterprises. According to Article 15 of the Trial Measures, if an issuer meets both of the following conditions, it shall be deemed as a domestic enterprise conducting indirect offshore issuance and listing: (1) The proportion of a domestic enterprise’s operating income, total profit, total assets or net assets for the most recent accounting year, to the relevant data in the issuer’s audited consolidated financial statements for the same period, is more than 50%; (2) The issuer’s main business activities are conducted within China or its main premises are located in China, or the majority of its senior management personnel are Chinese citizens or reside in China on a regular basis. As further advised by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, the Company does not meet both the requirements under Article 15 of the Trial Measures and therefore its listing on NYSE American is not an “indirect overseas offering and listing of domestic enterprises”, considering that (i) the operating income and total profit of the Company’s subsidiaries that were established in China for the year ended December 31, 2022 do not account for more than 50% of the operating income and total profit in our consolidated financial statements for the same period, (ii) our main business is not conducted within China, and (iii) the majority of our senior management personnel are not Chinese citizens or reside in China on a regular basis. Therefore, as concluded by our PRC counsel, Beijing Gaopeng (Nanjing) Law Firm, we are not required to complete the record filing requirement under the Trial Measures. If we inadvertently conclude that such filing procedures are not required, or applicable laws, regulations, or interpretations change such that we are required to complete the filing procedures in the future, we may be subject to investigations by the regulators, fines or penalties, ordered to suspend our relevant operations and rectify any non-compliance, prohibited from engaging in relevant business or conducting any offering, and these risks could result in a material adverse change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless. See “Risk Factors – Risks Related to Doing Business in China – Uncertainties in the interpretation and enforcement of PRC laws and regulations and changes in policies, rules, and regulations in China, which may be quick with little advance notice, could limit the legal protection available to you and us.” “– The PRC government exerts substantial influence over the manner in which our PRC subsidiaries conduct their business activities. The PRC government may also intervene or influence our operations and this offering at any time and may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or become worthless.” and “– The approval or filing requirements of the China Securities Regulatory Commission (CSRC) may be required in connection with this offering under PRC law.”

BUSINESS

Overview

Our vision is to become a world class one-stop decorating solutions provider.

Our mission is to timely deliver high-quality and affordable products and to continue to actively participate in the further development of the additive manufacturing industry.

We bring additive manufacturing, commonly known as 3D printing, and the volume production of innovative building solutions, to your home or business. Our robust portfolio of manufacturing solutions relies upon the use of ink, coating, resin, sound padding, glue and other raw materials to create a wide variety of flooring, decking and other products for customers throughout North America, Europe and other regions under the brand name “Benchwick.” We believe that additive manufacturing is one of the most exciting and eco-friendly technologies in the market today. Previously, the U.S. Department of Energy estimated that, compared to traditional manufacturing, additive manufacturing might slash waste and materials cost by nearly 90% and cut manufacturing energy use by half.³ As of 2019, the Additive Manufacturing industry was valued at over \$14 billion and was expected to grow to \$23 billion this year.⁴

Innovation has always been our core value. Our commitment to new approaches in designing and manufacturing drives us to create new ways to improve how our core customers live and work. Crazy Industry invests substantial resources in research and product development and is committed to rapidly building new products and customizable and functional solutions to delight our customers. Crazy Industry’s product development team is committed to product design and development, and they focus their efforts on enhancing function, use, performance and flexibility of our products. As of the date of this prospectus, our subsidiaries, NBS, NCP and Crazy Industry, own a portfolio of over 60 granted or pending patents. The products reflect the evolving needs of the core customer’s home and business needs. We strive to make the products customizable, functional and affordable. Presently, NCP manufactures four proprietary solutions in vinyl flooring using innovative 3D printing technology: Infinite Glass, DSE, TruBevel and MattMaster. Each solution offers distinct functionalities and aesthetic finishes.

Our revenue mainly consists of wholesale and retail of the vinyl flooring products, which are primarily marketed and sold in the United States and Canada. During the fiscal year ended December 31, 2022, 2021 and 2020, 99.5%, 100% and 99.92% of our revenue came from vinyl flooring products and other decorative panels. During the three months ended March 31, 2023, 100% of our revenue came from vinyl flooring products and other decorative panels.

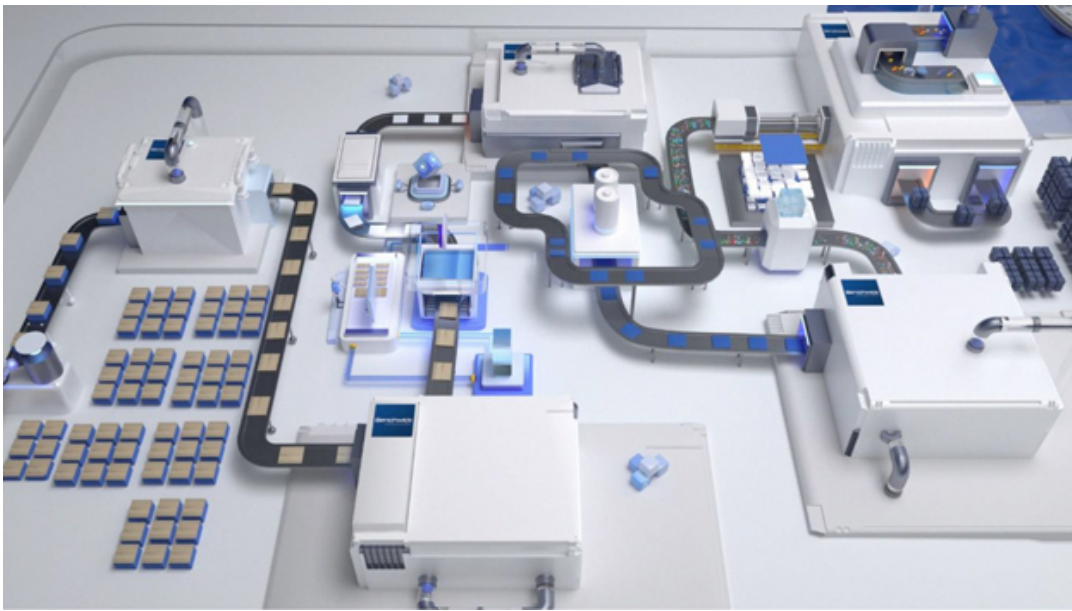
NBS has also licensed some of its patents to other manufacturers with the goal to promote the technologies covered by those patents in the flooring industry. We believe that a wider market acceptance of 3D printed flooring will help to establish the “Benchwick” brand further and penetrate the markets and encourages innovation and changes to an already developed and static industry. During the fiscal year ended December 31, 2022 and 2021, 0.5% and 0.08% of our revenue came from patent licensing. We did not have revenue from patent licensing during the fiscal year ended December 31, 2020 or the three months ended March 31, 2023.

We serve customers in North America (mainly the United States and Canada), Europe and other regions. During the fiscal year ended December 31, 2022, 85.50% of our revenue came from customers in the United States and 12.95% came from customers in Canada. During the fiscal year ended December 31, 2021, 91.53% of the revenue came from customers in the United States and 7.55% came from customers in Canada. During the fiscal year ended December 31, 2020, 69.64% of the revenue came from customers in the United States and 22.03% came from customers in Canada. During the three months ended March 31, 2023, 99.09% of our revenue came from customers in the United States. During the three months ended March 31, 2023 and the fiscal year ended December 31, 2022, 2021 and 2020, 0.91%, 0.49%, 0.84% and 8.32% of the revenue came from customers in Europe and less than 1% of the revenue came from customers in other regions.

3D Printing Technology

3D printers work similarly to traditional printers. The printing materials include ink and coating in liquid or powder forms, and are superimposed layer by layer onto the substrate. Our 3D printing devices use technologies including Fused Deposition Modeling (FDM) system and LED/electron beam-curing 3D printing technology. The characteristics are as follows:

- FDM systems and related technologies are currently the most accessible and widely used from consumer level to industrial level. 3D printers based on FDM technology print parts layer by layer from bottom to top by heating and extruding thermoplastic fibers (the most commonly used is ABS plastic). Production grade systems use a variety of standard, engineering and high performance thermoplastics with specific properties such as toughness, electrostatic dissipation, translucency, biocompatibility, ultraviolet resistance and high thermal flexure.
- LED-curing 3D printing technology is the earliest 3D printing technology and it is also a relatively developed 3D printing technology at present. The basic principle of this technology is to utilize the cumulative molding of materials, namely, to divide the shape of a three-dimensional target part into several planar layers, and scan the liquid photosensitive resin with a light beam of a certain wavelength, so that the scanned part can be cured, while the place not irradiated is still liquid, and finally each layer accumulates into the required target part, and the material utilization rate can reach 100%.



Our Products

Our 3D printed vinyl flooring panels consist of three layers, (i) the substrate, which is the main body of the plank, (ii) the decorative layer, which shows the color and patterns, and (iii) the surface layer, which can provide different textures and functionalities. We manufacture the substrate, and use 3D printing technologies to add the decorative layer and the surface layer. We have a “digital inventory” of part designs and printing instructions and a physical inventory of raw materials. Our production is on demand. We manufacture products in small batches and do not keep large physical inventory of the products. All of our products are phthalate-free, customizable, durable, heat resistant, corrosion resistant, UV resistant and water resistant.

³ Additive Manufacturing Building the Future Spotlight (energy.gov), by U.S. Department of Energy, Office of Technology Transitions, original published in April 2019 and updated in July 2019, https://www.energy.gov/sites/default/files/2019/07/f64/2019-OTT-Additive-Manufacturing-Spotlight_0.pdf.

⁴ Additive Manufacturing Building the Future Spotlight (energy.gov), by U.S. Department of Energy, Office of Technology Transitions, original published in April 2019 and updated in July 2019.

Our subsidiaries, NBS, NCP and Crazy Industry, own four proprietary 3D printing technologies for the production and manufacture of vinyl flooring, offering different functionalities and aesthetic finishes: Infinite Glass, DSE, TruBevel, and Mattmaster. NBS, NCP and Crazy Industry own a portfolio of over 60 granted or pending patents on these technologies.

Patented and Patent-Pending Technologies



Blue11
Sustainable Material Innovation



Envision
AI Generated Wood Pattern Designs



TrueBevel
Realistic Grout and Bevels



ArmorDual
Anti-Scratch and microbial Surface

MattMaster

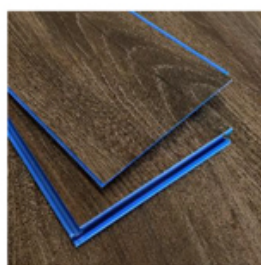
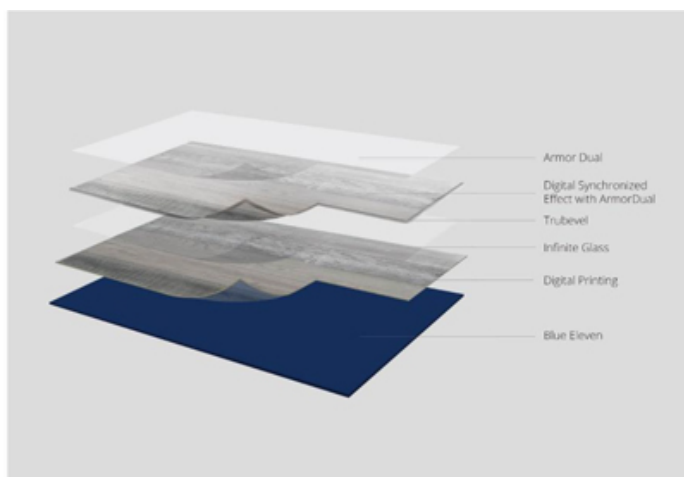
Mattmaster
Electron Beam Surface



DSE
Mechanical Embossing Patterns&Textures

Infinite Glass™

Infinite Glass
Ultra Transparent Durable Glass



Infinite Glass

Infinite Glass is a decorative panel with a transparent protective layer that deflects harmful UV rays away from the decorative layer underneath it. The protective layer is comprised of a polyurethane composition which is the reaction product of a polyester polyol, a polyether polyol and an isocyanate. Without such protective layer, UV rays can penetrate the material and overtime damage the floor and cause discoloration. Infinite Glass greatly increases durability and reduces discoloration.

DSE

DSE (Digital Synchronized Effect) is a revolutionary technology that generates defined and synchronized textures to mimic real wood or real tile haptic. It can generate a multi-layered embossing structure which is comprised of (i) at least one partially or fully cured base layer provided with a plurality of indentations, and (ii) at least one partially or fully cured elevated pattern layer formed by a plurality of elevations printed on top of said base layer.

TruBevel

TruBevel Technology can produce planks with pressed bevel effect, realistic grout designs and rustic edges, which provide more customization options.

ArmorDual

ArmorDual is a technology to infuse anti-microbial coatings as the top layer of planks. The ArmorDual coating is resistant to staining, mold and mildew that may cause unpleasant odor.

The MattMaster is an electron beam curing technology to cure protective coatings for flooring and other interior surfaces. The conventional curing process of coatings for flooring and other interior surfaces requires a lot of energy to develop sufficient heat and curing time. The MattMaster curing process relies on the high energy of accelerated electrons that creates a bridging density in resin molecules, and therefore saves energy and reduces environmental impact. Regardless of whether the flooring is rigid core, wood, laminate, we can produce a super low gloss with high product performance that is durable, anti-stain, anti-bacterial, color fading resistance for over 10 years. This technology can be used to create superior water-resistant dimensional stability to flooring and eliminate curling and cracking.

Blue Eleven

Blue Eleven is our sustainability initiative. The substrate layers of Blue Eleven products are made with 80% recycled ocean plastic, sanitized and processed for safe reuse.

Envision

Envision is a patent-pending artificial intelligence learning system, comprising processors and non-transitory program storage devices (NPSDs) capable of reading instructions executable by processors to generate decorative patterns, such as decorative floor panels, wall panels or ceiling panels. The algorithm can recognize the characteristics in a sample image, search our pattern database to find similar products that are already in our products lineup or generate a similar but distinctive pattern to be added to our products lineup. We plan to build a database of patterns that we already own and patterns generated by the algorithm, so that when a sample pattern is input into the system, the algorithm can recognize the characteristics in the sample image, search our pattern database to find similar products that are already in our products lineup or generate a similar but distinctive pattern to be added to our products lineup. With the assistance of such algorithm, we can save time and money on finding designs and offer more options to our customers. We believe we can also apply the algorithm to help customers find their desired products. By uploading pictures of desired products to the algorithm, we can find existing product in our lineup that fits the samples the most or generate a new design that combines all the features the customer desires.

Competition and Competitive Advantages

The floorcovering industry is highly competitive. We believe the principal competitive factors in our primary floorcovering markets are product design, quality and service. We compete with wood flooring and conventional vinyl flooring manufacturers and some of these manufacturers have greater financial resources than we do. Nevertheless, we believe we have competitive advantages in several areas. 3D printing offers customers limitless design with low labor and inventory cost. Our products are made to have a long and economically sustainable life cycle. In addition, our experience management team has led our business to a global success with sales in North America (mainly the United States and Canada), Europe and other regions.

Commitment to Innovation

Innovation has always been our core value. Our commitment to new approaches in designing and manufacturing drives us to create new ways to improve how our core customers live and work. We invest substantial resources in research and product development and are committed to rapidly building new products and customizable and functional solutions to delight our customers. Our product development team is committed to product design and development, and they focus their efforts on enhancing function, use, performance and flexibility of our products. As of the date of this prospectus, our subsidiaries, NBS, NCP and Crazy Industry own a portfolio of over 60 granted or pending patents on 3D printing technology for the production and manufacture of decorative products. We strive to make our products customizable, functional and affordable. We offer products of all sizes, styles and materials in accordance with the customers' needs, regardless of the order quantity. These advanced technologies also make our products natural, realistic, outstanding in wear resistance, scratch resistance, bacterium resistance and sound-proof effect. Our automated production lines provide short production cycle and great efficiency and minimize scrap rate and labor cost. We believe our technologies enhance our product performance and improve our flexibility and responsiveness to surging demand, supply chain fluctuations and labor shortages.

Advanced and Competitive Technologies

Traditional vinyl flooring is generally labor intensive and requires a large space and layout. Traditional vinyl flooring production usually requires 5 to 8 people per production line. During the production from raw materials to packages, the products need to be moved at least four times. 3D printing technology allows us to automate the production process and to lower labor costs. Our machinery can print multiple functional layers in one setting, and therefore requires less space to accommodate different machines. In addition, traditional vinyl flooring has a low barrier to entry with simple machinery. The 3D printed vinyl flooring market is much less competitive as we do not know of other manufacturers in the industry that use 3D printing technology to manufacture vinyl flooring. Moreover, because traditional vinyl flooring production usually have longer production cycle, traditional manufacturers usually manufacture in large quantities, which requires them to have large amount of inventory storage that includes films, wear layers and rigid cores. 3D printing, because it is automated with less labor requirement, can reduce the production time. As a result, we can produce 3D printed parts on demand, in single or small batches, to eliminate the need to hold physical inventory of spare and low volume parts. Furthermore, 3D printing allows us to provide more flexibility in design, pattern, shape and color, where traditional manufacturers are limited to the molds they have.

Limitless Customization

Conventional vinyl flooring manufacturers use molds, physical paper pressing or roller to generate three-dimensional pattern and texture on planks. Such methods are labor-intensive, and the design is limited by the number of molds. With 3D printing, we can achieve any combination of colors, patterns and finishes with a high degree of accuracy. We can tailor our products in accordance with specific requirements of our customers with no additional costs other than raw materials. We provide value to our customers with customization, affordability and short production cycle.

Low Labor and Inventory Cost

We usually start production after receiving an order from a customer because we have a short production cycle and can meet customers' demand without pre-producing and keeping a large inventory. This allows greater flexibility without incurring unnecessary cost on material, labor and inventory.

Rigorous Quality Control

Our quality management system conforms to the FloorScore, ISO 14001: 2014 and ISO 9001: 2015 quality management systems. We thrive to provide our customers with reliable and high-quality products.

Professionally recognized sustainable practices

Our sustainability goal is to minimize carbon emissions and offer products that have a long and economically sustainable life cycle. We follow the evaluation process as well as hazard screening and risk assessment of FloorScore Products Innovation Institute, a non-profit that promotes the highest standard of sustainable product design, for all new raw materials. We assess the chemicals present in a product and any risks of exposure to hazardous chemicals during the intended use and end-of-use phases of a product's lifecycle. Northann Corp's Subsidiary, Benchwick, has been nominated for the Greenstep 2023 International Award for Its 3D printing ecosystem and ocean-reclaimed plastic Blue11 core innovation. (Source: FCW, Floor Covering Weekly, May 8th 2023 Green Step Sustainability Awards Program (2023), Page 20, International 'Benchwick LLC', available at: <https://bt.e-ditionsbyfry.com/publication/?i=791262&p=20&view=issueViewer>).

Diversified Market Reach

We market and sell products in North America (mainly the United States and Canada), Europe and other regions. The diversified market reach mitigates any impact of changes in economic and political environment, regional industry trends and consumer preference. We continued to explore new markets and areas.

Experienced Management Team

Lin Li, our Chairman of the Board, Chief Executive Officer, President, Secretary, and Treasurer, has over 10 years of leadership experience in the flooring and furniture industry. David M. Kratochvil, our Chief Financial Officer, has over 30 years of investment experience ranging from venture capital, developed and emerging market equity, fixed income, and currency investing to commodity and private equity investing. Kurtis W. Winn, our Chief Operating Officer and one of our directors, has over 30 years of experience in sales and management. Bradley C. Lalonde, our non-employee director appointee, is a partner and co-founder of Vietnam Partners, an investment banking serving the Vietnamese government and businesses in Vietnam, and has a 25 years career in investment and corporate banking and over 15 years of experience in general management. Charles James Schaefer IV, our non-employee director appointee, also has extensive experience in capital market. Scott Powell, our non-employee director appointee, has over 20 years of experience in capital markets, finance, corporate communications, and investor relations. We rely on our management team to provide helpful guidance in advancing our strategic and growth goals.

Growth Strategies

Our primary objective is to create value through the sustaining growth in profits and cash flows from operating activities over various economic cycles. In order to achieve this objective, we strive to improve our cost structure, provide high quality services and products, expand our product range and increase our market share.

Made in the United States

Since the beginning of 2020, the COVID-19 pandemic has disrupted global supply chain and increased shipping costs. Because our primary markets are the United States and Canada, we believe production in the United States will reduce our logistics costs and environmental footprint. In addition, we currently have a 25% tariff and a 6% import tax on products shipped from China to the United States. Manufacturing and selling in the United States will reduce costs on tariffs and import tax. We also plan to source more raw materials from suppliers in Europe or North America, where there is no or a low tariff and import tax. Our production is automated and has low labor cost. We believe having our products made in the United States will improve our overall cost structure and our brand recognition. The plan will involve the following steps: (1) find a potential location, (2) conduct title searches and due diligence for the purchase or lease of the facility, (3) apply for a mortgage (not applicable if the facility is leased), (4) complete the purchase or lease, (5) start improvements, if necessary, (6) purchase new equipment for manufacturing and pollution control, and (7) hire local labor to start operations. We are working on the first step and have engaged a broker to find a potential location. We are looking for an existing industrial facility suitable for manufacturing use that supports our manufacturing requirements, has a well-developed transportation network that would meet our demands, is served by utilities, especially electricity, natural gas, water, sewer and high-speed telecommunications, has a favorable local employment pool and competitive operating costs (labor, utilities and taxes). We believe that finding a location will be the most time-consuming and challenging part of the plan. We plan to engage local experts to navigate local laws and requirements. The cost to set up manufacturing capabilities in the United States is expected to be approximately \$20 million. We plan to finance the purchase of the facility by mortgage and from profits from operations. We expect to start manufacturing products in the United States in three to six months after this offering is completed. If the plan is successfully executed, we plan to maintain manufacturing in the United States and China in the short term. We plan to gradually shift manufacturing from China to the United States in the long term and eventually close the manufacturing sites in China. However, there is no assurance that such plans will be commercially successful or that the actual outcome of the plans will match our expectations. See “Risk Factors – Risks Related to Our Business and Industry - We may not be able to successfully implement our business strategies and future plans” on page 28.

Vertical integration

Currently, some of our products’ patterns are designed in-house and some are sourced from third parties. During the fiscal years 2021 and 2020, NCP spent \$80,000 and \$50,000 on purchasing 26 and 17 patterns from third-party designers, respectively. NCP did not purchase any patterns during the fiscal year 2022 or the three months ended March 31, 2023. Patterns purchased from third-party designers accounts for about 68% of all the patterns we have. As the third-party designers are our upstream suppliers, we want to bring the designing step in-house and replacing the third-party designers with our proprietary technologies. NBS has developed an artificial intelligence learning system, *Envision*, comprising processors and non-transitory program storage devices (NPSDs) capable of reading instructions executable by processors to generate decorative patterns, such as decorative floor panels, wall panels or ceiling panels. NBS is in the process of registering a patent of this invention. The algorithm can recognize the characteristics in a sample image, search our pattern database to find similar products that are already in our products lineup or generate a similar but distinctive pattern to be added to our products lineup. We plan to build a database of patterns that we already own and patterns generated by the algorithm, so that when a sample pattern is input into the system, the algorithm can recognize the characteristics in the sample image, search our pattern database to find similar products that are already in our products lineup or generate a similar but distinctive pattern to be added to our products lineup. With the assistance of such algorithm, we can save time and money on finding designs and offer more options to our customers. We believe we can also apply the algorithm to help customers find their desired products. By uploading pictures of desired products to the algorithm, we can find existing product in our lineup that fits the samples the most or generate a new design that combines all the features the customer desires.

Expand Market Share

Our management team has always focused on expanding market share, we believe our “made in the United States” and “vertical integration” strategies will help expand our product lineups, build our brand recognition and reach more end consumers in the United States, which is our biggest market. With additional marketing efforts, we believe we will increase customer penetration and expand the geographical coverage of products, and therefore expand market share.

Manufacturing and Logistics

NCP manufactures the products in its factory in Changzhou, China. NCP has 88 units of 3D printing equipment in NCP’s factory in China and has the capacity to produce more than 18,000 square meters of vinyl flooring per day.

The majority of our sales were made to large-sized wholesale distributors and a small portion of our sales were to individual consumers for home renovation. We generated 97.61%, 98.94%, 99.88% and 99.37% of our revenue from wholesale and 2.39%, 1.06%, 0.12% and 0.63% from retail for three months ended March 31, 2023 and the fiscal years ended December 31, 2022, 2021 and 2020, respectively.

Products sold to distributors were transported to the airport or seaport by our own transportation team and were picked up by the customers or their contractors for air or sea transportation.

Retail sales were generated through Dotfloor.com, our online store that offers our vinyl flooring products to retail customers in the United States. Dotfloor works with third-party logistic service providers for the delivery of our products.

Customers and Suppliers

Our Customers

During the three months ended March 31, 2023, fiscal years ended December 31, 2022, 2021 and 2020, we had revenue from the following countries:

	For the Fiscal Quarter Ended March 31, 2023	For the Fiscal Year Ended December 31, 2022	For the Fiscal Year Ended December 31, 2021	For the Fiscal Year Ended December 31, 2020
North America				
United States	99.09%	85.50%	91.53%	69.65%
Canada	-%	12.95%	7.55%	22.03%
Europe				
United Kingdom	*	*%	*	2.38%
Netherlands	-	*	*	5.33%
Croatia	-	*	*	*
Other	-%	1.06%	*	*

* less than 1%

We consider major customers to be those that accounted for more than 10% of sales revenue. During the three months ended March 31, 2023, two major customers accounted for a total of 48% of our total revenues. During the fiscal year ended December 31, 2022, two major customers accounted for a total of 30% of our total revenues. For the fiscal year ended December 31, 2021, two customers accounted for nearly 28% of our total revenues. For the fiscal year ended December 31, 2020, two customers each accounted for 39% and 12% of the Company's revenues, respectively.

Our Suppliers and Raw Materials

Our raw materials mainly include ink, coating, resin, sound padding, and glue. 3D substrate boards are mainly produced with resins from local suppliers. The final effect and quality of products mainly depend on the quality of raw materials. At present, the types of ink on the market are water-based ink, UV ink and oil ink. The ink we use is a kind of UV ink with the advantages of being more environmentally friendly, unscented, formaldehyde-free, dosage-saving and easily solidified. The coatings used include 3D varnish, hot melt paint, prima and paint, which have the advantages of wear resistance, pollution resistance, ultra-violet resistance, corrosion resistance and color stability. Based on customers' needs, we will purchase specific types of raw materials and apply our unique technology to process the raw materials into finished products meeting the customer's requirements.

We carefully select our suppliers to only work with those that comply with all applicable laws, including laws and regulations on labor, employment, environment, human rights, payroll, working hours, health and safety, and give priority to suppliers that can demonstrate their commitment to sustainable development performance. We purchase the raw materials from different suppliers, for example, the powder and coating for making the base board are primarily purchased from suppliers in China and the ink is imported from Japan. We usually review and evaluate suppliers in accordance with raw material price, demand and customer feedback, and maintain good relationships with high-quality suppliers. At the same time, we maintain close contact with different suppliers to ensure sufficient and timely supply of raw materials.

We order raw materials from suppliers based on our needs, instead of entering into long-term supply agreements with the suppliers. We are able to ensure consistent delivery and competitive pricing because of our long-term business relationships with these suppliers.

We consider major suppliers to be those that accounted for more than 10% of our total cost. For the three months ended March 31, 2023, five major suppliers accounted for a total of 73% of our total cost of revenues. For the fiscal year ended December 31, 2022, three major suppliers accounted for a total of 68% of our total cost of revenues. For the fiscal year ended December 31, 2021, five major suppliers accounted for a total of 56% of our total cost of revenues. For the fiscal year ended December 31, 2020, two major suppliers accounted for a total of 38% of our total cost of revenues.

Properties

NCP's manufacturing facilities are located in Changzhou, Jiangsu Province, China. NCP has the land use right to two pieces of land of a total of 47,500 square meters where our offices and factories for production and research and development are located. Because private individuals or entities are not permitted to own title to the land, we hold the right to use the two pieces of land until 2064 and 2065, respectively. NCP has 88 units of 3D printing equipment in the facilities in China and has the capacity to produce more than 18,000 square meters of vinyl flooring per day. The land use right is a collateral to NCP's various short-term bank loans. Such short-term bank loans were in the amount of \$6,961,094, \$5,488,757, \$6,212,521 and \$4,445,275 as of March 31, 2023, December 31, 2022, December 31, 2021 and December 31, 2020.

On July 26, 2021, NCP contracted with Changzhou Wanyuan Construction Engineering Co. to build a second phase of its factory to expand the 3D printing development and production. The amount required in the contract is \$10 million. Construction is expected to complete within three months after the completion of this offering, and the second phase of the factory will be approximately 250,000 square feet.

Crazy Industry leased from a third party a 4,445-square-meter factory in Changzhou, Jiangsu Province, China from January 2020 to June 2021 and leases a 2,969-square-meter factory in Changzhou, Jiangsu Province, China since July 2021 for manufacturing purposes.

NDC, our distribution center in the United States, leases an office and storage space in Elk Grove, California with 3,653 square feet of floor space. The lease term is from August 1, 2020 to August 31, 2023. The monthly base rent for the first year starting on September 1, 2020 is US\$2,190 and is increased to US\$2,256 for the second year starting on September 1, 2021 and US\$2,323 for the third year starting on September 1, 2022. NDC plans to renew the lease for another three years.

NDC previously leased an office and storage space in Sacramento, California with a rent of US\$2,500 per month. The lease ended on September 30, 2021.

Intellectual Property

Patent

Our subsidiaries, NBS, NCP and Crazy Industry, own a total of 81 granted or pending patents on 3D printing technology for the production and manufacture of decorative products. We rely on the patents to protect our business interests and ensure our competitive position in the industry. As of the date of this prospectus, NBS, NCP and Crazy Industry have 40 granted patents in the United States, Netherlands and China, 29 pending patents worldwide and 12 published patents under the PCT (Patent Cooperation Treaty).

The granted patents are listed as follows:

Owner	Country	Patent Code	Patent Name	Authorization Date (YYYY/MM/DD)	Expiry Date (YYYY/MM/DD)
NBS	Netherlands	2022925	Decorative panel, panel covering, and method of producing such a decorative panel	2020/10/20	2039/04/11
NBS	United States	10,895,079	Decorative panel, panel covering, and method of producing such a decorative panel	2021/01/19	2039/04/24
NBS	United States	11,414,874	Decorative panel, panel covering, and method of producing such a decorative panel	2021/08/16	2039/04/24
NBS	Netherlands	2024631	Decorative surface covering element, surface covering element covering, and method of producing such a decorative surface covering element	2021/09/07	2040/01/09
NBS	Netherlands	2024632	Panel, in particular a floor panel, ceiling panel or wall panel, and use of an additional layer in a laminated multi-layer structure of a panel.	2021/09/07	2040/01/09
NBS	Netherlands	2025115	Decorative surface covering element, surface covering element covering, and method of producing such a decorative surface covering element	2021/10/19	2040/03/12
NBS	United States	11,421,424	Decorative surface covering element, surface covering element covering, and method of producing such a decorative surface covering element	2022/8/23	2040/4/30
NCP	China	2018210720360	PVC sheet extrusion molding unit for veneer	2019/03/19	2028/07/06
NCP	China	2018210720233	Convenient production of PVC board for decorative board and its manufacturing device	2019/05/03	2028/07/06
NCP	China	2018212597515	Special piping device for special PVC decorative board	2019/04/02	2028/07/06
NCP	China	2018212597905	Low-dust edge trimming device for PVC board for decorative board	2019/04/16	2028/07/06
NCP	China	201821259752X	PVC board components for long-term sealing of decorative panels	2019/05/10	2028/07/06
NCP	China	201821259745X	Convenient maintenance synchronous hemming device for PVC board for decorative board	2019/04/19	2028/07/06
NCP	China	2018213255055	Dust removal device for PVC decorative board hemming equipment	2019/05/10	2028/08/16
NCP	China	2018214288200	3D effect PVC board bottom coating device for decorative board	2019/04/30	2028/08/29
NCP	China	2018214148493	3D printing PVC board manufacturing device for decorative board	2019/04/30	2028/08/29
NCP	China	2018214142764	Special coating PVC decorative board turning device	2019/04/02	2028/08/29
NCP	China	2018214250542	PVC decorative board edge coating deburring device	2019/06/04	2028/08/30
NCP	China	201821425074X	PVC decorative board edge coating removal device	2019/06/25	2028/08/30

NCP	China	2018214228407	PVC decorative board compression molding device	2019/06/28	2028/08/30
NCP	China	2018214497437	3D pattern PVC decorative board multilayer embossing device	2019/04/16	2028/09/04
NCP	China	2018214506690	PVC decorative board lamination work platform	2019/04/16	2028/09/04

NCP	China	2018222376006	A 3D effect PVC decorative board and its production line	2019/12/13	2028/12/28
NCP	China	201921620010X	An easy-to-install prefabricated sheet of magnesia material	2020/08/11	2029/09/26
NCP	China	2019216199988	An ultra-high wear-resistant 3D textured sheet	2020/08/11	2029/09/26
NCP	China	2019216200044	A magnesium oxide material sheet suitable for digital printing and 3D synchronization effect	2020/08/11	2029/09/26
NCP	China	2019216200171	A 3D effect sheet based on wear-resistant film	2020/08/11	2029/09/26
NCP	China	2022200225170	3D printing decorative sheet production line that can be used for 3D printing wear layer	2022/09/20	2032/01/05
Crazy Industry	China	2019223385825	Conveyor roller drive structure for decorative sheet production line	2020/10/27	2029/12/23
Crazy Industry	China	2019223386936	Decorative sheet anti-springboard drawing unit	2020/10/27	2029/12/23
Crazy Industry	China	2019223387229	Universal sheet drawing production line	2020/10/27	20129/12/23
Crazy Industry	China	2019223388310	Quarter Turn Modules for Panel Production Lines	2020/10/27	2029/12/23
Crazy Industry	China	2019223388611	Sheet pattern printing line unit in front of the alignment mechanism	2020/10/27	2029/12/23
Crazy Industry	China	2019223390448	Three-way selection turning module for decorative panel production line	2020/10/27	2029/12/23
Crazy Industry	China	2019223390768	Panel alignment unit for decorative panel production lines	2020/10/27	2029/12/23
Crazy Industry	China	2019223392015	Universal 3D printing patterned decorative sheet production line	2020/11/13	2029/12/23
Crazy Industry	China	2021225058204	Flatbed printing anti-collision mechanism for plates	2022/06/10	2031/10/18
Crazy Industry	China	2021225058929	Plate 3D printing temporary storage device	2022/06/14	2031/10/18
Crazy Industry	China	2021222071508	Easy splicing 3D printing sheet	2022/06/14	2031/09/12
Crazy Industry	China	2021222070488	A highly wear-resistant and non-slip 3D printed floor	2022/06/14	2031/09/12
Crazy Industry	China	2021222053266	Drying mechanism for 3D printing plate	2022/06/10	2031/09/12

NBS has licensed some of its patents to one other manufacturer with the goal to promote our technologies in the flooring industry. We believe that a wider market acceptance of 3D printed flooring helps establish our brand further and to penetrate the markets and encourages innovation and changes to the rather developed and static industry.

Pursuant to the licensing agreement between NBS and the licensee, dated September 10, 2021, NBS granted the licensee a non-exclusive and worldwide right to use certain patents and the licensee paid US\$1,000,000 licensing fee and US\$60,000 in expenses. The licensing agreement has a term of 10 years. If either party's material breaches of the licensing agreement and fails to cure such breach within 30 days, the non-breaching party can terminate the licensing agreement.

NBS has also granted a sublicensing company the exclusive and worldwide right to sublicense certain other patents and enter into sublicensing agreement with sublicensees, pursuant to a license agreement dated May 1, 2019, as amended. The licensee agreed to develop a focused market approach to sublicense the patents. Net proceeds of all sublicense fees or other forms of royalty from the patents, subject to any definitive sublicensing agreement, after deduction of certain expenses, shall be shared equally between NBS and the licensee. The licensee shall report to NBS before entering into any sublicense agreement. NBS shall have 5 days from receiving such notice to authorize the sublicensing agreement. Authorization is considered provided if no answer is received within such 5 days. NBS shall report to the licensee if NBS licenses the patents to its affiliate within 4 weeks after such licensing to the affiliate. NBS also agreed not to sell, assign or otherwise transfer the patents to any third party or affiliate unless such third party or affiliate has agreed in writing to be subject to the agreement. The agreement will terminate upon expiration of the patents. Either party can terminate the agreement if the other party fails to make payment and fails to remedy within one month, if the other party breaches the confidentiality clause of the agreement, or if the other party fails to perform the obligations and fails to remedy within three months. NBS did not enter into any sublicense agreement during the three months ended March 31, 2023 and the fiscal years ended December 31, 2022, 2021 and 2020.

Trademark

NCP and NDC own a variety of trademarks under which the products are marketed. As of the date of this prospectus, NCP and NDC have registered four trademarks in the United States, three trademarks in the European Union and sixteen trademarks in China. Among such trademarks, the names "Benchwick", "Northann" and "Dotfloor" are of great importance to our business. We believe that we have taken adequate steps to protect our interest in all trademarks.

Domain

NDC maintains websites at www.northann.com, www.benchwick.com, www.dotfloor.com. The information contained on these websites is not intended to form a part of, or be incorporated by reference into, this prospectus.

Research and Development

Crazy Industry has a research and development team of seven people.

In 2018, we established our subsidiary Crazy Industry in China to focus on 3D printing research and development. During the three months ended March 31, 2023 and the fiscal years ended December 31, 2022, 2021 and 2020, we invested US\$300,212, US\$1,468,989, US\$2,334,126 and US\$1,872,216 in research and development. Members of our R&D team frequently participate in industry conferences and engage with industry experts. As of the date of this prospectus, our subsidiaries, NBS, NCP and Crazy Industry, have a portfolio of over 60 granted or pending patents worldwide.

NBS has developed an artificial intelligence learning system, *Envision*, comprising of processors and non-transitory program storage devices (NPSDs) capable of reading instructions executable by processors to generate decorative patterns, such as decorative floor panels, wall panels or ceiling panels. NBS is in the process of registering a patent of this invention. The algorithm can recognize the characteristics in a sample image, search our pattern database to find similar products that are already in our products lineup or generate a similar but distinctive pattern to be added to our products lineup. We plan to build a database of patterns that we already own and patterns generated by the algorithm, so that when a sample pattern is input into the system, the algorithm can recognize the characteristics in the sample image, search our pattern database to find similar products that are already in our products lineup or generate a similar but distinctive pattern to be added to our products lineup.

Seasonality

We typically see a decrease in market activity in the first quarter of the year. Working capital requirements are distributed equally among the quarters.

Employees

As of March 31, 2023, December 31, 2022 and July 14, 2023, the Company and our subsidiaries have a total of 71 employees, working in the following departments:

	<u>Number of employees</u>
United States	
Management	4
Administration	1
Warehouse	2
China	
Production	39
Quality control	5
R&D	7
Management	1
Procurement	2
Accounting and Finance	6
Administration and Human Resource	4
Total	<u>71</u>

We provide our employees with social security benefits in accordance with all applicable regulations and internal policies.

We fulfill our legal responsibility to protect the health and safety of our employees by providing a safe workplace that meets the applicable labor and sanitation standards, controlling risks to health, and ensuring that their plants and machinery are safe and that work safety systems and guidelines are both established and adhered to. We also make sure that all materials and machineries are transported, stored, and used safely, provide adequate welfare facilities, provide employees the information, instruction, training, and supervision necessary to preserve their health and safety, and consult with employees on health and safety matters.

In general, we consider our relationship with our employees to be good.

Environmental

Our manufacturing operations in China are subject to various national and local laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. The costs of complying with environmental protection laws and regulations have not had a material adverse impact on our financial condition or results of operations in the past.

Insurance

We have purchased insurance for quality assurance, transportation and warehousing of our products. We have not made any material insurance claims for our business.

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of our business. As of the date of this prospectus, expect as described below, we are not a party to, and we are not aware of any threat of, any legal proceeding that, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or operations, nor have we experienced any incident of non-compliance which, in the opinion of our directors, is likely to materially and adversely affect our business, financial condition or operations.

In May 2021, NCP received an administrative decision letter and an administrative penalty letter from the Second Inspection Bureau of Changzhou Taxation Bureau of the State Administration of Taxation in connection with enterprise income tax violations. In NCP's enterprise tax filing for 2018 and 2019, due to a clerical error, NCP mistakenly included 11 VAT invoices issued by a third-party transportation company and deducted from its taxable income RMB 556,199 (approximately \$85,241) for 2018 and RMB 182,272 (approximately \$27,934) for 2019. NCP did not have any business relationship with the third-party transportation company. In October 2020, NCP amended its 2018 and 2019 tax filing to increase its taxable income and paid taxes and late fees in a total amount of RMB 109,505 (approximately \$16,782). In the administrative decision letter and the administrative penalty letter issued in May 2021, the tax authority requested NCP to make up additional tax and late fee in the amount of RMB 139,050 (approximately \$21,310) and pay a penalty in the amount of RMB 50,000 (approximately \$7,662). NCP paid the amount in full in May 2021.

In May 2022, NCP received two administrative penalty letters from the Changzhou Bureau of Ecology and Environment in connection with certain violations of environmental laws and regulations. During the Changzhou Bureau of Ecology and Environment's inspection of NCP's factory in Changzhou, China in February 2022, it was found that a natural gas furnace in NCP's factory produced exhaust gas and NCP failed to equip exhaust gas treatment facilities and caused exhaust gas to be released into the atmosphere. It was also found that NCP failed to complete the environmental protection inspection before brought the natural gas furnace into operation. It was also found that when extinguishing a fire of the natural gas furnace in the factory in February 2022, NCP failed to take emergency measures and caused waste water to be discharged into storm drain. The Changzhou Bureau of Ecology and Environment requested NCP to pay penalties in the amount of RMB 240,000 (approximately \$36,782) for the above violations. NCP paid the amount in full in May 2022. As a result of this incident, the Company has strengthened the enforcement of its pollution control measures.

REGULATION

United States

We and our subsidiaries in the United States are and will be subject to federal, state and local government regulation, including regulations relating, among others, to occupational health and safety, the environment, sanitation and fire prevention. Governmental authorities have the power to enforce compliance with their regulations, and violators may be subject to civil, criminal and administrative penalties, injunctions or both. We will devote significant financial resources to ensure compliance. We believe that we are in substantial compliance with all the applicable laws and regulations.

NDC operates the office and warehouse in Elk Grove, CA in accordance with standards and procedures designed to comply with applicable codes and regulations.

We and our U.S. subsidiaries are subject to the U.S. Fair Labor Standards Act, the U.S. Immigration Reform and Control Act of 1986, the Occupational Safety and Health Act and various other federal and state laws governing similar matters including minimum wages, overtime, workplace safety and other working conditions. Failure to comply with requirements from these laws and regulations can result in sanctions such as fines and penalties and claims for personal injury and property damage. These requirements may also result in increased operating and capital costs in the future. We believe that we and our U.S. subsidiaries are in substantial compliance with these requirements to extent applicable.

Furthermore, one of our growth strategies is to manufacture the products in the United States. Therefore, the operation in the United States will be subject to federal, state and local environmental laws and regulations concerning waste disposal, pollution, protection of the environment, and the presence, discharge, storage, handling, release and disposal of, or exposure to, hazardous or toxic substances (“environmental laws”). Such environmental laws may include and are not limited to: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, also known as “CERCLA” and “Superfund”, and comparable state laws, if our operation generate materials that fall within CERCLA’s definition of hazardous substances; the federal Resource Conservation and Recovery Act, as amended (“RCRA”) and comparable state laws, in connection with the treatment, storage, disposal, remediation and transportation of wastes, especially those designated as hazardous wastes under RCRA; the federal Clean Water Act, which imposes restrictions and strict controls regarding the discharge of pollutants, including dredged and fill materials into waters of the United States; the federal Clean Air Act, as amended and comparable state and local laws, which restrict the emission of air pollutants from many sources and also impose various monitoring and reporting requirement; and other laws and regulations currently in effect or imposed in the future. These environmental laws can provide for significant fines and penalties for non-compliance and liabilities for remediation, sometimes without regard to whether the owner or operator of the property knew of, or was responsible for, the release or presence of the hazardous or toxic substances. Third parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of, or actual or alleged exposure to, such substances.

People’s Republic of China

Our manufacturing facilities are located in China and the operation in China are subject to PRC and local laws and regulations. This section summarizes the most significant rules and regulations that affect our business activities in the PRC. Unless otherwise stated, we are in compliance with these rules and regulations.

Regulations Relating to Product Safety

Pursuant to the Product Quality Law of PRC promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018, companies are prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes physical injury to a person or property damage, the aggrieved party may make a claim for compensation from the producer or the seller of the product. Producers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and/or fines. Earnings from sales in contravention of such standards or requirements may also be confiscated, and in severe cases, an offender’s business license may be revoked. Pursuant to the PRC Product Quality Law, producers may be protected from liability only if they can prove the case falls into one of the following three circumstances: (i) the products have not been put into circulation; (ii) the defects were non-existent when the products were put into circulation; or (iii) the defects could not be found at the time of circulation due to scientific and technological reasons. Punitive compensation could be available if the producer or seller knowingly produces or sells a defective product that causes death or serious damages to the health of others.

Regulations Relating to Work Safety

Under relevant work safety laws and regulations, including the Work Safety Law of the PRC which was promulgated on June 29, 2002, amended on August 27, 2009, August 31, 2014, and effective as of December 1, 2014, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement a work safety responsibility system. In addition, production and operating business entities must arrange for work safety training and provide employees with protective equipment that meets the national standards or industrial standards. An entity or its relevant persons-in-charge who have failed to perform such safety measures will be required to rectify within a time limit or face administrative penalties. If the failure is not rectified within the prescribed time limit, the entity may be ordered to suspend business until such time as the failure is rectified, and serious violations may result in criminal liabilities. Each of the PRC subsidiaries has implemented work safety protection schemes and arranged for work safety trainings from time to time.

Regulations Relating to Environmental Protection

Pursuant to the Environmental Protection Law of the PRC promulgated on December 26, 1989, amended on April 24, 2014 and effective on January 1, 2015, as well as the Classification Administration List of Pollutant Discharge Permitting for Fixed Pollution Sources promulgated on July 11, 2019 and effective as of December 20, 2019, any entity which discharges or will discharge pollutants during the course of its operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, noise vibrations, electromagnetic radiation and other hazards produced during such activities. Environmental protection authorities impose various administrative penalties on persons or enterprises in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within the prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down enterprises. Any person or entity that pollutes the environment resulting in damage could also be held liable under the Tort Law of the PRC. In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare. According to the PRC Tort Law, polluters are strictly liable for any damages caused to the environment. Any entity which discharges pollutants shall assume the burden to prove that it should not be liable or its liability could be mitigated under certain circumstances as provided for by law or to prove that there is no causation between its conduct and the harm. Even if the entity complies with all the national or local pollutant discharge standards, it may still be held liable in accordance with a judicial interpretation issued by Supreme People's Court on the liability for environmental torts. Each of the PRC subsidiaries has implemented effective environmental protection safeguards and procedures as required by law.

In addition, pursuant to the PRC Law on Environment Impact Assessment promulgated in 2002 and most recently amended in 2018, and the Administrative Regulations on the Environmental Protection of Construction Projects promulgated in 1998 with the latest amendment in July 2017, each construction project is required to undergo an environmental impact assessment, and an environmental impact assessment report must be submitted to the relevant governmental authorities for approval before the commencement of construction. In the event that there is a material change in respect of the construction site, scale, nature, the production techniques employed or the measures adopted for preventing pollution and preventing ecological damage of a given project, a new environmental impact assessment report must be submitted for approval. Moreover, after the completion of a construction project, the constructing entity is required to obtain a completion acceptance on environmental protection for the project. Failure to comply with the above-mentioned regulations may subject an enterprise to fines, suspension of the construction and other administrative liabilities and even criminal liabilities under severe circumstances. All the construction projects in China have been approved by the regulatory authorities and obtained acceptance on environmental protection.

Regulations Relating to Land Use Right and Construction

Pursuant to the PRC Land Administration Law promulgated in June 1986 with the latest amendment in August 2019 and the PRC Civil Code, any entity that needs land for the purposes of construction must obtain land use right and must register with local counterparts of Land and Resources Ministry. Land use right is established at the time of registration.

According to the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land promulgated by the Ministry of Housing and Urban-Rural Development in December 1992, and the PRC Law on Urban and Rural Planning promulgated by the National People's Congress in October 2007 and took effect in January 2008 with the latest amendment in April 2019, the Measures for Administration of Granting Permission for Commencement of Construction Works promulgated by the Ministry of Housing and Urban-Rural Development in June 2014 with the latest amendment in September 2018, the Administrative Measures for Archival Filing on Inspection Upon Completion of Buildings and Municipal Infrastructure promulgated by the Ministry of Housing and Urban-Rural Development in April 2000 with the latest amendment in October 2009, the Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure promulgated by the Ministry of Housing and Urban-Rural Development, and the Regulations on the Quality Management of Construction Engineering promulgated by the State Council latest amended in April 2019, after obtaining land use right, the owner of land use right must obtain construction land planning permit, construction works planning permit from the relevant municipal planning authority, and a construction permit from relevant construction authority in order to commence construction. After a building is completed, an examination of completion by the relevant governmental authorities and experts must be organized.

Regulations Relating to Leasing

Pursuant to the Law on Administration of Urban Real Estate which took effect in January 1995 with the latest amendment in August 2019, lessors and lessees are required to enter into a written lease contract, containing such provisions as the term of the lease, the use of the premises, liability for rent and repair, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department.

Regulations Relating to Fire Prevention

The Fire Prevention Law of the PRC, or the Fire Prevention Law, was adopted on April 29, 1998 and amended on October 28, 2008 and April 23, 2019. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Minister of Housing and Urban-rural Development and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The fire prevention departments of such public securities are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards (as the case may be). According to Interim Provisions on the Administration of Fire Prevention Design Review and Acceptance of Construction Projects, or the Fire Protection Supervision Provisions, issued on April 1, 2020 and amended on June 1, 2020, for those construction projects with more than 500 square meters, the construction entity shall apply to the fire prevention department of a public security authority for fire protection design approval.

For the construction projects other than the conditions foregoing, the construction entity shall, within five days after passing the acceptance inspection, submit the fire protection filing for fire protection design.

Regulations Relating to Private Lending

The transfer of funds among companies are subject to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases, or the Provisions on Private Lending Cases, which was issued by the Supreme People's Court of the People's Republic of China on August 25, 2015 and amended on August 19, 2020 and December 29, 2020, respectively, to regulate the private lending activities between natural persons, legal persons and unincorporated organizations. The Provisions on Private Lending Cases do not apply to the disputes arising from relevant financial services such as loan disbursement by financial institutions and their branches established upon approval by the financial regulatory authorities to engage in lending business.

The Provisions on Private Lending Cases set forth that private lending contracts will be upheld as invalid under the circumstance that (i) the lender swindles loans from financial institutions for relending; (ii) the lender relends the funds obtained by means of a loan from another profit-making legal person, raising funds from its employees, illegally taking deposits from the public; (iii) the lender who has not obtained the lending qualification according to the law lends money to any unspecified object of the society for the purpose of making profits; (iv) the lender lends funds to a borrower when the lender knows or should have known that the borrower intended to use the borrowed funds for illegal or criminal purposes; (v) the lending is violations of public orders or good morals; or (vi) the lending is in violations of mandatory provisions of laws or administrative regulations.

In addition, the Provisions on Private Lending Cases set forth that the People's Court shall support the interest rates not exceeding four times of the market interest rate quoted for one-year loan at the time the private lending contracts were entered into.

Regulations Relating to Foreign Investment

The establishment, operation and management of companies in China are mainly governed by the PRC Company Law, as most recently amended in 2018, which applies to both PRC domestic companies and foreign-invested companies. On March 15, 2019, the National People's Congress approved the Foreign Investment Law, and on December 26, 2019, the State Council promulgated the Implementing Rules of the PRC Foreign Investment Law, or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three major previous laws on foreign investments in China, namely, the Sino-foreign Equity Joint Venture Law, the Sino-foreign Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their respective implementing rules. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

The Foreign Investment Law and the Implementing Rules provide that a system of pre-entry national treatment and negative list shall be applied for the administration of foreign investment, where "pre-entry national treatment" means that the treatment given to foreign investors and their investments at market access stage is no less favorable than that given to domestic investors and their investments, and "negative list" means the special administrative measures for foreign investment's access to specific fields or industries, which will be proposed by the competent investment department of the State Council in conjunction with the competent commerce department of the State Council and other relevant departments, and be reported to the State Council for promulgation, or be promulgated by the competent investment department or competent commerce department of the State Council after being reported to the State Council for approval. Foreign investment beyond the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited fields as specified in the negative list, and foreign investors who invest in the restricted fields shall comply with the special requirements on the shareholding, senior management personnel, etc. In the meantime, relevant competent government departments will formulate a catalogue of industries for which foreign investments are encouraged according to the needs for national economic and social development, to list the specific industries, fields and regions in which foreign investors are encouraged and guided to invest. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in two categories, namely the Special Entry Management Measures (Negative List) for the Access of Foreign Investment (2021 version), or the 2021 Negative List, promulgated by the National Development and Reform Commission and the Ministry of Commerce, or the MOFCOM, on December 27, 2021 and took effect on January 1, 2022, and the Encouraged Industry Catalogue for Foreign Investment (2020 version), or the 2020 Encouraged Industry Catalogue, promulgated by the MOFCOM on December 27, 2020 and took effect on January 27, 2021. Industries not listed in these two categories are generally deemed "permitted" for foreign investment unless specifically restricted by other PRC laws. The flat panel display industry is not on the Negative List and therefore we are not subject to any restriction or limitation on foreign ownership.

According to the Implementing Rules, the registration of foreign-invested enterprises shall be handled by the SAMR or its authorized local counterparts. Where a foreign investor invests in an industry or field subject to licensing in accordance with laws, the relevant competent government department responsible for granting such license shall review the license application of the foreign investor in accordance with the same conditions and procedures applicable to PRC domestic investors unless it is stipulated otherwise by the laws and administrative regulations, and the competent government department shall not impose discriminatory requirements on the foreign investor in terms of licensing conditions, application materials, reviewing steps and deadlines, etc. However, the relevant competent government departments shall not grant the license or permit enterprise registration if the foreign investor intends to invest in the industries or fields as specified in the negative list without satisfying the relevant requirements. In the event that a foreign investor invests in a prohibited field or industry as specified in the negative list, the relevant competent government department shall order the foreign investor to stop the investment activities, dispose of the shares or assets or take other necessary measures within a specified time limit, and restore to the status prior to the occurrence of the aforesaid investment, and the illegal gains, if any, shall be confiscated. If the investment activities of a foreign investor violate the special administration measures for access restrictions on foreign investments as stipulated in the negative list, the relevant competent government department shall order the investor to make corrections within the specified time limit and take necessary measures to meet the relevant requirements. If the foreign investor fails to make corrections within the specified time limit, the aforesaid provisions regarding the circumstance that a foreign investor invests in the prohibited field or industry shall apply.

Pursuant to the Foreign Investment Law and the Implementing Rules, and the Information Reporting Measures for Foreign Investment jointly promulgated by the MOFCOM and the SAMR, which took effect on January 1, 2020, a foreign investment information reporting system shall be established and foreign investors or foreign-invested enterprises shall report investment information to competent commerce departments of the government through the enterprise registration system and the enterprise credit information publicity system, and the administration for market regulation shall forward the above investment information to the competent commerce departments in a timely manner. In addition, the MOFCOM shall set up a foreign investment information reporting system to receive and handle the investment information and inter-departmentally shared information forwarded by the administration for market regulation in a timely manner. The foreign investors or foreign-invested enterprises shall report the investment information by submitting reports including initial reports, change reports, deregistration reports and annual reports.

Furthermore, the Foreign Investment Law provides that foreign-invested enterprises established according to the previous laws regulating foreign investment prior to the implementation of the Foreign Investment Law may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law. The Implementing Rules further clarify that such foreign-invested enterprises established prior to the implementation of the Foreign Investment Law may either adjust their organizational forms or organizational structures pursuant to the Company Law or the Partnership Law, or maintain their current structure and corporate governance within five years upon the implementation of the Foreign Investment Law. Since January 1, 2025, if a foreign-invested enterprise fails to adjust its organizational form or organizational structure in accordance with the laws and go through the applicable registrations for changes, the relevant administration for market regulation shall not handle other registrations for such foreign-invested enterprise and shall publicize the relevant circumstances. However, after the organizational forms or organizational structures of a foreign-invested enterprise have been adjusted, the original parties to the Sino-foreign equity or cooperative joint ventures may continue to process such matters as the equity interest transfer, the distribution of income or surplus assets as agreed by the parties in the relevant contracts.

In addition, the Foreign Investment Law and the Implementing Rules also specify other protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, etc.

Regulations Relating to Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Administrative Regulations on Foreign Exchange of the People's Republic of China, or the Foreign Exchange Administrative Regulation, which was promulgated by the State Council on January 29, 1996, which took effect on April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008 and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment which was promulgated by the People's Bank of China, or the PBOC, on June 20, 1996 and took effect on July 1, 1996. Under these regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from State Foreign Exchange Administration of the People's Republic of China, or the SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items such as the repayment of foreign currency-denominated loans, direct investment overseas and investments in securities or derivative products outside of the PRC. FIEs are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC.

On March 30, 2015, SAFE promulgated the Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or the SAFE Circular 19, which took effect on June 1, 2015. According to SAFE Circular 19, the foreign currency capital contribution to an FIE in its capital account may be converted into RMB on a discretionary basis.

On June 9, 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts, or the SAFE Circular 16. The SAFE Circular 16 unifies the discretionary foreign exchange settlement for all the domestic institutions. The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the discretionary foreign exchange settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties in accordance with the Foreign Exchange Administrative Regulation and relevant provisions.

Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by FIEs shall follow the principles of authenticity and self-use within the business scope of the enterprises. The foreign exchange incomes of capital accounts and capital in RMB obtained by the FIE from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations; (iii) used for granting loans to non-affiliated enterprises, unless otherwise permitted by its business scope; and (iv) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

Regulations Relating to Offshore Special Purpose Companies Held by PRC Residents

SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents on May 10, 2013, which took effect on May 13, 2013 and which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

SAFE promulgated Notice on Issues Relating to Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles, or the SAFE Circular 37, on July 4, 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and term of operation), capital increase or capital reduction, transfers or exchanges of shares, or mergers or divisions. SAFE Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purposes Vehicles.

SAFE further enacted the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, or the SAFE Circular 13, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the SAFE Circular 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary.

On January 26, 2017, SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control, or the SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations Relating to Overseas Listing and M&A Rules

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and were amended on June 22, 2009. The M&A Rules, among other things, require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC domestic enterprises or individuals to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. In September 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. The CSRC approval procedures require the filing of a number of documents with the CSRC. Our PRC legal counsel, Grandall Law Firm, has advised us based on their understanding of the current PRC laws, regulations and rules, the CSRC's approval may not be required for the listing and trading of our common stock on the NYSE American in the context of this offering.

However, our PRC legal counsel, Grandall Law Firm, has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering and its opinions summarized above are subject to any new laws, regulations and rules or detailed implementations and interpretations in any form relating to the M&A Rules, and our PRC legal counsel, Grandall Law Firm, cannot exclude the possibility that the CSRC or other relevant government authorities might, from time to time, further clarify or interpret the M&A Rules in writing or orally and require their approvals to be obtained for the offering. We cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC legal counsel, Grandall Law Firm, does. If it is determined that CSRC approval is required for this offering, we may face sanctions by the CSRC or other PRC regulatory agencies for failure to obtain or delay in obtaining CSRC approval for this offering. These sanctions may include fines and penalties on our operations in China, limitations on our operating privileges in China, delays in or restrictions on the repatriation of the proceeds from this offering into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our subsidiaries in China, or other actions that could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our common stock. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before the settlement and delivery of the shares of common stock that we are offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the shares of common stock we are offering, you would be doing so at the risk that the settlement and delivery may not occur. In addition, if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for this offering, we may be unable to obtain a waiver of such approval requirements.

In addition, according to the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors issued by the General Office of the State Council on February 3, 2011, and which became effective 30 days thereafter, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors issued by the MOFCOM on August 25, 2011, and which became effective on September 1, 2011, mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the regulations prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

On February 17, 2023, the CSRC promulgated the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall complete filing procedures with the CSRC pursuant to the requirements of the Trial Measures within three working days following its submission of initial public offerings or listing application. If a domestic company fails to complete required filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

The Trial Measures establishes a list outlining the circumstances where a PRC enterprise is prohibited from offering and listing securities overseas, and the CSRC has the authority to block offshore listings that: (i) are explicitly prohibited by laws; (ii) may endanger national security as determined by relevant competent departments under the State Council; (iii) involve criminal offenses that disrupting PRC economy such as corruption, bribery, embezzlement, or misappropriation of property by the issuer, the controlling shareholder, and/or actual controller in the recent three years; (iv) involve the issuer under investigations for suspicion of criminal offenses or major violations of laws and regulations; or (v) involve material ownership disputes over the shares held by the controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. An issuer seeking direct or indirect overseas listing is also required to undergo national security review or obtain clearance from relevant authorities if necessary before making any application with overseas regulator or listing venue. Where an overseas securities regulator investigates and collects evidence relating to the overseas offering and listing of a PRC enterprise and related activities, and requests the CSRC for cooperation in accordance with the cross-border supervision and management cooperation mechanism, the CSRC may provide necessary assistance according to law and based on the principle of reciprocity.

According to the CSRC Notice, the domestic companies that have already been listed overseas before the effective date of the Trial Measures (namely, March 31, 2023) shall be deemed as “Existing Issuers”. Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC for any subsequent offerings. Further, according to the CSRC Notice, domestic companies that have obtained approval from overseas regulatory authorities or securities exchanges (for example, the effectiveness of a registration statement for offering and listing in the U.S. has been obtained) for their indirect overseas offering and listing prior to March 31, 2023 but have not yet completed their indirect overseas issuance and listing, are granted a six-month transition period from March 31, 2023 to September 30, 2023. Those that complete their indirect overseas offering and listing within such six-month period are deemed as Existing Issuers and are not required to file with the CSRC for their indirect overseas offerings and listings. Within such six-month transition period, however, if such domestic companies fail to complete their indirect overseas issuance and listing, they shall complete the filing procedures with the CSRC.

On February 24, 2023, the CSRC, together with the Ministry of Finance of the PRC (MOF), National Administration of State Secrets Protection and National Archives Administration of China, revised the Provisions issued by the CSRC and National Administration of State Secrets Protection and National Archives Administration of China in 2009. The revised Provisions were issued under the title the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies,” and came into effect on March 31, 2023 together with the Trial Measures. One of the major revisions to the revised Provisions is expanding their application to cover indirect overseas offering and listing, as is consistent with the Trial Measures. The revised Provisions require that, among other things, (a) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals or entities, including securities companies, securities service providers, and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level; and (b) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals and entities, including securities companies, securities service providers, and overseas regulators, any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. Since these statements and regulatory actions by the PRC government are newly published, their interpretation, application and enforcement are unclear and there also remains significant uncertainty as to the enactment, interpretation and implementation of other regulatory requirements related to overseas securities offerings and other capital markets activities. If we do not receive or maintain the permissions and approvals, or we inadvertently conclude that such permissions and approvals are not required, or applicable laws, regulations, or interpretations change such that we are required to obtain permission and approval in the future, we may be subject to investigations by competent regulators, fines or penalties, ordered to suspend our relevant operations and rectify any non-compliance, prohibited from engaging in relevant business or conducting any offering, and these risks could result in a material adverse change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless.

Regulations Relating to Employment

The PRC Labor Law and the Labor Contract Law require that employers must execute written employment contracts with full-time employees. In the event that an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee’s salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. All employers must compensate their employees with wages equal to at least the local minimum wage standards. Violations of the PRC Labor Law and the Labor Contract Law may result in the imposition of fines and other administrative sanctions, and serious violations may result in criminal liabilities.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. Failure to make adequate contributions to various employee benefit plans may be subject to fines and other administrative sanctions. Each of the PRC subsidiaries has established employee benefit plans and has made adequate contributions to such plans as required by law.

On December 28, 2012, the Labor Contract Law was amended to impose more stringent requirements on labor dispatch which took effect on July 1, 2013. Pursuant to the amended Labor Contract Law, the outsourced contract workers shall be entitled to equal pay for equal work as a fulltime employee of an employer, and they shall only be engaged to perform temporary, ancillary or substitute works, and an employer shall strictly control the number of outsourced contract workers so that they do not exceed certain percentage of total number of employees. “Temporary work” means a position with a term of less than six months; “auxiliary work” means a non-core business position that provides services for the core business of the employer; and “substitute worker” means a position that can be temporarily replaced with a outsourced contract worker for the period that a regular employee is away from work for vacation, study or for other reasons. According to the Labor Dispatch Provisions, promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which took effect on March 1, 2014, outsourced workers are entitled to equal pay with full-time employees for equal work. Employers are allowed to use outsourced workers for temporary, auxiliary or substitutive positions, and the number of outsourced workers may not exceed 10% of the total number of employees. Any labor dispatching entity or employer in violation of the Labor Dispatch Provisions shall be ordered by the labor administrative authorities to rectify the noncompliance within a prescribed time limit; and if such entity or employer fails to do so within the prescribed time limit, it may be subject to a fine from RMB5,000 to RMB10,000 for each noncompliance outsourced worker, and the labor dispatching entity is subject to revocation of its license for engaging in the labor dispatch business. Where the employer causes any damage to the outsourced worker, the labor dispatch entity and the employer shall assume joint and several liabilities.

Pursuant to the PRC Civil Code, which was promulgated by the National People's Congress on May 28, 2020 and took effect on January 1, 2021, employers shall bear tortious liability for any injury or damage caused to other people by their employees in the course of their work. Parties that use outsourced labor shall bear tortious liability for any injury or damage caused to other people by outsourced personnel during the course of their work during the labor dispatch period; the labor dispatching party shall bear corresponding supplementary liability where it is at fault.

Regulations Relating to Intellectual Property

China has adopted comprehensive legislation governing intellectual property rights, including copyrights, trademarks, patents and domain names. China is a signatory to the primary international conventions on intellectual property rights and has been a member of the Agreement on Trade Related Aspects of Intellectual Property Rights since its accession to the World Trade Organization in December 2001.

Copyright

On September 7, 1990, the SCNPC promulgated the Copyright Law of the People's Republic of China, or the Copyright Law, effective on June 1, 1991 and amended on October 27, 2001, February 26, 2010, and November 11, 2020, respectively. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Center of China.

Under the Regulations on the Protection of the Right to Network Dissemination of Information that took effect on July 1, 2006 and was amended on January 30, 2013, it is further provided that an Internet information service provider may be held liable under various situations, including that if it knows or should reasonably have known a copyright infringement through the Internet and the service provider fails to take measures to remove or block or disconnect links to the relevant content, or, although not aware of the infringement, the Internet information service provider fails to take such measures upon receipt of the copyright holder's notice of such infringement.

In order to further implement the Regulations on Computer Software Protection, promulgated by the State Council on December 20, 2001 and amended on January 8, 2011 and January 30, 2013, respectively, the National Copyright Administration issued the Measures for the Registration of Computer Software Copyright on February 20, 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

Trademark

According to the Trademark Law of the People's Republic of China promulgated by the SCNPC on August 23, 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, respectively, the Trademark Office of the SAIC is responsible for the registration and administration of trademarks in China. The SAIC under the State Council has established a Trademark Review and Adjudication Board for resolving trademark disputes. Registered trademarks are valid for ten years from the date the registration is approved. A registrant may apply to renew a registration within twelve months before the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for ten years. On April 29, 2014, the State Council issued the revised the Implementing Regulations of the Trademark Law of the People's Republic of China, which specified the requirements of applying for trademark registration and renewal.

Patent

According to the Patent Law of the People's Republic of China, or the Patent Law, promulgated by the SCNPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000, December 27, 2008, and October 17, 2020, respectively, and the Implementation Rules of the Patent Law of the People's Republic of China, or the Implementation Rules of the Patent Law, promulgated by the State Council on June 15, 2001 and revised on December 28, 2002 and January 9, 2010, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents, namely "inventions," "utility models," and "designs." Invention patents are valid for twenty years, while utility model patents and design patents are valid for ten years, from the date of application. The Chinese patent system adopts a "first-come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness, and practical applicability to be patentable. Third Parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

Domain Names

On May 28, 2012, the China Internet Network Information Center, or the CNNIC, issued the Implementing Rules for Domain Name Registration which took effect on May 29, 2012, setting forth the detailed rules for registration of domain names. On August 24, 2017, the MIIT promulgated the Administrative Measures for Internet Domain Names, or the Domain Name Measures, which became effective on November 1, 2017. The Domain Name Measures regulate the registration of domain names, such as China's national top-level domain name ".CN". The CNNIC issued the Measures of the China Internet Network Information Center for the Resolution of Country Code Top-Level Domain Name Disputes on September 9, 2014, which took effect on November 21, 2014, pursuant to which domain name disputes shall be accepted and resolved by the dispute resolution service providers as accredited by the CNNIC.

Regulations Relating to Taxation

The following discussion is the opinion of our PRC counsel, Grandall Law Firm and a summary of tax considerations of the PRC that are generally applicable to the Company's PRC subsidiaries.

Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China, or the EIT Law, which was promulgated on March 16, 2007, became effective as from January 1, 2008, and amended on February 24, 2017, and December 29, 2018, an enterprise established outside the PRC with de facto management bodies within the PRC is considered as a resident enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Crazy Industry is qualified as a key advanced and new technology enterprise and is subject to a reduced tax rate of 15%. The Implementing Rules of the Enterprise Income Law of the People's Republic of China, or the Implementing Rules of the EIT Law, defines a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. Non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income originating from the PRC at the tax rate of 10%.

On February 3, 2015, the PRC State Administration of Taxation, or the SAT, issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises, or the SAT Circular 7. The SAT Circular 7 repeals certain provisions in the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Income from Equity Transfer by Non-Resident Enterprises, or the SAT Circular 698, issued by SAT on December 10, 2009 and the Announcement on Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises issued by SAT on March 28, 2011 and clarifies certain provisions in the SAT Circular 698. The SAT Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including assets of organizations and premises in the PRC, immovable property in the PRC, equity investments in PRC resident enterprises), or the PRC Taxable Assets. For instance, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, the SAT Circular 7 allows the Chinese tax authorities to reclassify the indirect transfer of PRC Taxable Assets into a direct transfer and therefore impose a 10% rate of PRC enterprise income tax on the non-resident enterprise. The SAT Circular 7 lists several factors to be considered by tax authorities in determining if an indirect transfer has a reasonable commercial purpose. However, regardless of these factors, the overall arrangements in relation to an indirect transfer satisfying all the following criteria will be deemed to lack a reasonable commercial purpose: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from PRC Taxable Assets; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or during the one year period before the indirect transfer, 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries and branches that directly or indirectly hold the PRC Taxable Assets are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC Taxable Assets is lower than the potential PRC tax on the direct transfer of those assets. On the other hand, indirect transfers falling into the scope of the safe harbors under the SAT Circular 7 will not be subject to PRC tax under the SAT Circular 7. The safe harbors include qualified group restructurings, public market trades, and exemptions under tax treaties or arrangements.

On October 17, 2017, SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or the SAT Circular 37, which took effect on December 1, 2017. According to the SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be: (i) the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or (ii) the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. Where there is reduction or appreciation of value during the equity holding period, and the gains or losses may be confirmed pursuant to the rules of the finance and tax authorities of the State Council, the equity net value shall be adjusted accordingly. When an enterprise computes equity transfer income, it shall not deduct the amount in the shareholders' retained earnings such as undistributed profits etc., of the investee enterprise, which may be distributed in accordance with the said equity. In the event of partial transfer of equity under multiple investments or acquisitions, the enterprise shall determine the costs corresponding to the transferred equity in accordance with the transfer ratio, out of all costs of the equity.

Under the SAT Circular 7 and the Law of the People's Republic of China on the Administration of Tax Collection promulgated by the SCNPC on September 4, 1992 and newly amended on April 24, 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. In the event that they fail to make a withholding or withhold the full amount of tax payable, the transferor of equity shall declare and pay tax to the relevant tax authorities within seven days from the occurrence of tax payment obligation. The withholding agent does not make the withholding, and the transferor of the equity does not pay the tax payable amount. The tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with the SAT Circular 7.

Withholding Tax on Dividend Distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the Implementing Rules of the EIT Law which reduced the rate from 20% to 10%, became effective from January 1, 2008. However, a lower withholding tax rate might be applied if there is a tax treaty between China and the jurisdiction of the foreign holding companies, for example, pursuant to the Arrangement Between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the tax authority in charge.

Based on the Notice on Relevant Issues Relating to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or an arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the State Administration of Taxation on Issues Concerning "Beneficial Owners" in Tax Treaties, which was promulgated on February 3, 2018 and came into effect on April 1, 2018. If the company's activities do not constitute substantive business activities, it will be analyzed according to the actual situation of the specific case, which may not be conducive to the determination of its "beneficiary owner" capacity, and thus may not enjoy the concessions under the Double Tax Avoidance Arrangement.

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the People's Republic of China, which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016, and November 19, 2017, and the Implementation Rules for the Interim Regulations on Value-Added Tax of the People's Republic of China, which the MOF promulgated on December 25, 1993, and amended on December 15, 2008, and October 28, 2011, entities or individuals engaging in the sale of goods, provision of processing services, repairs and replacement services or import of goods within the territory of the PRC shall pay value-added tax or the VAT. Unless provided otherwise, the rate of VAT is 17% on sales and 6% on the services. On April 4, 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates, or the Circular 32, according to which (i) for VAT taxable sales acts or import of goods originally subject to VAT rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to tax rate of 11%, such tax rate shall be adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, such tax shall be calculated at the tax rate of 12%; (iv) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 became effective on May 1, 2018 and shall supersede existing provisions which are inconsistent with Circular 32.

Since January 1, 2012, the MOF and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax, or the VAT Pilot Plan, which imposes VAT in lieu of business tax for certain "modern service industries" in certain regions and eventually expanded to nation-wide application in 2013. According to the Implementation Rules for the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax released by the MOF and the SAT on the VAT Pilot Program, the "modern service industries" include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. The Notice on Comprehensively Promoting the Pilot Plan of the Conversion of Business Tax to Value-Added Tax, which was promulgated on March 23, 2016, became effective on May 1, 2016 and amended on July 11, 2017, sets out that VAT in lieu of business tax be collected in all regions and industries.

On March 20, 2019, MOF, SAT and GAC jointly promulgated the Announcement on Relevant Policies for Deepening Value-Added Tax Reform, which became effective on April 1, 2019 and provides that (i) with respect to VAT taxable sales acts or import of goods originally subject to VAT rates of 16% and 10% respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) with respect to purchase of agricultural products originally subject to tax rate of 10%, such tax rate shall be adjusted to 9%; (iii) with respect to purchase of agricultural products for the purpose of production or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the tax rate of 10%; (iv) with respect to export of goods and services originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) with respect to export of goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%.

MANAGEMENT

The following table sets forth certain information with respect to our directors, executive officers and significant employees:

Name	Age	Position
Lin Li	43	Chairman of the Board, Chief Executive Officer, President, Secretary, Treasurer
David M. Kratochvil	57	Chief Financial Officer
Kurtis W. Winn	58	Chief Operating Officer and Director
Bradley C. Lalonde *(1)(2)(3)	69	Independent Director Appointee; Chair of Audit Committee
Charles James Schaefer IV *(1)(2)(3)	60	Independent Director Appointee; Chair of Compensation Committee
Scott Powell *(1)(2)(3)	50	Independent Director Appointee; Chair of Nomination Committee

* The individual consents to be in such position upon effectiveness of the registration statement of which this prospectus forms a part.

- (1) Member appointees of the Audit Committee
- (2) Member appointees of the Compensation Committee
- (3) Member appointees of the Nominating Committee

Directors and Executive Officer

Lin Li, Chairman of the Board, Chief Executive Officer, President, Secretary, Treasurer

Mr. Li is the founder and serves as the Chairman of the Board, Chief Executive Officer, President, Secretary, and Treasurer of Northann Corp. Mr. Li has also held executive officer and/or director positions at each of our subsidiaries since inception in 2013. Mr. Li was the general manager of Changzhou Winslon International Trading Co. Ltd. from 2005 to 2012. Mr. Lin Li has been the general manager of Northann (Changzhou) Construction Products Co. Ltd. since 2013. Mr. Lin has built the “Benchwick” brand with the utilization of 3D printing in the vinyl flooring industry and has been devoted to establishing a global ecosystem of design, manufacture and sales. Mr. Li has a bachelor’s degree in English from Sichuan International Studies University in China.

David M. Kratochvil, Chief Financial Officer

Mr. Kratochvil has agreed to be the Chief Financial Officer of Northann Corp., effective on July 14, 2023. Mr. Kratochvil has over 30 years of investment experience ranging from venture capital, developed and emerging market equity, fixed income, and currency investing to commodity and private equity investing. Mr. Kratochvil founded and runs his own advisory firm, Vista Capital Advisors, in New York. Mr. Kratochvil also served as Chief Executive Officer of Ikigai Biotech Group, Inc., an early-stage biotech company focused on using 3D bioprinting to tackle T1 diabetes and kidney disease. Mr. Kratochvil also served as group Chief Financial Officer of VolitionRx (NYSE American: VNRX), a multi-national life science diagnostics company. Mr. Kratochvil serves as the Managing Partner of Vista Capital Advisors, LLC, where he advises both private and public companies on strategic capital market initiatives and business development and manages an investment portfolio across a variety of assets. In addition, Mr. Kratochvil is also the Managing Director in the Investment Banking department at Kenmar Securities, LLC in New York, where he focuses on providing equity and debt financing and merger and acquisition advisory services for growth-oriented emerging life science companies and mid-sized businesses across a broad range of industries. Prior to joining Kenmar Securities, LLC, Mr. Kratochvil was the Managing Director in the Investment Banking department at Oberon Securities LLC in New York. Mr. Kratochvil also served as the Managing Director in the Corporate Finance department at Euro Pacific Capital, Inc. in New York, overseeing the firm’s investment banking efforts across a variety of sectors. Additionally, he was an international portfolio manager at the hedge fund Omega Advisors, Inc., where he invested in international equities, emerging market debt, currencies, and commodities. Prior to joining Omega, he was a Director at Merrill Lynch Asset Management in London where he was responsible for emerging market investing, worked as an equity analyst in New York, as a private equity investor in Prague, and as a business tax consultant in New York. Mr. Kratochvil holds an MBA in finance and international business from the University of Chicago’s Booth School of Business and a B.S. in Economics with a double concentration in finance and accounting from The Wharton School at the University of Pennsylvania. Mr. Kratochvil holds FINRA 7, 24, 63, 79, 86 and 87 registrations.

Kurtis W. Winn, Chief Operating Officer and Director

Mr. Winn has served as the President of NCP since 2015 and a Director of Northann Corp. since June 2022. Mr. Winn has also served as the Chief Operation Officer of National Wood Products, Inc. in Salt Lake City, UT since 1997, where he managed a team of 105 professionals, created and directed sales team training and development programs, managed the date-to-day tactical and long-term strategic activities within the business. Previously, from 1992 to 1997, Mr. Winn served as the regional manager at General Hardwoods, Inc. in Houston, TX, where he led sales calls with team members to establish sales and customer retention goals and managed sales transactions. From 1992 to 2016, Mr. Winn was the territory manager at NCH Corporation, in Phoenix, AZ, where he generated new accounts by implementing effective networking and content marketing strategies. Mr. Winn received his Bachelor of Science in Business Management from Arizona State University.

Non-Employee Directors

Bradley C. Lalonde, Independent Director Appointee and Chair of Audit Committee

Mr. Lalonde has consented to be a director of Northann Corp., effective upon the effectiveness of the registration statement of which this prospectus forms a part. Mr. Lalonde has a 25 years career in investment and corporate banking and over 15 years of experience in general management. Since 2003, Mr. Lalonde has served as the Partner and co-founder of Vietnam Partners, an investment banking serving the Vietnamese government and businesses in Vietnam. Previously, from 2001 to 2023, Mr. Lalonde served as the Director of Citicapital Audit and Risk Review at Citigroup, where he headed the audit teams in New York and Dallas responsible for Citigroup's commercial lending and leasing activities. From 1999 to 2001, Mr. Lalonde served as the Head of Citibank's Non-Banking Financial Institutions Business in Emerging Markets at Citibank, where he was responsible for strategy and business plan implementation in over 40 countries covering investment banks, insurance companies and leasing companies. From 1994 to 1999, Mr. Lalonde held multiple positions, including CEO, Country Risk Manager and Corporate Bank Head at Citibank Vietnam, where he led the first syndicated loan for a Vietnamese corporation and achieved highest possible audit and compliance ratings. Mr. Lalonde worked at Citibank Tunisia from 1989 to 1994, Citibank Turkey from 1984 to 1989, and Citibank in Bahrain, Saudi Arabia and Kuwait from 1981 to 1984. From 1977 to 1981, Mr. Lalonde worked at Chemical Bank as assistant to vice president covering Iran, Turkey and Africa. Mr. Lalonde received his Master degree in International Affairs with concentration in international economic development from Columbia University in 1977; and his Bachelor of Arts in Political Science from University of Michigan in 1975.

Charles James Schaefer IV, Independent Director Appointee and Chair of Compensation Committee

Mr. Schaefer is a Relationship Manager for Team AmCa and a former Executive Vice President at Deltec Bank & Trust, where he is responsible for business development strategies as well as identifying new market opportunities and global partnerships which include interaction with investment advisory firms, family offices and multiple family office organizations. Previously, Mr. Schaefer served as Chief Operating Officer of Old Fort Financial, a Bahamian broker dealer and financial services firm and earlier served as the President of Accuvest Global Advisors, a U.S. registered investment advisor specializing in country specific ETF portfolios. Mr. Schaefer is the President of the American Chamber of Commerce of the Bahamas. He previously served as Co-Deputy Chairman and Director of the Bahamas Financial Services Board. Earlier in his career, Mr. Schaefer worked at several wall street firms and served in the administration of both President George W. Bush, where he was Deputy Assistant Secretary, Office of Public Affairs, and under President George H.W. Bush as an Associate Director, Office of Public Liaison at The White House. He also served as a Special Assistant to New Jersey Governor Thomas H. Kean as an advance representative and speechwriter. He is a retired Lieutenant Colonel in the U.S. Air Force Reserve with over 27 years of service and a recipient of the Airman's Medal for his actions during and following the attack on the World Trade Center in New York City on September 11, 2001. Mr. Schaefer graduated with a Master of Business Administration from the Harvard Business School in 1988 and an Bachelor of Arts from Dartmouth College in 1984.

Scott Powell, Independent Director Appointee and Chair of Nomination Committee

Mr. Powell is the President and Chief Executive Officer of Skyline Corporate Communications Group, LLC, an investor relations and corporate communications agency. Mr. Powell is also the Vice President and Head of Investor Relations for VolitionRx Limited (NYSE American: VNRX), a company focused on developing blood-based diagnostic tests for detecting and diagnosing cancer and other diseases, and previously served as Chief Financial Officer of Volition America, Inc., a subsidiary of VolitionRx Limited, from 2017 to 2022. Mr. Powell is a Co-Founder also serves as an independent director and the Chair of the Audit Committee of Integrated Wellness Acquisition Corp. (NYSE: WEL), a special purpose acquisition company. Previously, Mr. Powell served as a Managing Director for MZ Group, an independent investor relations agency, the U.S. investor relations representative for Himax Technologies, Inc. (NASDAQ: HIMX), the Director of Investor Relations for China Hydroelectric Corporation (formerly NYSE: CHC), an investment banker with Brean Capital, LLC, and an investment banker with Westminster Securities in New York City. Mr. Powell was formerly an Adjunct Assistant Professor at Fordham University's Gabelli Graduate School of Business. Mr. Powell earned a Certificate in General Business from Columbia University, a Ph.D. and a Master of Arts from Brown University, and a Bachelor of Science in Business Administration from Bryant University.

Family Relationships

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

Certain Legal Proceedings

To our knowledge, no director, nominee for director or executive officer of the Company has been a party in any legal proceeding material to an evaluation of his ability or integrity during the past ten years.

Board Composition

Upon effectiveness of the registration statement of which this prospectus forms a part, our board of directors will be comprised of five directors. At each annual meeting of stockholders, all the directors will be elected to serve from the time of election and qualification until the next annual meeting.

Director Independence

Our Board has determined that each of Bradley C. Lalonde, Charles James Schaefer IV, and Scott Powell, qualifies as independent directors, as defined under the NYSE American Company Guide. In addition, we are subject to the rules of the SEC and the NYSE American relating to the memberships, qualifications and operations of the audit committee, as discussed below.

Board Committees

We plan to establish three committees under the board of directors: an audit committee, a compensation committee and a nominating committee. We have adopted a charter for each of the three committees. Copy of our committee charters are to be posted on our corporate investor relations website prior to our listing on the NYSE American .

Each committee's members and functions are described below.

Audit Committee. Our Audit Committee will consist of Bradley C. Lalonde, Charles James Schaefer IV, and Scott Powell. Bradley C. Lalonde will be the chairman of our audit committee. We have determined that these directors satisfy the "independence" requirements of section 803A(2) of the NYSE American Company Guide and Rule 10A-3 under the Securities Exchange Act of 1934. Our board of directors has determined that Bradley C. Lalonde qualifies as an audit committee financial expert and has the accounting or financial management expertise as required under Item 407(d)(5)(ii) and (iii) of Regulation S-K. The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;

- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

Compensation Committee. Our Compensation Committee will consist of Bradley C. Lalonde, Charles James Schaefer IV, and Scott Powell. Mr. Charles James Schaefer IV will be the chairman of our compensation committee. The compensation committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee will be responsible for, among other things:

- reviewing the total compensation package for our executive officers and making recommendations to the board;
- reviewing the compensation of our non-employee directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

Nomination Committee. Our Nomination Committee will consist of Bradley C. Lalonde, Charles James Schaefer IV, and Scott Powell. Scott Powell will be the chairman of our nomination committee. The nomination committee will assist the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nomination committee will be responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Code of Ethics

We plan to adopt a Code of Ethics applicable to our officers, directors and employees.

EXECUTIVE COMPENSATION

The following summary compensation table sets forth the compensation earned by our named executive officers for the years ended December 31, 2022 and 2021.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (US\$)	Bonus (US\$)	Stock Awards (US\$)	All Other Compensation (US\$)	Total (US\$)
Lin Li	2022	120,000	-	-	-	120,000
<i>Chairman of the Board, Chief Executive Officer, President, Secretary, and Treasurer</i>	2021	120,000	-	-	-	120,000
David M. Kratochvil	2022	-	-	-	-	-
<i>Chief Financial Officer</i>	2021	-	-	-	-	-
Kurtis W. Winn	2022	100,000	-	-	-	100,000
<i>Chief Operating Officer and Director</i>	2021	100,000	-	-	-	100,000

Employment Agreements with Executive Officers and Employee Director

We have entered into employment agreements with each of our executive officers.

Agreement with Lin Li

Mr. Li entered into an employment agreement with Northann Corp. on July 1, 2022. Pursuant to the employment agreement, Mr. Li serves as the Chairman of the Board, Chief Executive Officer, President, Treasurer and Secretary of Northann Corp., and is entitled to receive a base salary at an annual rate of US\$120,000 and any bonus, equity awards as the board of directors and/or the compensation committee may determine. The employment agreement is for a term of three years. The agreement may be terminated upon either party's failure to renew the agreement, by Northann Corp. for or without cause or by Mr. Li with or without good reason. In addition, the agreement may be terminated by either party at any time and for any reason with at least 30 days' prior written notice.

Agreement with David M. Kratochvil

Mr. Kratochvil entered into an employment agreement with Northann Corp. on April 18, 2023. Pursuant to the employment agreement, Mr. Kratochvil agreed to serve as the Chief Financial Officer of Northann Corp. effective on July 14, 2023. Mr. Kratochvil is entitled to receive an initial retainer of \$10,000 upon signing the employment agreement and a base salary at an annual rate of US\$120,000. Mr. Kratochvil will also receive equity-based compensation in the amount of \$50,000 per annum, payable by issuance of the common stock of the Company, vested in four equal installments on a quarterly basis. The price per share of common stock shall be the average closing price of the Company's common stock of the last five business days of such quarter. The employment agreement is for a term of one year. The agreement may be terminated upon either party's failure to renew the agreement, by Northann Corp. for or without cause or by Mr. Kratochvil with or without good reason. In addition, the agreement may be terminated by either party at any time and for any reason with at least 30 days' prior written notice.

Agreement with Kurtis W. Winn

Mr. Winn entered into an employment agreement with Northann Corp. on July 1, 2022. Pursuant to the employment agreement, Mr. Winn serves as the Chief Operating Officer and a director of Northann Corp., and is entitled to receive a base salary at an annual rate of US\$100,000 and any bonus, equity awards as the board of directors and/or the compensation committee may determine. The employment agreement is for a term of three years. The agreement may be terminated upon either party's failure to renew the agreement, by Northann Corp. for or without cause or by Mr. Winn with or without good reason. In addition, the agreement may be terminated by either party at any time and for any reason with at least 30 days' prior written notice.

Equity Incentive Plan

On May 30, 2023, the Company adopted the 2023 Equity Incentive Plan, or the 2023 Plan, for the purpose of granting share based compensation awards to current or prospective employees, directors, officers, advisors or consultants of the Company or its affiliates and align their interests with ours.

The maximum aggregate number of shares of common stock which may be issued pursuant to all awards under the 2023 Plan is 4,000,000. As of the date of this prospectus, no shares of common stock were granted under the 2023 Plan.

The following paragraphs summarize the terms of the 2023 Plan.

Administration. The 2023 Plan is administered by the board of directors or committee or individuals authorized by the board of directors, and once the Compensation Committee is established, the Compensation Committee will administer the 2023 Plan (such committee that administers the 2023 Plan, the “Committee”). The Committee will have the authority to determine the terms and conditions of any agreements evidencing any awards granted under the 2023 Plan and to adopt, alter and repeal rules, guidelines and practices relating to the 2023 Plan. The Committee will have full discretion to administer and interpret the 2023 Plan and to adopt such rules, regulations and procedures as it deems necessary or advisable.

Eligibility. Current or prospective employees, directors, officers, advisors or consultants of the Company or its affiliates are eligible to participate in the 2023 Plan. The Committee has the sole and complete authority to determine who will be granted an award under the 2023 Plan, however, it may delegate such authority to one or more officers of the Company under the circumstances set forth in the 2023 Plan.

Number of Shares Authorized. The 2023 Plan provides for an aggregate of Four Million (4,000,000) shares of common stock to be available for awards. If an award is forfeited or if any option terminates, expires or lapses without being exercised, the common stock subject to such award will again be made available for future grant. Shares of common stock that are used to pay the exercise price of an option or that are withheld to satisfy the participant’s tax withholding obligation will not be available for re-grant under the 2023 Plan.

Each share of common stock subject to an option or a stock appreciation right will reduce the number of common stock available for issuance by one share, and each common stock underlying an award of restricted stock, restricted stock units, stock bonus awards and performance compensation awards will reduce the number of common stock available for issuance by one share.

If there is any change in the corporate capitalization, the Committee in its sole discretion may make substitutions or adjustments to the number of shares reserved for issuance under the 2023 Plan, the number of shares covered by awards then outstanding under the 2023 Plan, the limitations on awards under the 2023 Plan, the exercise price of outstanding options and such other equitable substitution or adjustments as it may determine appropriate.

Term of Plan. The 2023 Plan will have a term of ten years and no further awards may be granted under the 2023 Plan after that date.

Awards Available for Grant. The Committee may grant awards of non-qualified stock options, incentive (qualified) stock options, stock appreciation rights, restricted stock, restricted stock units, stock bonus awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing.

Options. The Committee will be authorized to grant options to purchase shares of common stock that are either “qualified,” meaning they are intended to satisfy the requirements of Internal Revenue Code of 1986, as amended, or the Code, Section 422 for incentive stock options, or “non-qualified,” meaning they are not intended to satisfy the requirements of Section 422 of the Code. Options granted under the 2023 Plan will be subject to the terms and conditions established by the Committee. Under the terms of the 2023 Plan, the exercise price of the options will be set forth in the applicable award agreement. Options granted under the 2023 Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the Committee and specified in the applicable award agreement. The maximum term of an option granted under the 2023 Plan will be ten years from the date of grant (or five years in the case of a qualified option granted to a 10% stockholder).

Stock Appreciation Rights. The Committee will be authorized to award stock appreciation rights (or SARs) under the 2023 Plan. SARs will be subject to the terms and conditions established by the Committee. An SAR is a contractual right that allows a participant to receive, either in the form of cash, shares or any combination of cash and shares, the appreciation, if any, in the value of a share over a certain period of time. An option granted under the 2023 Plan may include SARs and SARs may also be awarded to a participant independent of the grant of an option. SARs granted in connection with an option shall be subject to terms similar to the option corresponding to such SARs. SARs shall be subject to terms established by the Committee and reflected in the award agreement.

Restricted Stock. The Committee will be authorized to award restricted stock under the 2023 Plan. The Committee will determine the terms of such restricted stock awards. Restricted stock are shares of common stock that generally are non-transferable and subject to other restrictions determined by the Committee for a specified period. Unless the Committee determines otherwise or specifies otherwise in an award agreement, if the participant terminates employment or services during the restricted period, then any unvested restricted stock is forfeited.

Restricted Stock Unit Awards. The Committee will be authorized to award restricted stock unit awards. The Committee will determine the terms of such restricted stock units. Unless the Committee determines otherwise or specifies otherwise in an award agreement, if the participant terminates employment or services during the period of time over which all or a portion of the units are to be earned, then any unvested units will be forfeited.

Stock Bonus Awards. The Committee will be authorized to grant awards of unrestricted common stock or other awards denominated in common stock, either alone or in tandem with other awards, under such terms and conditions as the Committee may determine.

Performance Compensation Awards. The Committee will be authorized to grant any award under the 2023 Plan in the form of a performance compensation award by conditioning the vesting of the award on the attainment of specific levels of performance of the Company and/or one or more affiliates, divisions or operational units, or any combination thereof, as determined by the Committee.

Transferability. Each award may be exercised during the participant's lifetime only by the participant or, if permissible under applicable law, by the participant's guardian or legal representative and may not be otherwise transferred or encumbered by a participant other than by will or by the laws of descent and distribution. The Committee, however, may permit awards (other than incentive stock options) to be transferred to family members, a trust for the benefit of such family members, a partnership or limited liability company whose partners or stockholders are the participant and his or her family members or anyone else approved by it.

Amendment. The board of directors may amend, suspend or terminate the 2023 Plan at any time; however, stockholder approval to amend the 2023 Plan may be necessary if the law or the rules of the national exchange so requires. No amendment, suspension or termination will impair the rights of any participant or recipient of any award without the consent of the participant or recipient.

Change in Control. Except to the extent otherwise provided in an award agreement or as determined by the Committee in its sole discretion, in the event of a change in control, all outstanding options and equity awards (other than performance compensation awards) issued under the 2023 Plan will become fully vested and performance compensation awards will vest, as determined by the Committee, based on the level of attainment of the specified performance goals.

RELATED PARTY TRANSACTIONS

Employment Agreements and Indemnification Agreements

See “Management—Employment Agreements with Executive Officers and employee director” on page 82.

Other Transactions with Related Parties

During the fiscal years ended December 31, 2022, 2021 and 2020 and the three months’ period ended March 31, 2023, Lin Li, our Chairman of the Board, Chief Executive Officer, President, Secretary, and Treasurer, provided unsecured, due on demand, and interest free loans to the Company’s subsidiaries in a total of \$2,468,483, \$61,202 and \$38,177, respectively, for the Company’s subsidiaries’ working capital purposes. During the period from March 31, 2023 to the date of this prospectus, Lin Li did not extend additional loans to the Company or its subsidiaries. As of March 31, 2023 and as of the date of this prospectus, the amount due to Lin Li was \$734,397.

During the fiscal year ended December 31, 2021, NCP extended an unsecured, due on demand, and interest free loan to Lin Li, in the amount of \$897,907. Lin Li invested the fund in Crazy Industry. In June 2022, Lin Li repaid the \$897,907 in full.

PRINCIPAL STOCKHOLDERS

The following table provides information as to shares of common stock and shares of Series A Preferred Stock beneficially owned as of the date of this prospectus, and the percentage of voting power as of the date of this prospectus and immediately after this offering, by:

- each director;
- each named executive officer;
- all directors and executive officers as a group; and
- each person known by us to beneficially own at least 5% of our common stock

The calculations in the table below are based on 20,000,000 shares of common stock and 5,000,000 shares of Series A Preferred Stock issued and outstanding as of the date of this prospectus, and the issuance of 3,000,000 shares of common stock in this offering, assuming the underwriters do not exercise their over-allotment option, and do not include common stock issuable upon exercise of outstanding warrants (see “Description of Capital Stock – Convertible Notes and Warrants”). Each share of common stock entitles the holder to one vote and share of Series A Preferred Stock entitles the holder to ten votes on any matter on which action of the stockholders of the corporation is sought. The Series A Preferred Stock will vote together with the common stock. As of the date of the prospectus, we have 13 stockholders of record.

Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options, warrants and convertible notes currently exercisable or convertible, or exercisable or convertible within 60 days are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person.

	Common Stock Beneficially Owned		Series A Preferred Stock Beneficially Owned		Percentage of Voting Power	
	Number	%	Number	%	Prior to the Offering	After the Offering (assuming no exercise of the over- allotment)
Directors and Executive Officers:						
Lin Li (Chairman, President, CEO, Treasurer and Secretary)	14,430,000	72.15%	5,000,000	100%	92.04%	88.26%
David M. Kratochvil (CFO)	0	-	0	-	-	-
Kurtis W. Winn (Chief Operating Officer and Director)	0	-	0	-	-	-
Bradley C. Lalonde (Independent Director Appointee)						
Charles James Schaefer IV (Independent Director Appointee)	0	-	0	-	-	-
Scott Powell (Independent Director Appointee)	0	-	0	-	-	-
All Directors and Executive Officers as a Group	<u>14,430,000</u>	<u>72.15%</u>	<u>5,000,000</u>	<u>100%</u>	<u>92.04%</u>	<u>88.26%</u>
Principal Stockholders holding 5% or more:						
Lin Li (Chairman, President and CEO)	<u>14,430,000</u>	<u>72.15%</u>	<u>5,000,000</u>	<u>100%</u>	<u>92.04%</u>	<u>88.26%</u>

Except for Lin Li whose shareholding is disclosed in the table above, we have 12 other stockholders that hold an aggregate of 5,570,000 shares of common stock, each holding less than 5% of the total issued and outstanding common stock as of the date of this prospectus.

DESCRIPTION OF CAPITAL STOCK

Authorized Stock

The Company is authorized to issue 500,000,000 shares of capital stock, consisting of 400,000,000 shares of common stock, par value of US\$0.001 per share, and 100,000,000 shares of blank check preferred stock, par value of US\$0.001 per share. As of the date of this prospectus, there are 20,000,000 shares of common stock and 5,000,000 shares of Series A Preferred Stock issued and outstanding, not including shares of common stock issuable upon exercise of outstanding warrants (see “– Convertible Notes and Warrants”). The shares of common stock are held by 13 stockholders of record and the shares of Series A Preferred Stock are held by one stockholder of record.

Common Stock

Each share of common stock entitles the holder to one vote, in person or proxy, on any matter on which action of the stockholders of the corporation is sought. The holders of our common stock possess all voting power. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all shares of our common stock that are present in person or represented by proxy, subject to any voting rights granted to holders of any preferred stock. Holders of our common stock representing at least one-third our capital stock issued, outstanding and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of our stockholders. A vote by the holders of a majority of our outstanding shares is required to effectuate certain fundamental corporate changes such as liquidation, merger or an amendment to our Articles of Incorporation. Our Articles of Incorporation do not provide for cumulative voting in the election of directors.

Preferred Stock

Our board of directors may authorize preferred shares of stock and to divide the authorized shares of our preferred stock into one or more series, each of which must be so designated as to distinguish the shares of each series of preferred stock from the shares of all other series and classes. Our board of directors is authorized, within any limitations prescribed by law and our Articles of Incorporation, to fix and determine the designations, rights, qualifications, preferences, limitations and terms of the shares of any series of preferred stock including, but not limited to, the following:

1. The number of shares constituting that series and the distinctive designation of that series, which may be by distinguishing number, letter or title;
2. The dividend rate on the shares of that series, whether dividends will be cumulative, and if so, from which date(s), and the relative rights of priority, if any, of payment of dividends on shares of that series;
3. Whether that series will have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
4. Whether that series will have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors determines;
5. Whether or not the shares of that series will be redeemable, and, if so, the terms and conditions of such redemption, including the date or date upon or after which they are redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;
6. Whether that series will have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;
7. The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation, and the relative rights of priority, if any, of payment of shares of that series; and
8. Any other relative rights, preferences and limitations of that series.

On March 23, 2022, the Company filed a Certificate of Designation to our Articles of Incorporation with the Secretary of State of the State of Nevada to reflect the creation of Blank Check Preferred Stock. As a result, as of the date of this prospectus the capital stock of the Company consists of 400,000,000 shares of common stock, US\$0.001 par value, and 100,000,000 shares of blank check preferred stock. 20,000,000 shares were designated to be Series A Preferred Stock out of the 100,000,000 shares of blank check preferred stock.

Series A Preferred Stock

We have one designated class of preferred stock known as Series A Preferred Stock. Each share of Series A Preferred Stock entitles the holder to ten votes, in person or proxy, on any matter on which action of the stockholders of the corporation is sought. The Series A Preferred Stock will vote together with the common stock. The holders of Series A Preferred Stock shall not be entitled to receive dividends of any kind. The Series A Preferred Stock shall not be subject to conversion into Common Stock or other equity authorized to be issued by the Company.

Reserve Stock Split

On July 5, 2023, as approved by the board of directors and the majority shareholder of the Company, the Company effected a reverse split of our outstanding common stock and Series A Preferred Stock at a ratio of 2-for-1. All references to common stock, Series A Preferred Stock, share data, per share data, and related information have been retroactively adjusted, where applicable, in this prospectus to reflect the reverse split of our issued and outstanding common stock and Series A Preferred Stock as if these events had occurred at the beginning of the earliest period presented.

Convertible Notes and Warrants

The information in this section reflects a 2-for-1 reverse split of our issued and outstanding shares of common stock and Series A Preferred Stock, effected on July 5, 2023.

On May 12, 2022, Northann Corp. entered into a securities purchase agreement with certain investors, pursuant to which the Company sold the investors convertible debentures in an aggregate principal amount of \$1,000,000 (the "Convertible Debentures") that are convertible into shares of common stock of Northann Corp. (the "Conversion Shares") and warrants to purchase up to 142,858 shares of common stock of Northann Corp. (the "Warrants" and such shares underlying the Warrants, the "Warrant Shares").

The Convertible Debentures have a maturity date of 24 months after the issuance thereof and bear interest at the rate of 7% per annum. The Convertible Debentures are convertible after the six-month anniversary of the date of issuance or earlier if a registration statement covering the Conversion Shares has been declared effective until the Convertible Debentures have been paid in full or converted in full, at an initial conversion price of \$7.00 per share and shall be adjusted to the lower of (i) 70% of the offering price in a future equity financing with gross proceeds of not less than \$5,000,000, or (ii) \$7.00, subject to further adjustments thereunder, including a reduction in the conversion price, in the event of a subsequent offering at a price less than the then current exercise price, to the same price as the price in such offering (a "Price Protection Adjustment"). If Northann Corp. is not able to or ceases to be eligible for quotation or listed on a trading market within 12 months from the issuance of the Convertible Debentures, the holders may demand Northann Corp. to pay all the outstanding principal amount or convert all or a portion of the outstanding principal amount. If at any time following the six months' anniversary of the final closing date or termination of the offering and if there is an effective registration statement permitting the issuance of the Conversion Shares to or resale of the Conversion Shares by the holders, (A) Northann Corp.'s common stock is listed on a senior national securities exchange, (B) the daily VWAP for the prior 20 consecutive trading days is \$8.00 or more (adjusted for splits and similar distributions) and (C) the daily trading volume is at least \$1,000,000 during such 20-day period, then the Company shall have the right to require the holders to convert all or any portion of the principal and accrued interest then remaining under the Convertible Debentures into shares of common stock at the conversion price then in effect.

On April 27, 2023, the holders of the Convertible Debentures and Northann Corp. entered into amendments to the Convertible Debentures. Pursuant to the amendment, Northann Corp. agreed to pay the principal and accrued interest of the Convertible Debentures in cash on or before the earlier of July 12, 2023 or the three months' anniversary of the completion of this offering, and the holders agreed to not convert the Convertible Debentures. As of the date of this prospectus, the Convertible Debentures have not been converted in any shares of common stock of Northann Corp. and Northann Corp. has not repaid any principal or accrued interest of the Convertible Debentures.

The Warrants are exercisable from time to time in whole or in part from the date of issuance until the five-year anniversary of the date of issuance. The Warrants can be exercised on a cashless or a cash basis. The initial exercise price of the Warrants is \$7.00 per share and shall be adjusted to the lower of (i) 70% of the offering price in a future equity financing with gross proceeds of not less than \$5,000,000, or (ii) \$7.00, subject to further adjustments thereunder, including a Price Protection Adjustment.

Univest Securities, LLC was the placement agent for the Convertible Debentures and the Warrants offering. The Company paid Univest Securities, LLC a total cash fee equal to 7% of the aggregate gross proceeds and a non-accountable expense allowance equal to 0.5% of the gross proceeds. Additionally, the Company issued to Univest Securities, LLC warrants to purchase 8,572 shares of common stock, which equals to 6% of the Warrant Shares, for an exercise price equal to 120% of the exercise price of the Warrants, as adjusted. The warrants issued to Univest Securities, LLC have a term of five years and are first exercisable six months after the date of issuance.

The transaction was completed on May 16, 2022. The Company received gross proceeds from the sale of the Convertible Debentures and the Warrants in the amount of \$1,000,000, before deducting placement agent fees and expenses. The Company has used the net proceeds for working capital and general business purposes.

Listing of Common Stock

We intend to list our common stock on the NYSE American under the symbol "NCL". However, there is no assurance that the offering will close and that our common stock will be trading on the NYSE American. The closing of this offering is conditioned upon NYSE American's final approval of our listing application, and there is no guarantee or assurance that our common stock will be approved for listing on NYSE American.

Transfer Agent and Registrar

The transfer agent for our common stock is VStock Transfer LLC. The address is 18 Lafayette Pl, Woodmere, NY 11598. The telephone number is (212) 828-8436.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was little to no trading activity in our common stock. Future sales of substantial amounts of common stock in the public market, or the perception that such sales may occur, could adversely affect the market price of our common stock. Immediately prior to the offering, there are 20,000,000 shares of common stock and 5,000,000 shares of Series A Preferred Stock issued and outstanding, not including shares of common stock issuable upon exercise of outstanding warrants (see “– Convertible Notes and Warrants”). Upon the completion of the offering, we will have an aggregate of 23,000,000 shares of common stock outstanding immediately assuming no exercise of the over-allotment option by the underwriters.

All common stock sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our “affiliates,” as that term is defined in Rule 144 under the Securities Act, whose sales would be subject to the Rule 144 resale restrictions described below, other than the holding period requirement. The remaining shares of common stock, representing approximately 86.96% of our outstanding shares of common stock, following this offering assuming no exercise of the over-allotment option by the underwriters, will be held by our existing stockholders. All of these remaining shares are “restricted securities” as that phrase is defined in Rule 144 under the Securities Act. Subject to certain contractual restrictions, including the lock-up agreements described below, holders of restricted shares will be entitled to sell those shares in the public market pursuant to an effective registration statement under the Securities Act or if they qualify for an exemption from registration under Rule 144. Sales of these shares in the public market after the restrictions under the lock-up agreements lapse, or the perception that those sales may occur, could cause the prevailing market price to decrease or to be lower than it might be in the absence of those sales or perceptions. As a result of lock-up agreements described below, and the provisions of Rules 144 under the Securities Act, the restricted securities will be available for sale in the public market.

Lock up

Each of our directors and officers and stockholders who own 5% or more of our outstanding common stock on a fully diluted basis immediately prior to the consummation of this offering has agreed with the underwriters, subject to certain exceptions, not to sell, transfer or dispose of, directly or indirectly, any of our shares of common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock for a period of 180 days from the date of this prospectus without the prior written consent of the underwriters. This consent may be given at any time without public notice. Upon expiration of the lock-up period, these shares will be available for sale in the public market, subject in some cases to applicable volume limitations under Rule 144. See “Underwriting – Lock-up Agreements” beginning on page 92.

We also agreed to register shares underlying the underwriters’ warrants. If and when exercised, and subject to the lock up period described elsewhere in this prospectus, those shares shall be freely tradable without restriction or further registration under the Securities Act.

Rule 144

Some of our stockholders will be forced to hold their shares of our common stock for at least a six-month period before they are eligible to sell those shares, and even after that six-month period, sales may not be made under Rule 144 promulgated under the Securities Act unless we and such stockholders are in compliance with other requirements of Rule 144.

In general, Rule 144 provides that (i) any of our non-affiliates that has held restricted common stock for at least six months is thereafter entitled to sell its restricted stock freely and without restriction, provided that we remain compliant and current with our SEC reporting obligations, and (ii) any of our affiliates, which includes our directors, executive officers and other person in control of us, that has held restricted common stock for at least six months is thereafter entitled to sell its restricted stock subject to the following restrictions: (a) we are compliant and current with our SEC reporting obligations, (b) certain manner of sale provisions are satisfied, (c) a Form 144 is filed with the SEC, and (d) certain volume limitations are satisfied, which limit the sale of shares within any three-month period to a number of shares that does not exceed the greater of 1% of the total number of outstanding shares. A person who has ceased to be an affiliate at least three months immediately preceding the sale and who has owned such shares of common stock for at least one year is entitled to sell the shares under Rule 144 without regard to any of the limitations described above.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, consultants or advisors who purchase our common stock from us in connection with a compensatory stock or option plan or other written agreement in a transaction before the effective date of our initial public offering that was completed in reliance on Rule 701 and complied with the requirements of Rule 701 will be eligible to resell such shares 90 days after the date of this prospectus in reliance on Rule 144, but without compliance with certain restrictions, including the holding period, contained in Rule 144.

Regulation S

Regulation S provides generally that sales made in offshore transactions are not subject to the registration or prospectus-delivery requirements of the Securities Act.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is the opinion of our U.S. counsel, Ortole Rosenstadt LLP and a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our common stock by a U.S. Holder (as defined below) that acquires our common stock in this offering and holds our common stock as “capital assets” (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service, or the IRS, with respect to any U.S. federal income tax considerations described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift, and alternative minimum tax considerations, the Medicare tax on certain net investment income, information reporting or backup withholding or any state, local, and non-U.S. tax considerations, relating to the ownership or disposition of our common stock. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- individual retirement accounts or other tax-deferred accounts;
- persons liable for alternative minimum tax;
- persons who acquire their common stock pursuant to any employee share option or otherwise as compensation;
- investors that will hold their common stock as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- persons that actually or constructively own 10% or more of our common stock (by vote or value); or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding the common stock through such entities,

all of whom may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S., and other tax considerations of the ownership and disposition of our common stock.

U.S. Holders

This section applies to you if you are a “U.S. holder.” A U.S. holder is a beneficial owner of our common stock who or that is, for U.S. federal income tax purposes:

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

Taxation of Distributions. If we pay distributions in cash or other property (other than certain distributions of our stock or rights to acquire our stock) to U.S. holders of shares of our common stock, such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of current and accumulated earnings and profits will constitute a return of capital that will be applied against and reduce (but not below zero) the U.S. holder's adjusted tax basis in our common stock. Any remaining excess will be treated as gain realized on the sale or other disposition of the common stock and will be treated as described under "U.S. Holders - Gain or Loss on Sale, Taxable Exchange or Other Taxable Disposition of Common Stock" below.

Dividends we pay to a U.S. holder that is a taxable corporation generally will qualify for the dividends received deduction if the requisite holding period is satisfied. With certain exceptions (including, but not limited to, dividends treated as investment income for purposes of investment interest deduction limitations), and provided certain holding period requirements are met, dividends we pay to a non-corporate U.S. holder may constitute "qualified dividend income" that will be subject to tax at the maximum tax rate accorded to long-term capital gains. If the holding period requirements are not satisfied, then a corporation may not be able to qualify for the dividends received deduction and would have taxable income equal to the entire dividend amount, and non-corporate U.S. holders may be subject to tax on such dividend at regular ordinary income tax rates instead of the preferential rate that applies to qualified dividend income.

Gain or Loss on Sale, Taxable Exchange or Other Taxable Disposition of Common Stock. Upon a sale or other taxable disposition of our common stock, a U.S. holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. holder's adjusted tax basis in the common stock. Any such capital gain or loss generally will be long-term capital gain or loss if the U.S. holder's holding period for the common stock so disposed of exceeds one year. Long-term capital gains recognized by non-corporate U.S. holders may be eligible to be taxed at reduced rates. The deductibility of capital losses is subject to limitations.

Generally, the amount of gain or loss recognized by a U.S. holder is an amount equal to the difference between (i) the sum of the amount of cash and the fair market value of any property received in such disposition and (ii) the U.S. holder's adjusted tax basis in its common stock so disposed of. A U.S. holder's adjusted tax basis in its common stock generally will equal the U.S. holder's acquisition cost less any prior distributions treated as a return of capital.

Information Reporting and Backup Withholding. In general, information reporting requirements may apply to dividends paid to a U.S. holder and to the proceeds of the sale or other disposition of our common stock, unless the U.S. holder is an exempt recipient. Backup withholding may apply to such payments if the U.S. holder fails to provide a taxpayer identification number, a certification of exempt status or has been notified by the IRS that it is subject to backup withholding (and such notification has not been withdrawn).

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against a U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided the required information is timely furnished to the IRS.

Non-U.S. Holders

This section applies to you if you are a "Non-U.S. holder." As used herein, the term "Non-U.S. holder" means a beneficial owner of our common stock who or that is for U.S. federal income tax purposes:

- a non-resident alien individual (other than certain former citizens and residents of the United States subject to U.S. tax as expatriates);
- a foreign corporation; or
- an estate or trust that is not a U.S. holder;

but generally does not include an individual who is present in the United States for 183 days or more in the taxable year of the disposition of our Common Stock. If you are such an individual, you should consult your tax advisor regarding the U.S. federal income tax consequences of the acquisition, ownership or sale or other disposition of our common stock.

Taxation of Distributions. In general, any distributions we make to a Non-U.S. holder of shares of our Com common stock, to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles), will constitute dividends for U.S. federal income tax purposes and, provided such dividends are not effectively connected with the Non-U.S. holder's conduct of a trade or business within the United States, we will be required to withhold tax from the gross amount of the dividend at a rate of 30%, unless such Non-U.S. holder is eligible for a reduced rate of withholding tax under an applicable income tax treaty and provides proper certification of its eligibility for such reduced rate (usually on an IRS Form W-8BEN or W-8BEN-E). Any distribution not constituting a dividend will be treated first as reducing (but not below zero) the Non-U.S. holder's adjusted tax basis in its shares of our common stock and, to the extent such distribution exceeds the Non-U.S. holder's adjusted tax basis, as gain realized from the sale or other disposition of the common stock, which will be treated as described under "Non-U.S. Holders - Gain on Sale, Taxable Exchange or Other Taxable Disposition of Common Stock" below. In addition, if we determine that we are likely to be classified as a "United States real property holding corporation" (see "Non-U.S. Holders - Gain on Sale, Taxable Exchange or Other Taxable Disposition of Common Stock" below), we generally will withhold 15% of any distribution that exceeds our current and accumulated earnings and profits.

The withholding tax generally does not apply to dividends paid to a Non-U.S. holder who provides a Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. holder's conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. federal income tax as if the Non-U.S. holder were a U.S. resident, subject to an applicable income tax treaty providing otherwise. A corporate Non-U.S. holder receiving effectively connected dividends may also be subject to an additional "branch profits tax" imposed at a rate of 30% (or a lower applicable treaty rate).

Gain on Sale, Taxable Exchange or Other Taxable Disposition of Common Stock. A Non-U.S. holder generally will not be subject to U.S. federal income or withholding tax in respect of gain recognized on a sale, taxable exchange or other taxable disposition of our common stock unless:

- the gain is effectively connected with the conduct by the Non-U.S. holder of a trade or business within the United States (and, under certain income tax treaties, is attributable to a United States permanent establishment or fixed base maintained by the Non-U.S. holder); or
- we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that the Non-U.S. holder held our common stock, and, in the case where shares of our common stock are regularly traded on an established securities market, the Non-U.S. holder has owned, directly or constructively, more than 5% of our common stock at any time within the shorter of the five-year period preceding the disposition or such Non-U.S. holder's holding period for the shares of our common stock. There can be no assurance that our common stock will be treated as regularly traded on an established securities market for this purpose.

Unless an applicable treaty provides otherwise, gain described in the first bullet point above will be subject to tax at generally applicable U.S. federal income tax rates as if the Non-U.S. holder were a U.S. resident. Any gains described in the first bullet point above of a Non-U.S. holder that is a foreign corporation may also be subject to an additional "branch profits tax" imposed at a 30% rate (or lower treaty rate).

If the second bullet point above applies to a Non-U.S. holder, gain recognized by such holder on the sale, exchange or other disposition of our common stock will be subject to tax at generally applicable U.S. federal income tax rates. In addition, a buyer of our common stock from such holder may be required to withhold U.S. federal income tax at a rate of 15% of the amount realized upon such disposition. We will be classified as a United States real property holding corporation if the fair market value of our "United States real property interests" equals or exceeds 50% of the sum of the fair market value of our worldwide real property interests plus our other assets used or held for use in a trade or business, as determined for U.S. federal income tax purposes. We do not expect to be a United States real property holding corporation immediately after the Business Combination is completed.

Information Reporting and Backup Withholding. Information returns will be filed with the IRS in connection with payments of dividends and the proceeds from a sale or other disposition of shares of common stock. A Non-U.S. holder may have to comply with certification procedures to establish that it is not a United States person in order to avoid information reporting and backup withholding requirements. The certification procedures required to claim a reduced rate of withholding under a treaty generally will satisfy the certification requirements necessary to avoid the backup withholding as well. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a Non-U.S. holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

FATCA Withholding Taxes. Provisions commonly referred to as "FATCA" impose withholding of 30% on payments of dividends on our common stock to "foreign financial institutions" (which is broadly defined for this purpose and in general includes investment vehicles) and certain other non-U.S. entities unless various U.S. information reporting and due diligence requirements (generally relating to ownership by United States persons of interests in or accounts with those entities) have been satisfied by, or an exemption applies to, the payee (typically certified as to by the delivery of a properly completed IRS Form W-8BEN-E). Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Under certain circumstances, a Non-U.S. holder might be eligible for refunds or credits of such withholding taxes, and a Non-U.S. holder might be required to file a U.S. federal income tax return to claim such refunds or credits. Thirty percent withholding under FATCA was scheduled to apply to payments of gross proceeds from the sale or other disposition of property that produces U.S.-source interest or dividends beginning on January 1, 2019, but on December 13, 2018, the IRS released proposed regulations that, if finalized in their proposed form, would eliminate the obligation to withhold on gross proceeds. Such proposed regulations also delayed withholding on certain other payments received from other foreign financial institutions that are allocable, as provided for under final Treasury Regulations, to payments of U.S.-source dividends, and other fixed or determinable annual or periodic income. Although these proposed Treasury Regulations are not final, taxpayers generally may rely on them until final Treasury Regulations are issued. Prospective investors should consult their tax advisors regarding the effects of FATCA on their investment in our common stock.

UNDERWRITING

In connection with this offering, we will enter into an underwriting agreement with the underwriters named below, for whom Craft Capital Management LLC is acting as the representative. The underwriters have agreed to purchase from us, on a firm commitment basis, 3,000,000 shares of common stock, at the public offering price less the underwriting discounts set forth on the cover page of this prospectus. The underwriters may retain other brokers or dealers to act as sub-agents on its behalf in connection with this offering and may pay any sub-agent a solicitation fee with respect to any securities placed by it.

Underwriters	Number of Shares
Craft Capital Management LLC	
[]	
Total	

The underwriters are committed to purchase all the shares of common stock offered by this prospectus if it purchases any shares. The underwriters are not obligated to purchase the common stock covered by the underwriters' over-allotment option (described below). The underwriters are offering the shares of common stock, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by their counsel, and other conditions contained in the underwriting agreement. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Over-Allotment Option

We have granted to the underwriters an option, exercisable for 45 days from the closing of this offering, to purchase up to 15% additional shares of common stock at the initial public offering price listed on the cover page of this prospectus, less underwriting discounts. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering contemplated by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional common stock as the number listed next to the underwriters' name in the preceding table bears to the total number of common stock listed next to the names of all underwriters in the preceding table.

Discounts and Expenses

The following table shows, for each of the total without over-allotment option and total with full over-allotment option offering amounts, the per share and total public offering price, underwriting discount, and proceeds to us, before expenses and assuming a US\$4.00 per share offering price, which is the midpoint of the price range set forth on the cover page of this prospectus.

	Per Share	Total Without Over- Allotment Option	Total With Full Exercise of the Over- Allotment Option
Public offering price	US\$ 4.00	US\$ 12,000,000	US\$ 13,800,000
Underwriting discount (7.5%)	US\$ 0.30	US\$ 900,000	US\$ 1,035,000
Proceeds to us, before expenses	US\$ 3.70	US\$ 11,100,000	US\$ 12,765,000

We have agreed to grant the underwriters a 7.5% discount on the public offering price and a non-accountable expense allowance equal to one percent (1%) of the gross proceeds. We have also agreed to pay at the closing of this offering the underwriters' reasonable out-of-pocket expenses including but not limited to, (i) reasonable travel and out-of-pocket expenses, including clearing charges; (ii) reasonable fees of legal counsel incurred by the underwriters in connection with the offering. The total accountable expenses shall not exceed US\$200,000. As of the date of this prospectus, the Company has paid \$25,000 to the representative as an advance against out-of-pocket accountable expenses. Notwithstanding any contained herein to the contrary, the underwriters shall return to the Company any expenses previously paid, or advanced, but that which were not actually incurred, in accordance with FINRA Rule 5110(g)(4)(A).

Underwriters' Warrants

We have also agreed to grant to the representative warrants to purchase a number of shares of common stock equal to 6% of the aggregate number of shares of common stock sold in the offering. The underwriters' warrants will be exercisable, in whole or in part, during a period commencing six months from issuance and will expire on the five-year anniversary of the commencement of sales of the offering. The underwriters' warrants will be exercisable at a price equal to 125% of the offering price and shall not be redeemable. We have registered the common stock underlying the underwriters' warrants in the registration statement. The underwriters' warrants may not be sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days beginning on the date of commencement of sales of the offering, except that they may be assigned, in whole or in part, to any successor, officer, manager, member or partner of the underwriter, and to members of the syndicate or selling group and their respective officers, managers, members or partners. The underwriters' warrants will provide for cashless exercise. The underwriters' warrants shall further provide for adjustment in the number and price of such warrants (and the common stock underlying such warrants) in the event of recapitalization and merger. In addition, although the underwriters' warrants and the underlying shares of common stock are being registered in the registration statement of which this prospectus forms a part, we have also agreed that the warrants will provide for registration rights in certain cases. These registration rights apply to all of the securities directly and indirectly issuable upon exercise of the underwriter warrants. The one demand registration right provided will not be greater than five years from the commencement of sales of the public offering in compliance with FINRA Rule 5110(g)(8)(D). The piggyback registration right provided will not be greater than seven years from the commencement of sales of the public offering in compliance with FINRA Rule 5110(g)(8)(C). We will bear all fees and expenses attendant to registering the shares underlying the underwriters' warrants, other than any underwriting commissions incurred and payable by the warrant holders.

Right of First Refusal

We have granted the representative a right of first refusal, for a period of 12 months from the closing of this offering, to act as sole and exclusive investment banker, sole and exclusive book-runner, sole and exclusive financial advisor, sole and exclusive underwriters and/or sole and exclusive placement agent, at the representative's sole discretion, for each and every future public and private equity and debt offering, including all equity linked financings, during such 12 month period, on terms and conditions as mutually agreed by the Company and the representative. The right of first refusal granted hereunder may be terminated by the Company for "cause," which shall mean a material failure by the underwriters to provide the services as contemplated by the engagement letter with the Company.

Lock-up Agreements

We and each of our directors and officers and stockholders who own 5% or more of our outstanding common stock on a fully diluted basis immediately prior to the consummation of this offering have agreed or are otherwise contractually restricted for a period of 180 days from the date of this prospectus, without the prior written consent of the underwriters, not to directly or indirectly:

- issue (in the case of us), offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock;
- in the case of us, file or cause the filing of any registration statement under the Securities Act with respect to any shares of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock, other than registration statements on Form S-8 filed with the SEC after the closing date of this offering; or
- enter into any swap or other agreement, arrangement, hedge or transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock,

whether any transaction described in any of the foregoing bullet points is to be settled by delivery of our common stock or other capital stock, other securities, in cash or otherwise, or publicly announce an intention to do any of the foregoing.

There are no existing agreements between the underwriters and any person who will execute a lock-up agreement in connection with this offering providing consent to the sale of shares prior to the expiration of the lock-up period. The lock up does not apply to the issuance of common stock upon the exercise of rights to acquire common stock pursuant to any existing stock purchase warrant, stock option or the conversion of existing convertible notes.

Determination of Offering Price

The public offering price of the shares we are offering was determined by us in consultation with the underwriters based on discussions with potential investors in light of the history and prospects of our company, the stage of development of our business, our business plans for the future and the extent to which they have been implemented, an assessment of our management, the public stock price for similar companies, general conditions of the securities markets at the time of the offering and such other factors as were deemed relevant.

Price Stabilization

The underwriters will be required to comply with the Securities Act and the Exchange Act, including without limitation, Rule 10b-5 and Regulation M under the Exchange Act. These rules and regulations may limit the timing of purchases and sales of shares of capital stock by the underwriters acting as principal. Under these rules and regulations, the underwriters:

- may not engage in any stabilization activity in connection with our securities; and
- may not bid for or purchase any of our securities or attempt to induce any person to purchase any of our securities, other than as permitted under the Exchange Act, until it has completed its participation in the distribution.

Indemnification

We have agreed to indemnify the underwriters against liabilities arising under the Securities Act and the Exchange Act relating to this offering and to contribute to payments that the underwriters may be required to make for these liabilities.

Application for NYSE American Market Listing

We plan to apply to have our common stock approved for listing/quotation on the NYSE American under the symbol "NCL". We will not consummate and close this offering without a listing approval letter from the NYSE American. A listing approval letter is not the same as an actual listing on the NYSE American. The listing approval letter will serve only to confirm that, if we sell a number of shares in this firm commitment offering sufficient to satisfy applicable listing criteria, our common stock will in fact be listed.

Foreign Regulatory Restrictions on Purchase of our Shares

We have not taken any action to permit a public offering of our shares outside the United States or to permit the possession or distribution of this prospectus outside the United States. People outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to this offering of our shares and the distribution of this prospectus outside the United States.

Electronic Offer, Sale and Distribution of Shares

A prospectus in electronic format may be made available on the websites maintained by the underwriters. In addition, the common stock may be sold by the underwriters to securities dealers who resell the common stock to online brokerage account holders. Other than the prospectus in electronic format, the information on the underwriters' website and any information contained in any other website maintained by the underwriters is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or the underwriters in their capacity as underwriters and should not be relied upon by investors.

Other Relationships

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the underwriters and certain of their affiliates may in the future engage in investment banking and other commercial dealings in the ordinary course of business with us and our affiliates, for which they may in the future receive customary fees, commissions and expenses.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Notice to Investors

Notice to prospective investors in the European Economic Area

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

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the lead underwriter(s); or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

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

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

Notice to prospective investors in United Kingdom

In relation to the United Kingdom, no shares of common stock have been offered or will be offered pursuant to the offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the shares of common stock that has been approved by the Financial Conduct Authority, except that offers of shares of common stock may be made to the public in the United Kingdom at any time under the following exemptions under the UK Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the lead underwriter(s); or
- (c) in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000 (the “FSMA”),

provided that no such offer of shares of common stock shall require us or any underwriter to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to the shares of common stock in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of common stock and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

In addition, this prospectus is only being distributed to, and is only directed at, and any investment or investment activity to which this prospectus relates is available only to, and will be engaged in only with, persons who are outside the United Kingdom or persons in the United Kingdom (i) having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”); or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Persons who are not relevant persons should not take any action on the basis of this prospectus and should not act or rely on it.

Notice to prospective investors in the Russian Federation

This prospectus or information contained therein is not an offer, or an invitation to make offers, sell, purchase, exchange or transfer any securities in the Russian Federation to or for the benefit of any Russian person or entity, and does not constitute an advertisement or offering of any securities in the Russian Federation within the meaning of Russian securities laws. Information contained in this prospectus is not intended for any persons in the Russian Federation who are not “qualified investors” within the meaning of Article 51.2 of the Federal Law no. 39-FZ dated 22 April 1996 “On the securities market” (as amended) (“Russian QIs”) and must not be distributed or circulated into the Russian Federation or made available in the Russian Federation to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law.

Notice to prospective investors in Kazakhstan

This prospectus does not constitute an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer shares of common stock in Kazakhstan to or for the benefit of any Kazakhstan person or entity, except for those persons or entities that are capable to do so under the legislation of the Republic of Kazakhstan and any other laws applicable to such capacity of such persons or entities. This prospectus shall not be construed as an advertisement (i.e., information intended for an unlimited group of persons which is distributed and placed in any form and aimed to create or maintain interest in us and our merchandise, trademarks, works, services and/or our securities and promote their sales) in, and for the purpose of the laws of, Kazakhstan, unless such advertisement is in full compliance with Kazakhstan laws.

Notice to prospective investors in Israel

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

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

Notice to prospective investors in the United Arab Emirates

This prospectus has not been reviewed, approved or licensed by the Central Bank of the United Arab Emirates (the "UAE"), the Securities and Commodities Authority (the "SCA") or any other relevant licensing authority in the UAE (including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the UAE including, without limitation, the DFSA, a regulatory authority of the Dubai International Financial Centre and the Financial Services Marketing Authority of the Abu Dhabi Global Market), and does not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 1 of 2015 (as amended) or otherwise, does not constitute an offer in the UAE in accordance with the SCA Chairman Resolution No. 3/R.M. of 2017 Concerning the Regulation of Promotion and Introduction, and further does not constitute the brokerage of securities in the UAE in accordance with the Board Decision No. 27 of 2014 Concerning Brokerage in Securities.

This prospectus is not intended to, and does not, constitute an offer, sale or delivery of shares or other securities under the laws of the UAE. Each underwriter has represented and agreed that the shares of common stock have not been and will not be registered with the SCA or the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or any other UAE regulatory authority or exchange. We or sale and/or marketing of the shares of common stock have not been approved or licensed by the SCA, the UAE Central Bank or any other relevant licensing authority in the UAE. The SCA accepts no liability in relation to the marketing, issuance and/or sale of the shares of common stock and is not making any recommendation with respect to any investment. Nothing contained in this prospectus is intended to constitute UAE investment, legal, tax, accounting or other professional advice. This prospectus is for the information of prospective investors only and nothing in this prospectus is intended to endorse or recommend a particular course of action. Prospective investors should consult with an appropriate professional for specific advice rendered on the basis of their situation.

Notice to prospective investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares of common stock to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares of common stock offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Notice to prospective investors in Switzerland

The shares of common stock may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange Ltd ("SIX") or on any other stock exchange or regulated trading venue in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the shares constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of SIX or any other exchange or regulated trading venue in Switzerland, and neither this prospectus nor any other offering or marketing material relating to the shares of common stock may be publicly distributed or otherwise made publicly available in Switzerland.

LEGAL MATTERS

We are being represented by Ortolí Rosenstadt LLP with respect to certain legal matters as to United States federal securities and New York State law. Certain legal matters as to PRC law will be passed upon for us by Grandall Law Firm and Beijing Gaopeng (Nanjing) Law Firm. Ortolí Rosenstadt LLP may rely upon Grandall Law Firm with respect to matters governed by PRC law. Hunter Taubman Fischer & Li LLC is acting as counsel to the underwriters with respect to certain legal matters as to United States federal securities and New York State law.

EXPERTS

The consolidated financial statements for each of the years ended December 31, 2022, 2021 and 2020, as set forth in this prospectus and elsewhere in the registration statement have been so included in reliance on the report of WWC, P.C., an independent registered public accounting firm, given on their authority as experts in accounting and auditing. WWC, P.C. has also performed review of our unaudited interim financial statements as of and for the three months ended March 31, 2023 and 2022. The current address of WWC, P.C., is 2010 Pioneer Ct, San Mateo, CA 94403.

WHERE YOU CAN FIND MORE INFORMATION

We filed with the SEC a registration statement under the Securities Act for the common stock in this offering. This prospectus does not contain all of the information in the registration statement and the exhibits and schedule that were filed with the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and the exhibits that were filed with the registration statement. Statements contained in this prospectus about the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and we refer you to the full text of the contract or other document filed as an exhibit to the registration statement. The SEC maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

We file annual, quarterly and current reports and other information with the SEC. Our filings with the SEC are available to the public on the SEC's website at www.sec.gov. The information we file with the SEC or contained on, or linked to through, our corporate website or any other website that we may maintain is not part of this prospectus or the registration statement of which this prospectus is a part.

INDEX TO FINANCIAL STATEMENTS

PAGE

Consolidated Financial Statements for the Fiscal Years Ended December 31, 2022, 2021 and 2020	
Report of Independent Registered Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2022, 2021 and 2020	F-3
Consolidated Statements of Income and Comprehensive Income (Loss) for the Years Ended December 31, 2022, 2021 and 2020	F-4
Consolidated Statements of Stockholders' Deficit for the Years Ended December 31, 2022, 2021 and 2020	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2022, 2021 and 2020	F-6
Notes to Consolidated Financial Statements	F-7
Unaudited Consolidated Financial Statements for the Three Months Ended March 31, 2023 and 2022	
Report of Independent Registered Accounting Firm	F-26
Unaudited Consolidated Balance Sheets as of March 31, 2023 and 2022	F-27
Unaudited Consolidated Statements of Income and Comprehensive Income (Loss) for the Three Months Ended March 31, 2023 and 2022	F-28
Unaudited Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2023 and 2022	F-29
Unaudited Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2023 and 2022	F-30
Notes to Unaudited Consolidated Financial Statements	F-31

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Board of Directors and Stockholders of
Northann Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Northann Corp. and its subsidiaries (collectively the “Company”) as of December 31, 2022, 2021 and 2020, and the related consolidated statements of income and comprehensive income (loss), stockholders’ equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, 2021, and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of December 31, 2021, the Company had a working capital deficit and stockholders’ deficit, accordingly, these factors gave rise to substantial doubt that the Company would continue as a going concern. As of December 31, 2022, the Company had an improvement in its capital position where the Company had net positive stockholders’ equity position, but the Company still had a working capital deficit; accordingly, the Company had not alleviated the substantial doubt that it would continue as a going concern. Management closely monitors the Company’s financial position and result of operations and has prepared a plan that includes raising additional capital and implementing improvements to increase profitability to address this substantial doubt. Details of this plan are also found in Note 1. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s 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 audit to obtain reasonable assurance about whether the 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 controls over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal controls over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

WWC, P.C.

WWC, P.C.
Certified Public Accountants
PCAOB ID: 1171

We have served as the Company’s auditor since 2021.
San Mateo, California

March 31, 2023, with exception to Notes 16 and 18 for which the date is July 14, 2023.

NORTHANN CORP.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2022, 2021 AND 2020
(In U.S. dollars)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 251,100	\$ 748,814	\$ 350,843
Restricted cash	3,835	-	-
Accounts receivable, net	1,428,738	1,254,418	113,881
Inventory, net	4,562,366	2,859,182	2,265,158
Prepayments	236,567	552,058	274,324
Other receivables and other current assets	111,294	73,722	68,431
Amounts due from related parties	-	897,907	-
Total current assets	<u>6,593,900</u>	<u>6,386,101</u>	<u>3,072,637</u>
NON-CURRENT ASSETS			
Property, plant and equipment, net	5,525,639	6,512,411	6,416,117
Construction in progress	971,884	381,448	-
Land use rights, net	1,072,415	1,123,616	1,098,344
Operating lease right-of-use assets, net	18,240	43,962	67,657
Security deposits	9,030	9,030	9,030
Deferred financing costs	218,354	-	-
Deferred tax asset, net	-	-	168,404
Total non-current assets	<u>7,815,562</u>	<u>8,070,467</u>	<u>7,759,552</u>
TOTAL ASSETS	<u>\$ 14,409,462</u>	<u>\$ 14,456,568</u>	<u>\$ 10,832,189</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT			
CURRENT LIABILITIES			
Bank borrowings - current	6,988,757	6,212,521	4,445,279
Operating lease liabilities, current	18,240	25,722	23,695
Accounts and other payables and accruals	4,726,727	6,389,504	2,757,170
Taxes payable	70,276	408,039	164,931
Unearned revenue	287	1,667,642	278,350
Amounts due to related parties	184,060	-	4,008,347
Total current liabilities	<u>11,988,347</u>	<u>14,703,428</u>	<u>11,677,772</u>
Bank borrowings – non-current	133,677	137,897	149,169
Operating lease liabilities, non-current	-	18,240	43,962
Convertible notes, net	313,699	-	-
Total non-current liabilities	<u>447,376</u>	<u>156,137</u>	<u>193,131</u>
TOTAL LIABILITIES	<u>\$ 12,435,723</u>	<u>\$ 14,859,565</u>	<u>\$ 11,870,903</u>
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY (DEFICIT)			
Preferred stock – Series A, \$0.001 par value, 100,000,000 shares authorized, 5,000,000 shares issued and outstanding as of December 31, 2022, 2021 and 2020*	5,000	5,000	5,000
Common stock, \$0.001 par value, 400,000,000 shares authorized, 20,000,000 shares issued and outstanding as of December 31, 2022, 2021 and 2020*	20,000	20,000	20,000
Subscription receivable	(25,000)	(25,000)	(25,000)
Additional paid-in capital	925,000	-	-
Retained earnings	1,818,630	889,571	566,889
Accumulated other comprehensive loss	(769,891)	(1,292,568)	(1,605,603)
Total stockholders' equity (deficit)	<u>1,973,739</u>	<u>(402,997)</u>	<u>(1,038,714)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 14,409,462</u>	<u>\$ 14,456,568</u>	<u>\$ 10,832,189</u>

* Retrospectively restated for the effect of 2-for-1 reverse stock split. (Note 18)

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

NORTHANN CORP.
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In U.S. dollars)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES	\$ 20,957,972	\$ 34,525,344	\$ 13,094,087
COST OF REVENUES	15,203,140	28,693,584	8,573,333
GROSS PROFIT	5,754,832	5,831,760	4,520,754
OPERATING EXPENSES			
Selling expenses	1,049,529	1,252,240	1,018,003
General and administrative expenses	1,159,099	1,099,767	1,081,153
Research and development expenses	1,468,989	2,334,126	1,872,216
Total operating expenses	3,677,617	4,686,133	3,971,372
INCOME FROM OPERATIONS	2,077,215	1,145,627	549,382
OTHER INCOME (EXPENSE)			
Interest expense	(366,881)	(6,568)	(2,113)
Amortization of debt discounts	(313,699)	-	-
Other income	36,462	55,508	162,307
Other expenses	(172,857)	(8,410)	(40,556)
Exchange loss	(204,197)	(306,786)	(265,217)
Total other income (expenses), net	(1,021,172)	(266,256)	(145,579)
INCOME BEFORE TAXES	1,056,043	879,371	403,803
Income tax (expense) benefit	(126,984)	(556,689)	40,296
NET INCOME	929,059	322,682	444,099
Other comprehensive income (loss):			
Foreign currency translation adjustment	522,677	313,035	(623,281)
Total comprehensive income (loss)	1,451,736	635,717	(179,182)
Basic and diluted earnings per share*	\$ 0.05	\$ 0.02	\$ 0.02
Weighted average number of shares of common stock outstanding – basic*	20,000,000	20,000,000	20,000,000
Weighted average number of shares of common stock outstanding –diluted*	20,371,428	20,000,000	20,000,000

* Retrospectively restated for the effect of 2-for-1 reverse stock split. (Note 18)

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

NORTHANN CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In U.S. dollars)

	Preferred Stock – Series A		Common Stock		Subscription receivable	Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total
	Number of shares*	Amount	Number of shares*	Amount					
Balance, December 31, 2019	5,000,000	\$ 5,000	20,000,000	20,000	(25,000)	\$ -	122,790	(982,322)	(859,532)
Net income	-	-	-	-	-	-	444,099	-	444,099
Foreign currency translation adjustment	-	-	-	-	-	-	-	(623,281)	(623,281)
Balance, December 31, 2020	5,000,000	\$ 5,000	20,000,000	20,000	(25,000)	\$ -	566,889	(1,605,603)	(1,038,714)
Net income	-	-	-	-	-	-	322,682	-	322,682
Foreign currency translation adjustment	-	-	-	-	-	-	-	313,035	313,035
Balance, December 31, 2021	<u>5,000,000</u>	<u>\$ 5,000</u>	<u>20,000,000</u>	<u>\$ 20,000</u>	<u>\$ (25,000)</u>	<u>-</u>	<u>\$ 889,571</u>	<u>\$ (1,292,568)</u>	<u>\$ (402,997)</u>
Net income	-	-	-	-	-	-	929,059	-	929,059
Foreign currency translation adjustment	-	-	-	-	-	-	-	522,677	522,677
Warrants	-	-	-	-	-	347,171	-	-	347,171
Beneficial conversion feature	-	-	-	-	-	577,829	-	-	577,829
Balance, December 31, 2022	<u>5,000,000</u>	<u>\$ 5,000</u>	<u>20,000,000</u>	<u>\$ 20,000</u>	<u>\$ (25,000)</u>	<u>\$ 925,000</u>	<u>\$ 1,818,630</u>	<u>\$ (769,891)</u>	<u>\$ 1,973,739</u>

* Retrospectively restated for the effect of 2-for-1 reverse stock split. (Note 18)

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

NORTHANN CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In U.S. dollars)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities			
Net income	\$ 929,059	\$ 322,682	\$ 444,099
Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities:			
Allowance for doubtful accounts	-	13,891	-
Depreciation and amortization	598,144	815,951	863,096
Amortization of debt discounts	313,699	-	-
Changes in assets and liabilities			
Accounts receivable	(174,320)	(1,154,428)	(113,881)
Other receivables	(37,495)	(19,972)	657,007
Prepayments	246,444	(208,688)	(260,135)
Inventory	(1,703,184)	(594,025)	(1,340,944)
Prepaid expenses	68,970	(54,367)	69,338
Right of use assets	25,722	23,695	-
Deferred tax asset	-	168,404	(168,404)
Accounts payable	(1,483,555)	3,197,285	(1,384,901)
Accruals and other payables	(181,525)	443,375	(89,357)
Unearned revenue	(1,667,355)	1,389,292	278,350
Payroll payable	2,748	(7,159)	23,046
Taxes payable	(337,763)	243,108	55,517
Accrued interest	(444)	(1,169)	1,613
Operating leases	(25,722)	(23,695)	67,657
Other assets	(222,189)	-	-
Net cash provided or (used in) operating activities	<u>(3,648,766)</u>	<u>4,554,180</u>	<u>(897,899)</u>
Cash flows from investing activities			
Proceeds from disposal (payments for) equipment	336,669	(884,505)	(597,547)
Payments for land use rights	-	(53,012)	(93,511)
Payments for leased asset	-	-	(67,657)
Payments for construction	(487,276)	(381,448)	-
Net cash used in investing activities	<u>(150,607)</u>	<u>(1,318,965)</u>	<u>(758,715)</u>
Cash flows from financing activities			
Proceeds from bank borrowings	772,016	1,767,246	782,430
Amounts paid to related party	-	(4,906,254)	-
Amounts received from related party	1,081,967	-	1,360,250
Net proceeds from issuance of convertible notes	925,000	-	-
Net cash provided or used by financing activities	<u>2,778,983</u>	<u>(3,139,008)</u>	<u>2,142,680</u>
Effect of exchange rates on cash	<u>522,676</u>	<u>301,764</u>	<u>(472,785)</u>
Net change in cash and cash equivalents	<u>(497,714)</u>	<u>397,971</u>	<u>13,281</u>
Cash at beginning of year	<u>748,814</u>	<u>350,843</u>	<u>337,562</u>
Cash at end of year	<u>\$ 251,100</u>	<u>\$ 748,814</u>	<u>\$ 350,843</u>
Supplemental of cash flow information			
Cash paid for interest expenses	\$ 292,582	\$ 7,737	\$ 500
Cash paid for income tax	\$ 110,043	\$ 28,534	\$ -

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31 2022, 2021 AND 2020
(In U.S. dollars)

1. ORGANIZATION AND BUSINESS

The Company commenced operations in August 2013 with the establishment of Northann Building Solutions LLC. (“NBS”) in Delaware. In December 2013, Northann (Changzhou) Construction Products Ltd (“NCP”) was established in China. All of its products were manufactured through NCP.

In March 2014, Benchwich Construction Products Ltd (“Benchwick”) was established in Hong Kong. All wholesales to distributors are conducted through Benchwick.

In April 2014, Changzhou Macro Merit International Trading Co., Ltd. (“MARCO”) was established in China. All the import/export of our products are conducted through MARCO.

In February 2016, Northann Distribution Center Inc. (“NDC”) was established in California. NDC is a distribution center in the United States and maintains a small inventory for retail sales.

In September 2017, Changzhou Ringold International Trading Co., Ltd. (“Ringold”) was established in China. All of the raw material are procured from third parties through Ringold.

In September 2018, Crazy Industry (Changzhou) Industry Technology Co., Ltd. (“Crazy Industry”) was established in China. Crazy Industry is the research and development hub.

In June 2020, Dotfloor Inc. (“Dotfloor”) was established in California. Dotfloor operates dotfloor.com, the online store that offers our vinyl flooring products to retail customers in the United States.

In March 2022, Northann Corp. (“Northann”), the current ultimate holding company, was incorporated in Nevada as part of the restructuring transactions in contemplation of our initial public offering. In connection with its incorporation, in April 2022, we completed a share swap transaction and issued common stock and Series A Preferred Stock of Northann to the then existing shareholders of NBS, based on their then respective equity interests held in NBS. NBS then became our wholly owned subsidiary. In accordance to ASC 805-50-30-5 and ASC 805-50-45-1 through 45-5, the series of restructuring transactions have been accounted for as transactions between entities under common control; accordingly, the Company’s historical capital structure has been retroactively restated to the first period presented.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of December 31, 2022, the Company had a working capital deficit of \$5,394,447 and net cash used in operating activities of \$3,648,766 for the year ended December 31, 2022. The Company may not have adequate liquidity to remain solvent and settle its obligations when payment become due; these factors gave rise to substantial doubt that the Company would continue as a going concern. Management is closely monitoring its financial position, especially its working capital and cash position, as well as its gross profit margins where its positive results of operations will allow the Company to continue as going concern. The company’s foremost plan is to raise additional capital via an initial public offering of its common stock and concurrent listing on national stock exchange. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), and include the assets, liabilities, revenues, expenses and cash flows of all subsidiaries. All significant inter-company transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors.

Use of Estimates

The preparation of these consolidation financial statements requires management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an on-going basis, the Company evaluates its estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Identified below are the accounting policies that reflect the Company’s most significant estimates and judgments, and those that the Company believes are the most critical to fully understanding and evaluating its consolidated financial statements.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. The COVID-19 pandemic has negatively impacted the global economy, workforces, customers, and created significant volatility and disruption of financial markets. The pandemic may impact Company's future estimates including, but not limited to, our allowance for doubtful accounts, inventory valuations, fair value measurements, asset impairment charges. It is not possible for the Company to predict the duration or magnitude of the adverse results of the pandemic and its effects on its business or results of operations at this time.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company.

Revenue Recognition

The Company recognizes revenues when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. The Company recognizes revenues following the five-step model prescribed under ASU No. 2014-09: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) the Company satisfies the performance obligation.

Revenue for sales of products which are primarily comprised of hardwood floors and three-dimensional printed flooring are recognized at the time of delivery of the products set forth in contracts with customers. At the time of delivery, physical and legal control of the asset is passed from the Company to its customer, at which time the Company believes it has satisfied the single performance obligation to complete a sales transaction in order to recognize revenue. The Company's contracts do not allow for returns, refunds, or warranties; however, it is customary in the industry to manufacturers to ship a small portion of extra product to allow for product quality issues. Also, as matter of good business practice, under very specific situations, the Company has historically agreed to provide minor discounts to customers who made complaints on products purchased. The Company has recorded these costs as period expenses when incurred as the Company is not able to reliably estimate such future expenses.

With respect to patent licensing, the Company grants the use of certain intellectual property to its customer for a fixed fee over a specified length of time. The management believes that patent licensing should be interpreted as a single performance obligation and revenues from patent licensing should be recognized over time.

Revenues are recognized when control of the promised goods or services is transferred to our customers, which may occur at a point in time or over time depending on the terms and conditions of the agreement, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Practical expedients and exemption

The Company has not occurred any costs to obtain contracts and does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

The Company typically enters into agreements with its customers where its set forth the product to be sold, the price, payment terms, and any antecedent terms such as shipping and delivery specifications; these terms and conditions are most typically specified in purchase order issued by its customers to the Company. The Company typically recognizes revenue at point in time, which is when physical possession and legal title are transferred to the customer, this may be a shipping port or a specified destination; at this point the Company reasonably expect to paid for the product, or in the event where it was paid advance, the Company's performance obligations have been satisfied and those funds are considered earned by the Company. If the Company sells products on account to customers, they are typically paid within 90 days. Any funds received in advance for the products yet to be transferred to its customer are contract liabilities that are recorded as unearned revenue on the Company's consolidated balance sheets. \$1,667,355, \$1,389,292 and \$278,350 were recognized as revenue from unearned revenue during the years ended December 31, 2022, 2021 and 2020.

Taxation

The Company accounts for income taxes using an asset and liability approach which allows for the recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain.

Under ASC 740, a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigations based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the year incurred. GAAP also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted by the U.S. government which included a wide range of tax reform affecting businesses including the corporate tax rates, international tax provisions, tax credits and deduction with majority of the tax provision effective after December 31, 2017. Certain activities conducted in foreign jurisdictions may result in the imposition of U.S. corporate income taxes on the Company when its subsidiaries, controlled foreign corporations (“CFCs”), generate income that is subject to Subpart F or GILTI under the U.S. Internal Revenue Code beginning after December 31, 2017.

The Coronavirus Aid, Relief and Economy Security (CARES) Act (“the CARES Act, H.R. 748”) was signed into law on 27 March 2020. The CARES Act temporarily eliminates the 80% taxable income limitation (as enacted under the Tax Cuts and Jobs Act of 2017) for NOL deductions for 2018-2020 tax years and reinstated NOL carry backs for the 2018-2020 tax years. Moreover, the CARES Act also temporarily increases the business interest deduction limitations from 30% to 50% of adjusted taxable income for the 2019 and 2020 taxable year. Lastly, the Tax Act technical correction classifies qualified improvement property as 15-year recovery period, allowing the bonus depreciation deduction to be claimed for such property retroactively as if it was included in the Tax Act at the time of enactment. The Company does not anticipate a material impact on its financial statements as of December 31, 2022, 2021 and 2020 due to the recent enactment.

The Company accounts for an unrecognized tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the tax authorities. The Company considers and estimates interest and penalties related to the gross unrecognized tax benefits and includes as part of its income tax provision based on the applicable income tax regulations.

The Company did not accrue any liability, interest or penalties related to uncertain tax positions in the provision for income taxes line of the consolidated statements of operations for the year ended December 31, 2022. The Company had no uncertain tax position for the years ended December 31, 2022, 2021 and 2020.

Foreign Currency and Foreign Currency Translation

The functional currency of the Company is the Chinese Yuan (“RMB”), as their functional currencies. An entity’s functional currency is the currency of the primary economic environment in which it operates, normally that is the currency of the environment in which the entity primarily generates and expends cash. Management’s judgment is essential to determine the functional currency by assessing various indicators, such as cash flows, sales price and market, expenses, financing and inter-company transactions and arrangements.

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. Gains and losses resulting from foreign currency re-measurement are included in the statements of comprehensive loss.

The consolidated financial statements are presented in U.S. dollars. Assets and liabilities are translated into U.S. dollars at the current exchange rate in effect at the balance sheet date, and revenues and expenses are translated at the average of the exchange rates in effect during the reporting period. Stockholders’ equity accounts are translated using the historical exchange rates at the date the entry to stockholders’ equity was recorded, except for the change in retained earnings during the period, which is translated using the historical exchange rates used to translate each period’s income statement. Differences resulting from translating functional currencies to the reporting currency are recorded in accumulated other comprehensive income in the consolidated balance sheets.

Translation of amounts from RMB and HKD into U.S. dollars has been made at the following exchange rates:

Balance sheet items, except for equity accounts

December 31, 2022	RMB6.9646 to \$1	HKD7.7967 to \$1
December 31, 2021	RMB6.3726 to \$1	HKD7.7996 to \$1
December 31, 2020	RMB6.5250 to \$1	HKD7.7534 to \$1

Income statement and cash flows items

For the year ended December 31, 2022	RMB6.7261 to \$1	HKD7.8311 to \$1
For the year ended December 31, 2021	RMB6.4508 to \$1	HKD7.7727 to \$1
For the year ended December 31, 2020	RMB6.9042 to \$1	HKD7.7559 to \$1

Cash

Cash consist of cash on hand and at banks and highly liquid investments, which are unrestricted from withdrawal or use, and which have original maturities of three months or less when purchased.

Accounts Receivable, Net

Accounts receivable is stated at the historical carrying amount net of allowance for doubtful accounts. The Company determines the allowance for doubtful accounts on an individual basis taking into consideration various factors including but not limited to historical collection experience and creditworthiness of the debtors as well as the age of the individual receivables balance.

Additionally, the Company would make specific bad debt provisions based on any specific knowledge the Company has acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require the Company to use judgment in assessing its collectability.

There was no allowance for doubtful accounts recorded as of December 31, 2022, 2021 and 2020.

Long-Lived Assets

Long-lived assets consist primarily of equipment and intangible assets.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

	Estimated useful lives (years)
Office and computer equipment	3-5
Manufacturing equipment	10-20

Expenditure for maintenance and repairs is expensed as incurred.

The gain or loss on the disposal of equipment is the difference between the net sales proceeds and the lower of the carrying value or fair value less cost to sell the relevant assets and is recognized in general and administrative expenses in the consolidated statements of comprehensive loss.

Land Use Rights, Net

Land use rights are a form of intangible assets in the PRC. They are recorded at cost less accumulated amortization with no residual value. Amortization of land use rights are computed using the straight-line method over their estimated useful lives.

The estimated useful lives of the Company's land use rights are as listed below:

	Estimated useful lives (years)
Land use right	50

Impairment of Long-lived Assets

In accordance with ASC 360-10-35, the Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Based on the existence of one or more indicators of impairment, the Company measures any impairment of long-lived assets using the projected discounted cash flow method at the asset group level. The estimation of future cash flows requires significant management judgment based on the Company's historical results and anticipated results and is subject to many factors. The discount rate that is commensurate with the risk inherent in the Company's business model is determined by its management. An impairment loss would be recorded if the Company determined that the carrying value of long-lived assets may not be recoverable. The impairment to be recognized is measured by the amount by which the carrying values of the assets exceed the fair value of the assets. No impairment has been recorded by the Company as of December 31, 2022, 2021 and 2020.

Net earnings per share of common stock

The Company has adopted ASC Topic 260, "Earnings per Share," ("EPS") which requires presentation of basic EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation. In the accompanying consolidation financial statements, basic earnings (loss) per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net income	\$ 929,059	\$ 322,682	\$ 444,099
Weighted average number of shares of common stock outstanding - basic*	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
Add: potentially dilutive effect of shares issuable upon conversion of notes	-	-	-
Add: potentially dilutive effect of shares issuable upon exercise of warrants	371,428	-	-
Weighted average number of shares of common stock outstanding - diluted*	<u>20,371,428</u>	<u>20,000,000</u>	<u>20,000,000</u>
Net income per share*			
-Basic	\$ 0.05	\$ 0.02	\$ 0.02
-Diluted	<u>\$ 0.05</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>

* Retrospectively restated for the effect of 2-for-1 reverse stock split . (Note 18)

The Company had no potentially dilutive securities, such as options or warrants, currently issued and outstanding as of December 31, 2021 and 2020.

On May 16, 2022, Northann Corp. entered into a securities purchase agreement with certain investors, pursuant to which the Company sold the investors convertible debentures in an aggregate principal amount of \$1,000,000 (the "Convertible Notes") that are convertible into shares of common stock of Northann Corp. (the "Conversion Shares") with a 100% warrant coverage to purchase common stock of Northann Corp. (the "Warrants" and such shares underlying the Warrants, the "Warrant Shares"). The number of weighted average potentially dilutive shares resulting from this transaction was 85,714. Please see Note 11 below.

As of December 31, 2022, the Series A - Preferred Stock has not been convertible into common stock.

Segments

The Company evaluates a reporting unit by first identifying its operating segments, and then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meets the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has only one major reportable segment in the periods presented. The Company's chief operation decision maker is the Company's Chief Executive Officer.

Shipping and Handling Costs

Outbound shipping and handling costs are expenses as incurred and charged to the selling expense. Inbound shipping and freight are charged for raw material and components are accounted for as cost of revenues.

Fair Value of Financial Instruments

U.S. GAAP establishes a three-tier hierarchy to prioritize the inputs used in the valuation methodologies in measuring the fair value of financial instruments. This hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three-tier fair value hierarchy is:

Level 1 – observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – include other inputs that are directly or indirectly observable in the market place.

Level 3 – unobservable inputs which are supported by little or no market activity.

The carrying value of the Company's financial instruments, including cash, accounts and other receivables, other current assets, accounts and other payables, and other short-term liabilities approximate their fair value due to their short maturities.

In accordance with ASC 825, for investments in financial instruments with a variable interest rate indexed to performance of underlying assets, the Company elected the fair value method at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the accompanying consolidated statements of operations and comprehensive loss as other income (expense). To estimate fair value, the Company refers to the quoted rate of return provided by banks at the end of each period using the discounted cash flow method. The Company classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

As of December 31, 2022, 2021 and 2020, the Company had no investments in financial instruments.

Leases

In February 2016, the FASB issued ASU 2016-12, Leases (ASC Topic 842), which amends the leases requirements in ASC Topic 840, Leases. Under the new lease accounting standard, a lessee will be required to recognize a right-of-use asset and lease liability for most leases on the balance sheet. The new standard also modifies the classification criteria and accounting for sales-type and direct financing leases, and enhances the disclosure requirements. Leases will continue to be classified as either finance or operating leases.

The Company adopted ASC Topic 842 using the modified retrospective transition method effective January 1, 2019. There was no cumulative effect of initially applying ASC Topic 842 that required an adjustment to the opening retained earnings on the adoption date nor revision of the balances in comparative periods. As a result of the adoption, the Company recognized a lease liability and right-of-use asset for each of the existing lease arrangement. The adoption of the new lease standard does not have a material impact on the consolidated income statements or the consolidated statements of cash flows.

The Company determines if an arrangement is a lease at inception. The lease payments under the lease arrangements are fixed. Non-lease components include payments for building management, utilities and property tax. It separates the non-lease components from the lease components to which they relate.

Lease assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate, because the interest rate implicit in the leases is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The lease terms include periods under options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company generally uses the base, non-cancelable, lease term when determining the lease assets and liabilities.

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

On January 1, 2020, the Company adopted ASU 2016-02, Leases, using the modified retrospective method which allows for the application of the transition provisions at the beginning of the period of adoption, rather than at the beginning of the earliest comparative period presented in these audited consolidated financial statements. As permitted by the guidance, the Company elected to retain the original lease classification and historical accounting for initial direct costs for leases existing prior to the adoption date and did not reassess contracts entered into prior to the adoption date for the existence of a lease. The Company also did not recognize ROU assets and lease liabilities for short-term leases, which are leases in existence as of the adoption date with an original term of twelve months or less.

In August 2020, the FASB issued ASU No.2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06), which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The Company adopted ASU 2020-06 on January 1, 2023.

Accounting Pronouncements Issued But Not Yet Adopted

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)" ("ASU 2016-13"). ASU 2016-13 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. Originally, ASU 2016-13 was effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. In November 2019, FASB issued ASU 2019-10, "Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)." This ASU defers the effective date of ASU 2016-13 for public companies that are considered smaller reporting companies as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is planning to adopt this standard in the first quarter of fiscal 2023. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-13 on its consolidated financial statements, particularly its recognition of allowances for accounts receivable.

In October 2020, the FASB issued ASU 2020-10, “Codification Improvements”. The amendments in this Update represent changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments in this Update affect a wide variety of Topics in the Codification and apply to all reporting entities within the scope of the affected accounting guidance. ASU 2020-10 is effective for the Company for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The amendments in this Update should be applied retrospectively. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

Except for the above-mentioned pronouncements, there are no new recent issued accounting standards that will have material impact on the consolidated financial position, statements of operations and cash flows.

3. RESTRICTED CASH

Restricted cash consist of the following:

	December 31, 2022	December 31, 2021	December 31, 2020
Deposit for Bank acceptance bill	\$ 3,835	\$ -	\$ -
Total	\$ 3,835	\$ -	\$ -

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of the following:

	December 31, 2022	December 31, 2021	December 31, 2020
Gross accounts receivable	\$ 1,428,738	\$ 1,254,418	\$ 113,881
Less: allowance for doubtful accounts	-	-	-
	\$ 1,428,738	\$ 1,254,418	\$ 113,881

There was no allowance for doubtful accounts recorded as of December 31, 2022, 2021 and 2020.

5. OTHER RECEIVABLES

Other receivables consist of the following:

	December 31, 2022	December 31, 2021	December 31, 2020
Export credit	\$ -	\$ 73,722	\$ 68,431
Deposit and other assets	111,294	-	-
Total	\$ 111,294	\$ 73,722	\$ 68,431

6. INVENTORY, NET

Inventories, net, consist of the following:

	December 31, 2022	December 31, 2021	December 31, 2020
Raw materials and components	\$ 3,157,736	\$ 2,115,840	\$ 2,046,854
Finished goods	1,404,630	743,342	218,304
Total	4,562,366	2,859,182	2,265,158
less: Impairment	-	-	-
Inventories, net	\$ 4,562,366	\$ 2,859,182	2,265,158

7. EQUIPMENT, NET

Equipment, net consist of the following:

	December 31, 2022	December 31, 2021	December 31, 2020
Manufacturing equipment	\$ 9,099,231	\$ 9,591,189	\$ 8,706,684
Office equipment	155,289	-	-
less: Accumulated depreciation	3,728,881	3,078,778	2,290,567
Total	\$ 5,525,639	\$ 6,512,411	\$ 6,416,117

Depreciation expenses charged to the consolidated statements of operations for the years ended December 31, 2022, 2021 and 2020 were \$650,103, \$788,210 and \$813,505, respectively.

8. LAND USE RIGHTS, NET

	December 31, 2022	December 31, 2021	December 31, 2020
Land use right	\$ 1,162,205	\$ 1,265,365	\$ 1,212,352
less: Accumulated amortization	89,790	141,749	114,008
	\$ 1,072,415	\$ 1,123,616	\$ 1,098,344

The Company has pledged its land use rights at No. 199, Newtown, Wujin District, Changzhou, Jiangsu Province, China, 213000 to Industrial and Commercial Bank of China Limited as a collateral for securing its loans.

9. BANK BORROWINGS

Current

Short-term loans as of December 31, 2022, 2021 and 2020 represents bank borrowings of \$5,488,757, \$6,212,521 and \$4,445,275, respectively obtained from financial institutions in the PRC. The short-term bank borrowings were secured by land use right. The weighted average interest rate for the short-term loans for the years ended December 31, 2022, 2021 and 2020 was approximately 5.87%, 5.51% and 4.41%, respectively.

Bank	Loan period	Interest rate	Balance at December 31, 2022	Balance at December 31, 2021	Balance at December 31, 2020
Industrial and Commercial Bank of China	October 24, 2022 - July 17, 2023	4.35%	\$ 1,435,833	\$ 784,609	\$ 766,284
Industrial and Commercial Bank of China	October 26, 2022 - August 17, 2023	4.35%	1,435,833	2,357,893	2,299,685
Bank of Communications	January 28, 2022 - January 28, 2023	4.35%	496,798	863,070	-
Bank of Communications	January 21, 2022 - January 20, 2023	4.35%	473,825	221,887	-
Bank of Communications	January 28, 2022 - January 28, 2023	4.35%	253,710	101,999	-
Changzhou Changjiang Science and Technology Petty Loan Co., LTD	January 10, 2022 - January 25, 2023	17.40%	100,508	470,767	-
Jiangnan Rural Commercial Bank	May 9, 2022 - April 3, 2023	4.79%	387,675	423,689	413,793
Jiangnan Rural Commercial Bank	March 24, 2022 - March 27, 2023	4.79%	904,575	988,607	965,517
Bank of America	April 28, 2022 - April 30, 2023	Prime rate +0.1%	1,500,000	-	-
Total			<u>\$ 6,988,757</u>	<u>\$ 6,212,521</u>	<u>\$ 4,445,279</u>

The loan from Bank of America is secured by the Company's inventory.

Non-current

Bank	Loan period	Interest rate	Balance at December 31, 2022	Balance at December 31, 2021	Balance at December 31, 2020
EIDL Loan	From June 26, 2020 to June 25, 2050	3.75%	133,677	137,897	149,169
Total			<u>\$ 133,677</u>	<u>\$ 137,897</u>	<u>\$ 149,169</u>

10. BALANCES WITH RELATED PARTY

1) Related party transactions

For the year ended December 31, 2021, the Company repaid in the full the amount of \$4,008,347 to the related party that had provided working capital to in the prior year to support the Company's operations. Those borrowings were unsecured, due on demand, and interest free. The Company lent \$897,907 to the related party, leading to the balance of \$897,907 for the year ended December 31, 2021; this amount is due on demand, unsecured, and interest free.

For the year ended December 31, 2022, the Company's related party provided working capital to support the Company's operations when needed. The borrowings were unsecured, due on demand, and interest free. The following table summarizes borrowing transactions with the Company's related party:

2) Related party balances

<u>Accounts</u>	<u>Name of Related Party</u>	<u>Note</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Amount due from related party	Lin Li, Chief Executive Officer and Chairman of the Board		-	897,907	-
Amount due to related party	Lin Li, Chief Executive Officer and Chairman of the Board		<u>\$ 184,060</u>	<u>\$ -</u>	<u>\$ 4,008,347</u>

All the above balances are due on demand, interest-free and unsecured. The Company used the funds for its operations.

11. EQUITY

Preferred Stock

The Company is authorized to issue 500,000,000 shares of capital stock, consisting of 400,000,000 shares of common stock, par value US\$0.001 per share, and 100,000,000 shares of preferred stock, par value US\$0.001 per share. 20,000,000 shares were designated to be series A preferred stock (the "Series A Preferred Stock") out of the 100,000,000 shares of blank check preferred stock. Each share of common stock is entitled to one vote and each share of Series A Preferred Stock is entitled to ten votes on any matter on which action of the stockholders of the corporation is sought. The Series A Preferred Stock will vote together with the common stock. Common stock and Series A Preferred Stock are not convertible into each other. Holders of Series A Preferred Stock are not entitled to receive dividends. The Series A Preferred Stock does not have liquidation preference over the Company's Common Stock, and therefore ranks pari passu with the Common Stock in the event of liquidation.

Common Stock

The Company is authorized to issue 400,000,000 shares of common stock with par value of US\$0.001 per share. As of the date of this report there were 20,000,000 shares of common stock issued and outstanding. Each share of common stock entitles the holder to one vote. For the sake of comparability, the share structure as of the date of this report has been carried back in the Company's statement of stockholders' equity as if they had been issued and outstanding from the beginning of the first period presented.

12. CONVERTIBLE NOTES

On May 16, 2022, the Company entered into a securities purchase agreement with certain investors, pursuant to which the Company sold the investors convertible notes in an aggregate principal amount of \$1,000,000 (the "Convertible Notes") that are convertible into shares of common stock of the Company (the "Conversion Shares") with a 100% warrant coverage to purchase common stock (the "Warrants" and such shares underlying the Warrants, the "Warrant Shares"). The notes are due May 16, 2024.

As of December 31, 2022, the Company has issued the following securities of the registrant, and believed that each of the issuance was exempt from registration under the Securities Act pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering or under Regulation S of the Securities Act.

<u>Purchaser</u>	<u>Date of Issuance</u>	<u>Security Type</u>	<u>Consideration</u>	
Hongyu Wang	May 16, 2022	Convertible Note	US\$	500,000
Sam Yan	May 16, 2022	Convertible Note	US\$	500,000

Terms of Conversion or Exercise: Convertible Notes

The Convertible Note holders are entitled to an option to convert all of part of the outstanding principal of the Convertible Note to the Company's shares of common stock at any time after the six-month anniversary of the issuance date of the Note or earlier if a Registration Statement covering the conversion shares has been declared effective, at conversion price of \$7.00. The interest rate of the Note is 7% per annum.

Terms of Conversion or Exercise: Warrants

On May 16, 2022, the Company granted Warrants to the same investors of the Convertible exercised, in whole or in part, at any time prior to the fifth anniversary of the date such Warrants are issued. The investors can also choose to exercise the Warrant using a cashless manner based on certain formula stipulated in the Warrant agreement.

The Convertible Notes and Warrant are considered as one unit of accounting which contains two freestanding financial instruments. The proceeds received were allocated between the Notes and the Warrants based on their relative fair value. The beneficial conversion option within the debt instrument was booked to additional paid-in capital, and its book value will not be subsequently adjusted. The warrants were valued using the Black-Scholes Model, and the relative fair value was \$1.15 on a per share basis, for total valuation of \$327,239 based on 285,714 shares issuable if fully exercised. The Company used the following inputs: (1) strike price = \$7.00, (2) fair market value of the Company's stock = \$10.00, (3) annualized volatility = 10%, (4) annualized dividend = 1.70%, (5) years to expiration = 5 years, and (6) risk free rate = 3.789%. Management determined that convertible note contained a beneficial conversion feature ("BCF") and recognized a discount to be amortized over the life of the convertible note. The BCF was valued at \$577,829 and was recorded as a debt discount where the offsetting balance was recorded as an increase to additional paid in capital. Additionally, in connection to the issuance of the convertible notes the Company paid \$75,000 in cash from the proceeds and warrant valued at \$19,932 or \$1.16 per share that is exercisable into 8,572 shares of the Company common stock to the placement agent. The Company derived the value of the placement agent warrants using the Black-Scholes Model. The Company used the following inputs: (1) strike price = \$7.00, (2) fair market value of the Company's stock = \$8.40, (3) annualized volatility = 10%, (4) annualized dividend = 1.70%, (5) years to expiration = 5 years, and (6) risk free rate = 3.789%.

<u>Convertible Notes</u>	<u>May 16, 2022</u>	<u>December 31, 2022</u>
	<u>(Inception)</u>	
Convertible Notes – Face Value	\$ 1,000,000	\$ 1,000,000
Discount – Placement agent commissions – cash	(75,000)	(51,473)
Discount – Placement agent commissions – warrants	(19,932)	(13,680)
Discount – Detachable warrants	(327,239)	(224,584)
Discount – Beneficial conversion feature	(577,829)	(396,564)
	\$ -	\$ 313,699

13. INCOME TAXES

United States of America

The Coronavirus Aid, Relief and Economy Security (CARES) Act ("the CARES Act, H.R. 748") was signed into law on March 27, 2020. The CARES Act temporarily eliminates the 80% taxable income limitation (as enacted under the Tax Cuts and Jobs Act of 2017) for NOL deductions for 2018-2020 tax years and reinstated NOL carrybacks for the 2018-2020 tax years. Moreover, the CARES Act also temporarily increases the business interest deduction limitations from 30% to 50% of adjusted taxable income for the 2019 and 2020 taxable year. Lastly, the Tax Act technical correction classifies qualified improvement property as 15-year recovery period, allowing the bonus depreciation deduction to be claimed for such property retroactively as if it was included in the Tax Act at the time of enactment. The Company does not anticipate a material impact on its financial statements as of December 31, 2022, 2021 and 2020 due to the recent enactment.

Hong Kong

Two-tier Profits Tax Rates

The two-tier profits tax rates system was introduced under the Inland Revenue (Amendment)(No.3) Ordinance 2018 (the “Ordinance”) of Hong Kong became effective for the assessment year 2018/2019. Under the two-tier profit tax rates regime, the profits tax rate for the first HKD 2 million (approximately \$257,868) of assessable profits of a corporation will be subject to the lowered tax rate, 8.25% while the remaining assessable profits will be subject to the legacy tax rate, 16.5%. The Ordinance only allows one entity within a group of “connected entities” is eligible for the two-tier tax rate benefit. An entity is a connected entity of another entity if (1) one of them has control over the other; (2) both of them are under the control (more than 50% of the issued share capital) of the same entity; (3) in the case of the first entity being a natural person carrying on a sole proprietorship business-the other entity is the same person carrying on another sole proprietorship business. Since Benchwick is wholly owned and under the control of Northann, it is a connected entity. Under the Ordinance, it is an entity’s election to nominate the entity that will be subject to the two-tier profits tax rates on its profits tax return. The election is irrevocable. The Company elected Benchwick to be subject to the two-tier profits tax rates.

The provision for current income and deferred taxes of Benchwick has been calculated by applying the new tax rate of 8.25%.

PRC

In accordance with the relevant tax laws and regulations of the PRC, a company registered in the PRC is subject to income taxes within the PRC at the applicable tax rate on taxable income. All the PRC subsidiaries that are not entitled to any tax holiday were subject to income tax at a rate of 25% for the year ended December 31, 2022 and 2021. According to PRC tax regulations, the PRC net operating loss can generally carry forward for no longer than five years starting from the year subsequent to the year in which the loss was incurred. Carry back of losses is not permitted. If not utilized, the PRC net operating loss will expire in 2026.

The income tax expense was \$126,984, \$556,689 and \$40,296 for the years ended December 31, 2022, 2021 and 2020, respectively, related primarily to the Company’s subsidiaries located outside of the U.S. The income before provision for income taxes for the years ended December 31, 2022, 2021 and 2020 was as follows:

The income tax provision consists of the following components:

	For the year ended December 31, 2022	For the year ended December 31, 2021	For the year ended December 31, 2020
Current:			
Federal	\$ 22,305	\$ 350,050	\$ 8,551
State	68,071	148,009	-
Foreign	36,608	58,630	119,557
Total current	\$ 126,984	\$ 556,689	\$ 128,108
Deferred:			
Federal	\$ -	\$ -	\$ (168,404)
State	-	-	-
Foreign	-	-	-
Total deferred	\$ -	\$ -	\$ (168,404)
Total income tax expense	\$ 126,984	\$ 556,689	\$ (40,296)

A reconciliation between the Company's actual provision for income taxes and the provision at the United States statutory rate is as follow:

	For the year ended December 31, 2022	For the year ended December 31, 2021	For the year ended December 31, 2020
Income before income tax expense	\$ 1,056,043	\$ 879,371	\$ 403,803
Computed tax benefit with statutory tax rate	29.84%	29.84%	29.84%
Income tax expense computed at statutory income tax rate	315,123	262,404	120,495
Impact of different tax rates in other jurisdictions	(509,453)	(9,679)	7,613
Tax effect of non-deductible expenses	321,314	303,964	(168,404)
Total income tax expense	<u>\$ 126,984</u>	<u>\$ 556,689</u>	<u>\$ (40,296)</u>

The effective tax rate were 12.0%, 63.3% and -10.0% for the years ended December 31, 2022, 2021 and 2020, respectively.

Uncertain tax positions

The Company did not have any uncertain tax positions during the years ended December 31, 2022, 2021 and 2020.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by the respective jurisdictions, where applicable. The statute of limitations for the tax returns varies by jurisdictions.

The amounts of uncertain tax liabilities listed above are based on the recognition and measurement criteria of ASC Topic 740, and the balance is presented as current liability in the consolidated financial statements as of December 31, 2022. The Company anticipated that the settlements with the taxing authority are remitted within one year.

Our policy is to include interest and penalty charges related to uncertain tax liabilities as necessary in the provision for income taxes. The Company has a liability for accrued interest of \$nil as of December 31, 2022, 2021 and 2020, respectively.

The statute of limitations for the Internal Revenue Services to assess the income tax returns on a taxpayer expires three years from the due date of the profits tax return or the date on which it was filed, whichever is later.

In accordance with the Hong Kong profits tax regulations, a tax assessment by the IRD may be initiated within six years after the relevant year of assessment, but extendable to 10 years in the case of potential willful underpayment or evasion.

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to assess underpaid tax plus penalties and interest for PRC entities' tax filings. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities remain subject to examination by the tax authorities based on the above.

14. CHINA CONTRIBUTION PLAN

The Company participates in a government-mandated multi-employer defined contribution plan pursuant to which certain retirement, medical and other welfare benefits are provided to employees. Chinese labor regulations require the Company to pay to the local labor bureau a monthly contribution at a stated contribution rate based on the monthly compensation of qualified employees. The relevant local labor bureau is responsible for meeting all retirement benefit obligations; the Company has no further commitments beyond their monthly contributions. For the years ended December 31, 2022, 2021 and 2020, the Company contributed a total of \$118,261, \$94,072 and \$36,379, respectively, to these funds.

15. OPERATING LEASE

The Company has operating leases for its office facilities. The lease is located at 9820 Dino Drive, Suite 110, Elk Grove, California, 95624, which consist of approximately 3,653 square meters. The Company's leases have remaining terms of approximately 37 months for a lease term commencing on August 1, 2020 and ending on August 31, 2023. The lease deposit is \$9,030, with a rent-free period from August 1, 2020 to August 31, 2020. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company does not separate non-lease components from the lease components to which they relate, and instead accounts for each separate lease and non-lease component associated with that lease component as a single lease component for all underlying asset classes.

The following table provides a summary of leases by balance sheet location as of December 31, 2022, 2021 and 2020:

Assets/liabilities	December 31, 2022	December 31, 2021	December 31, 2020
Assets			
Operating lease right-of-use assets	\$ 18,240	\$ 43,962	\$ 67,657
Liabilities			
Operating lease liability - current	\$ 18,240	\$ 25,722	\$ 23,695
Operating lease liability - non-current	-	18,240	43,962
Total lease liabilities	\$ 18,240	\$ 43,962	\$ 67,657

The operating lease expenses for the year ended December 31, 2022, 2021 and 2020 were as follows:

Lease Cost	Classification	December 31, 2022	December 31, 2021	December 31, 2020
Operating lease expense	General and administrative expenses	\$ 27,340	\$ 26,544	\$ 8,760

Maturities of operating lease liabilities as of December 31, 2022 were as follows:

Maturity of Lease Liabilities	Operating Leases
12 months ending December 31, 2023	\$ 18,584
Total lease payments	\$ 18,584
Less: interest	(344)
Present value of lease payments	\$ 18,240

Lease liabilities include lease and non-lease component such as management fee.

Future minimum lease payments, which do not include the non-lease components, as of December 31, 2022 were as follows:

12 months ending December 31, 2023	\$ 18,584
Total lease payments	\$ 18,584

Lease Term and Discount Rate	December 31, 2022	December 31, 2021	December 31, 2020
Weighted-average remaining lease term (years)			
Operating leases	0.67	1.67	2.67
Weighted-average discount rate (%)			
Operating leases	5%	5%	5%

16. CONCENTRATIONS AND CREDIT RISK

(a) Concentrations

During the fiscal year ended December 31, 2022, two customers accounted for nearly 30% of the Company's revenues. During the fiscal year ended December 31, 2021, two customers accounted for nearly 28% of the Company's revenues. During the fiscal year ended December 31, 2020, two customers each accounted for 39% and 12% of the Company's revenues, respectively. No other customer accounts for more than 10% of the Company's revenue in the years ended December 31, 2022, 2021 and 2020.

As of December 31, 2022, five customers accounted for 90% of the Company's accounts receivable. As of December 31, 2021, five customers accounted for 91% of the Company's accounts receivable. As of December 31, 2020, three customers accounted for 100% of the Company's accounts receivable, respectively. No other customer accounts for more than 10% of the Company's accounts receivable for the years ended December 31, 2022, 2021 and 2020.

During the fiscal year ended December 31, 2022, three suppliers accounted for a total of 68% of the Company's cost of revenues. During the fiscal year ended December 31, 2021, five suppliers accounted for a total of 56% of the Company's cost of revenues. During the fiscal year ended December 31, 2020, two suppliers accounted for a total of 38% of the Company's cost of revenues. No other supplier accounts for over 10% of the Company's cost of revenues.

As of December 31, 2022, no supplier accounted for over 10% of the Company's accounts payable. As of December 31, 2021, one supplier accounted for 11% of the Company's accounts payable. As of December 31, 2020, two suppliers accounted for 22% of the Company's accounts payable.

(b) *Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. As of December 31, 2022, 2021 and 2020, substantially all of the Company's cash were held by major financial institutions located in the PRC, Hong Kong, and the United States, which management believes are of high credit quality. Deposits in the United States up to \$250,000 are insured by the Federal Depository Insurance Corporation.

For the credit risk related to trade accounts receivable, the Company performs ongoing credit evaluations of its customers and, if necessary, maintains reserves for potential credit losses. Historically, such losses have been within management's expectations.

(c) *Tax risk*

There is the potential risk that the Company may be subject to taxes and related penalties owed to the PRC government. This risk arises from the Company's collection of proceeds from the sales of its products in the normal course, by itself, or via its subsidiaries located in the US or Hong Kong, and whereby the remittance made to the Company's PRC subsidiaries may not be in the exact amounts reported to the PRC customs authority in connection with the application for export credit refunds which have already been refunded to the Company by the PRC government on the assumption that Company will fully remit the amounts indicated in its application. Management is unable to reliably estimate the amount due or determine if it is probable that the PRC government will make efforts to recover the tax credit refunds already paid to the Company and if there would be any related penalties; however, if the PRC government were to take actions to recover such export tax credit refunds, the Company may be materially adversely affected.

17. CAPITAL COMMITMENTS

On July 26, 2021, the Company has contracted Changzhou Wanyuan Construction Engineering Co. to build a second phase of its factory. The amount required in the contract is \$10 million. Construction is expected to take approximately one and half year, and the second phase of the factory will be approximately 250,000 square feet.

18. SUBSEQUENT EVENT

On April 27, 2023, the holders of the Convertible Notes and Northann Corp. entered into amendments to the Convertible Notes (see Note 12). Pursuant to the amendment, Northann Corp. agreed to pay the principal and accrued interest of the Convertible Notes in cash on or before the earlier of July 12, 2023 or the three months' anniversary of the completion of this offering, and the holders agreed to not convert the Convertible Notes. As of the date of this prospectus, the Convertible Notes have not been converted in any shares of common stock of Northann Corp.

Effective on July 6, 2023, the Company implemented a 2-for-1 reverse stock split of the issued and outstanding shares. Under the reverse split, every two shares of outstanding shares issued and outstanding were automatically converted into one share of ordinary share, with a par value of US\$0.001 each. Except as otherwise indicated, all information in the consolidated financial statements concerning share and per share data gives retroactive effect to the 2-for-1 reverse stock split. The total number of outstanding common shares immediately before the reverse split was 40,000,000 and immediately after the reverse split was 20,000,000. The total number of outstanding preferred shares immediately before the reverse split was 10,000,000 and immediately after the reverse split was 5,000,000.

The Company has analyzed its operations subsequent to December 31, 2022 and up through July 12, 2023 which is the date these consolidation financial statements were issued, except as disclosed herein, there is no any material subsequent events to disclose in these consolidated financial statements.

19. UNRESTRICTED NET ASSETS

The following presents condensed financial information of Northann Corp:

Condensed Financial Information on Financial Position

	As of December 31,		
	2022	2021	2020
Cash	224	-	-
All other current assets	-	-	-
Amounts due from subsidiaries	713,500	-	-
Amounts due from related party	-	-	-
Total current assets	713,724	-	-
All other non-current assets	218,354	-	-
Interests in a subsidiary	13,477,384	14,456,568	10,832,189
Total Assets	<u>14,409,462</u>	<u>14,456,568</u>	<u>10,832,189</u>
Liabilities and Stockholders' Equity			
All other current liabilities	-	-	-
Amounts due to subsidiaries	12,122,024	14,859,565	11,870,903
Amounts due to related party	-	-	-
Total current liabilities	12,122,024	14,859,565	11,870,903
Non-current liabilities	313,699	-	-
Total Liabilities	<u>12,435,723</u>	<u>14,859,565</u>	<u>11,870,903</u>
Stockholders' Equity (Deficit)			
Preferred stock – Series A, \$0.001 par value, 100,000,000 shares authorized, 5,000,000 shares issued and outstanding as of December 31, 2022, 2021 and 2020*	5,000	5,000	5,000
Common stock, \$0.001 par value, 400,000,000 shares authorized, 20,000,000 shares issued and outstanding as of December 31, 2022, 2021 and 2020*	20,000	20,000	20,000
Subscription receivable	(25,000)	(25,000)	(25,000)

Additional paid-in capital	925,000	-	-
Retained earnings	1,818,630	889,571	566,889
Accumulated other comprehensive loss	(769,891)	(1,292,568)	(1,605,603)
Total Stockholders' Equity	<u>1,973,739</u>	<u>(402,997)</u>	<u>(1,038,714)</u>
Total Liabilities and Stockholders' Equity	<u>14,409,462</u>	<u>14,456,568</u>	<u>10,832,189</u>

* Retrospectively restated for the effect of 2-for-1 reverse stock split . (Note 18)

Condensed Financial Information on Results of Operations

	For the years ended December 31,		
	2022	2021	2020
Revenue	-	-	-
Cost or revenues	-	-	-
Operating expenses	313,699	-	-
Income taxes	-	-	-
Income (loss) – Parent only	(313,699)	-	-
Income (loss) – Subsidiaries with unrestricted net assets	1,471,361	1,662,463	(152,273)
(Loss) income – Subsidiaries with restricted net assets	(228,603)	(1,339,781)	596,372
Net income – Consolidated	<u>929,059</u>	<u>322,682</u>	<u>444,099</u>

Condensed Financial Information on Cash Flows

	For the years ended December 31,		
	2022	2021	2020
Cash used in operating activities	(5,026)	-	-
Cash used in investing activities	(926,828)	-	-
Cash used in financing activities	932,078	-	-
Net cash flows	224	-	-
Beginning cash balance	-	-	-
Ending cash balance	<u>224</u>	<u>-</u>	<u>-</u>

(i) Basis of presentation

The condensed financial information reflects the accounts of the Company. The condensed financial information should be read in connection with the consolidated financial statements and notes thereto. The condensed financial information is presented as if the incorporation of the Company were in effect since January 1, 2020, and throughout the three years ended December 31, 2022.

(ii) Restricted Net Assets

Schedule I of Rule 5-04 of Regulation S-X requires the condensed financial information of registrant shall be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. For purposes of the above test, restricted net assets of consolidated subsidiaries shall mean that amount of the registrant's proportionate share of net assets of consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company by subsidiaries in the form of loans, advances or cash dividends without the consent of a third party (i.e., lender, regulatory agency, foreign government, etc.). The Company's only assets are its equity interests in its subsidiaries. Unrestricted net assets are held in the Company's subsidiaries located in the US and Hong Kong. The Company does maintain substantial assets and operating subsidiaries in China; therefore, the ability for operating subsidiaries to pay dividends or transfer assets to the Company may be restricted due to the foreign exchange control policies and availability of cash balances of the Chinese operating subsidiaries.

As of December 31, 2022, 2021 and 2020, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of the Company, except for those which have been separately disclosed in the Consolidated Financial Statements, if any.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Board of Directors and Stockholders of Northann Corp.

Results of Review of Interim Financial Information

We have reviewed the consolidated balance sheet of Northann Corp. and its subsidiaries (the "Company") as of March 31, 2023, and the related consolidated statements of operations and comprehensive income (loss) for the three-month periods ended March 31, 2023 and 2022, the statements of stockholders' deficit for the three month periods ended March 31, 2023 and 2022, and statements of cash flows for the three month periods ended March 31, 2023 and 2022, and the related notes (collectively referred to as the interim financial statements). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022, 2021 and 2020, and the related statements of operations and comprehensive income (loss), stockholders' deficit and cash flows for the each of the years in the three-year period ended December 31, 2022, 2021 and 2020; in our report dated March 31, 2023 except for Notes 16 and 18 for which the date is July 14, 2023, we expressed an unqualified opinion on those financial statement with an emphasis of matter that there was a substantial doubt regarding the Company's ability to continue as a going concern. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2022, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Substantial Doubt Regarding Ability to Continue as Going Concern

As of the date of this report, the substantial doubt regarding the Company's ability to continue as going concern has not been alleviated. Refer to Note 1 for further details.

Basis for Review Results

These interim financial statements are the responsibility of the Company's management. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion. 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.

WWC, P.C.

WWC, P.C.
Certified Public Accountants
PCAOB ID No. 1171

We have served as the Company's auditor since 2021.
San Mateo, California

July 14, 2023

NORTHANN CORP.
CONSOLIDATED BALANCE SHEETS
(In U.S. dollars)

	As of March 31, 2023 (Unaudited)	As of December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 91,941	\$ 251,100
Restricted cash	3,887	3,835
Accounts receivable, net	950,576	1,428,738
Inventory, net	5,795,745	4,562,366
Prepayments	300,731	236,567
Other receivables and other current assets	37,366	111,294
Total current assets	<u>7,180,246</u>	<u>6,593,900</u>
NON-CURRENT ASSETS		
Property, plant and equipment, net	5,425,046	5,525,639
Construction in progress	985,023	971,884
Land use rights, net	1,080,250	1,072,415
Operating lease right-of-use assets, net	11,471	18,240
Security deposits	9,030	9,030
Deferred financing costs	218,354	218,354
Total non-current assets	<u>7,729,174</u>	<u>7,815,562</u>
TOTAL ASSETS	<u>\$ 14,909,420</u>	<u>\$ 14,409,462</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Bank borrowings - current	6,961,094	6,988,757
Operating lease liabilities, current	11,471	18,240
Accounts and other payables and accruals	4,093,266	4,726,727
Taxes payable	6,027	70,276
Unearned revenue	291	287
Amounts due to related parties	734,397	184,060
Total current liabilities	<u>11,806,546</u>	<u>11,988,347</u>
Bank borrowings – non-current	132,946	133,677
Convertible notes, net	436,987	313,699
Total non-current liabilities	<u>569,933</u>	<u>447,376</u>
TOTAL LIABILITIES	<u>\$ 12,376,479</u>	<u>\$ 12,435,723</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock – Series A, \$0.001 par value, 100,000,000 shares authorized, 5,000,000 shares issued and outstanding as of March 31, 2023 and December 31, 2022*	5,000	5,000
Common stock, \$0.001 par value, 400,000,000 shares authorized, 20,000,000 shares issued and outstanding as of March 31, 2023 and December 31, 2022*	20,000	20,000
Subscription receivable	(25,000)	(25,000)
Additional paid-in capital	925,000	925,000
Retained earnings	2,004,096	1,818,630
Accumulated other comprehensive loss	(396,155)	(769,891)
Total stockholders' equity	<u>2,532,941</u>	<u>1,973,739</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 14,909,420</u>	<u>\$ 14,409,462</u>

* Retrospectively restated for the effect of 2-for-1 reverse stock split . (Note 17)

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

NORTHANN CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In U.S. dollars)

	Three Months Ended	
	March 31,	
	2023	2022
	(Unaudited)	(Unaudited)
REVENUES	\$ 2,734,933	\$ 7,659,068
COST OF REVENUES	<u>1,484,991</u>	<u>5,620,988</u>
GROSS PROFIT	<u>1,249,942</u>	<u>2,038,080</u>
OPERATING EXPENSES		
Selling expenses	198,491	272,443
General and administrative expenses	355,127	250,245
Research and development expenses	<u>300,212</u>	<u>478,872</u>
Total operating expenses	<u>853,830</u>	<u>1,001,560</u>
INCOME FROM OPERATIONS	<u>396,112</u>	<u>1,036,520</u>
OTHER INCOME (EXPENSE)		
Interest expense	(87,737)	(87,175)
Amortization of debt discounts	(123,288)	-
Other income	159	8,564
Other expenses	-	(1)
Exchange gain	5,600	5,374
Total other (expenses)	<u>(205,266)</u>	<u>(73,238)</u>
INCOME BEFORE TAXES	190,846	963,282
Income tax expense	<u>(5,380)</u>	<u>(13,841)</u>
NET INCOME	<u>185,466</u>	<u>949,441</u>
Other comprehensive income:		
Foreign currency translation adjustment	<u>373,736</u>	<u>1,264,491</u>
Total comprehensive income	559,202	2,213,932
Basic and diluted earnings per share*	<u>\$ 0.01</u>	<u>\$ 0.05</u>
Weighted average number of shares of common stock outstanding – basic*	20,000,000	20,000,000
Weighted average number of shares of common stock outstanding – diluted*	20,085,714	20,000,000

* Retrospectively restated for the effect of 2-for-1 reverse stock split. (Note 17)

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

NORTHANN CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In U.S. dollars)

	<u>Preferred Stock – Series A</u>		<u>Common Stock</u>		<u>Subscription receivable</u>	<u>Additional paid in capital</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive loss</u>	<u>Total</u>
	<u>Number of shares*</u>	<u>Amount</u>	<u>Number of shares*</u>	<u>Amount</u>					
Balance, December 31, 2021	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ (25,000)	\$ -	\$ 889,571	\$ (1,292,568)	\$ (402,997)
Net income	-	-	-	-	-	-	949,441		949,441
Foreign currency translation adjustment								1,264,491	\$ 1,264,491
Balance, March 31, 2022	<u>5,000,000</u>	<u>\$ 5,000</u>	<u>20,000,000</u>	<u>\$ 20,000</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ 1,818,630</u>	<u>\$ 28,077</u>	<u>\$ 1,810,935</u>

	<u>Preferred Stock – Series A</u>		<u>Common Stock</u>		<u>Subscription receivable</u>	<u>Additional paid in capital</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive loss</u>	<u>Total</u>
	<u>Number of shares*</u>	<u>Amount</u>	<u>Number of shares*</u>	<u>Amount</u>					
Balance, December 31, 2022	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ (25,000)	\$ 925,000	\$ 1,818,630	\$ (769,891)	\$ 1,973,739
Net income	-	-	-	-	-	-	185,466	-	\$ 185,466
Foreign currency translation adjustment	-	-	-	-	-	-	-	373,736	\$ 373,736
Warrants									
Beneficial conversion feature									
Balance, March 31, 2023	<u>5,000,000</u>	<u>\$ 5,000</u>	<u>20,000,000</u>	<u>\$ 20,000</u>	<u>\$ (25,000)</u>	<u>\$ 925,000</u>	<u>\$ 2,004,096</u>	<u>\$ (396,155)</u>	<u>\$ 2,532,941</u>

* Retrospectively restated for the effect of 2-for-1 reverse stock split . (Note 17)

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

NORTHANN CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In U.S. dollars)

	Three Months Ended March 31,	
	2023	2022
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net income	\$ 185,466	\$ 949,440
Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities:		
Depreciation and amortization	239,017	272,721
Amortization of debt discounts	123,288	-
Changes in assets and liabilities		
Accounts receivable	478,162	1,254,418
Other receivables	73,928	73,549
Prepayments	(64,164)	(499,677)
Inventory	(1,233,379)	(1,651,195)
Prepaid expenses	-	(33,158)
Right of use assets	6,769	6,244
Deferred tax asset	-	-
Accounts payable	(775,741)	351,777
Accruals and other payables	146,435	77,595
Unearned revenue	4	(1,459,159)
Payroll payable	(4,155)	(1,038)
Taxes payable	(64,249)	(299,197)
Accrued interest	-	(444)
Operating leases	(6,769)	(6,244)
Other assets	(52)	-
Net cash used in operating activities	<u>(895,440)</u>	<u>(964,368)</u>
Cash flows from investing activities		
Payments for equipment	(130,999)	(89,985)
Payments for land use rights	(15,260)	(148,193)
Payments for or transfer from construction	(13,139)	(1,466)
Net cash used in investing activities	<u>(159,398)</u>	<u>(239,644)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	(28,394)	(78,767)
Amounts received from or related party	550,337	(391,251)
Net proceeds from issuance of convertible notes	-	-
Net cash provided by (used in) financing activities	<u>521,943</u>	<u>(470,018)</u>
Effect of exchange rates on cash	<u>373,736</u>	<u>1,264,490</u>
Net change in cash and cash equivalents	<u>(159,159)</u>	<u>(409,540)</u>
Cash at beginning of year	<u>251,100</u>	<u>748,814</u>
Cash at end of year	<u>\$ 91,941</u>	<u>\$ 339,274</u>
Supplemental of cash flow information		
Cash paid for interest	<u>\$ 70,244</u>	<u>\$ 87,223</u>
Cash paid for income taxes	<u>\$ 5,380</u>	<u>\$ 227</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (UNAUDITED) AND
FOR THE YEAR ENDED DECEMBER 31, 2022**

(In U.S. dollars, except for share and per share data, unless otherwise noted)

1. ORGANIZATION AND BUSINESS

The Company commenced operations in August 2013 with the establishment of Northann Building Solutions LLC. (“NBS”) in Delaware. In December 2013, Northann (Changzhou) Construction Products Ltd (“NCP”) was established in China. All of its products were manufactured through NCP.

In March 2014, Benchwick Construction Products Ltd (“Benchwick”) was established in Hong Kong. All wholesales to distributors are conducted through Benchwick.

In April 2014, Changzhou Macro Merit International Trading Co., Ltd. (“MARCO”) was established in China. All the import/export of our products are conducted through MARCO.

In February 2016, Northann Distribution Center Inc. (“NDC”) was established in California. NDC is a distribution center in the United States and maintains a small inventory for retail sales.

In September 2017, Changzhou Ringold International Trading Co., Ltd. (“Ringold”) was established in China. All of the raw material are procured from third parties through Ringold.

In September 2018, Crazy Industry (Changzhou) Industry Technology Co., Ltd. (“Crazy Industry”) was established in China. Crazy Industry is the research and development hub.

In June 2020, Dotfloor Inc. (“Dotfloor”) was established in California. Dotfloor operates dotfloor.com, the online store that offers our vinyl flooring products to retail customers in the United States.

In March 2022, Northann Corp. (“Northann”), the current ultimate holding company, was incorporated in Nevada as part of the restructuring transactions in contemplation of our initial public offering. In connection with its incorporation, in April 2022, we completed a share swap transaction and issued common stock and Series A Preferred Stock of Northann to the then existing shareholders of NBS, based on their then respective equity interests held in NBS. NBS then became our wholly owned subsidiary. In accordance to ASC 805-50-30-5 and ASC 805-50-45-1 through 45-5, the series of restructuring transactions have been accounted for as transactions between entities under common control; accordingly, the Company’s historical capital structure has been retroactively restated to the first period presented.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of March 31, 2023, the Company had a working capital deficit of \$4,626,300 and net cash used in operating activities of \$895,440 for the three months ended March 31, 2023. The Company may not have adequate liquidity to remain solvent and settle its obligations when payment become due; these factors gave rise to substantial doubt that the Company would continue as a going concern. Management is closely monitoring its financial position, especially its working capital and cash position, as well as its gross profit margins where its positive results of operations will allow the Company to continue as going concern. The company’s foremost plan is to raise additional capital via an initial public offering of its common stock and concurrent listing on national stock exchange. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements as of March 31, 2023 and the accompanying unaudited interim consolidated financial statements as of March 31, 2023 of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), and include the assets, liabilities, revenues, expenses and cash flows of all subsidiaries. All significant inter-company transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

The unaudited interim consolidated financial statements do not include all the information and footnotes required by the U.S. GAAP for complete financial statements. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with the U.S. GAAP have been condensed or omitted consistent with Article 10 of Regulation S-X. In the opinion of the Company’s management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, in normal recurring nature, as necessary for the fair statement of the Company’s financial position as of March 31, 2023, and results of operations and cash flows for the three-month period ended March 31, 2023. The unaudited interim condensed consolidated balance sheet as of December 31, 2022 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by the U.S. GAAP. Interim results of operations are not necessarily indicative of the results expected for the full fiscal year or for any future period. These financial statements should be read in conjunction with the audited consolidated financial statements as of and for the years ended December 31, 2022, 2021 and 2020, and related notes included in the Company’s audited consolidated financial statements.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors.

Use of Estimates

The preparation of these consolidation financial statements requires management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an on-going basis, the Company evaluates its estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Identified below are the accounting policies that reflect the Company’s most significant estimates and judgments, and those that the Company believes are the most critical to fully understanding and evaluating its consolidated financial statements.

Revenue Recognition

The Company recognizes revenues when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. The Company recognizes revenues following the five-step model prescribed under ASU No. 2014-09: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) the Company satisfies the performance obligation.

Revenue for sales of products which are primarily comprised of hardwood floors and three-dimensional printed flooring are recognized at the time of delivery of the products set forth in contracts with customers. At the time of delivery, physical and legal control of the asset is passed from the Company to its customer, at which time the Company believes it has satisfied the single performance obligation to complete a sales transaction in order to recognize revenue. The Company's contracts do not allow for returns, refunds, or warranties; however, it is customary in the industry to manufacturers to ship a small portion of extra product to allow for product quality issues. Also, as matter of good business practice, under very specific situations, the Company has historically agreed to provide minor discounts to customers who made complaints on products purchased. The Company has recorded these costs as period expenses when incurred as the Company is not able to reliably estimate such future expenses.

With respect to patent licensing, the Company grants the use of certain intellectual property to its customer for a fixed fee over a specified length of time. The management believes that patent licensing should be interpreted as a single performance obligation and revenues from patent licensing should be recognized over time.

Revenues are recognized when control of the promised goods or services is transferred to our customers, which may occur at a point in time or over time depending on the terms and conditions of the agreement, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Practical expedients and exemption

The Company has not occurred any costs to obtain contracts and does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

The Company typically enters into agreements with its customers where its set forth the product to be sold, the price, payment terms, and any antecedent terms such as shipping and delivery specifications; these terms and conditions are most typically specified in purchase order issued by its customers to the Company. The Company typically recognizes revenue at point in time, which is when physical possession and legal title are transferred to the customer, this may be a shipping port or a specified destination; at this point the Company reasonably expect to paid for the product, or in the event where it was paid advance, the Company's performance obligations have been satisfied and those funds are considered earned by the Company. If the Company sells products on account to customers, they are typically paid within 90 days. Any funds received in advance for the products yet to be transferred to its customer are contract liabilities that are recorded as unearned revenue on the Company's consolidated balance sheets. \$291 and \$208,483 was recognized as revenue from unearned revenue during the three months ended March 31, 2023 and 2022, respectively.

Taxation

The Company accounts for income taxes using an asset and liability approach which allows for the recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigations based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the year incurred. GAAP also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted by the U.S. government which included a wide range of tax reform affecting businesses including the corporate tax rates, international tax provisions, tax credits and deduction with majority of the tax provision effective after December 31, 2017. Certain activities conducted in foreign jurisdictions may result in the imposition of U.S. corporate income taxes on the Company when its subsidiaries, controlled foreign corporations ("CFCs"), generate income that is subject to Subpart F or GILTI under the U.S. Internal Revenue Code beginning after December 31, 2017.

The Coronavirus Aid, Relief and Economy Security (CARES) Act (“the CARES Act, H.R. 748”) was signed into law on 27 March 2020. The CARES Act temporarily eliminates the 80% taxable income limitation (as enacted under the Tax Cuts and Jobs Act of 2017) for NOL deductions for 2018-2020 tax years and reinstated NOL carry backs for the 2018-2020 tax years. Moreover, the CARES Act also temporarily increases the business interest deduction limitations from 30% to 50% of adjusted taxable income for the 2019 and 2020 taxable year. Lastly, the Tax Act technical correction classifies qualified improvement property as 15-year recovery period, allowing the bonus depreciation deduction to be claimed for such property retroactively as if it was included in the Tax Act at the time of enactment. The Company does not anticipate a material impact on its financial statements as of March 31, 2023 and as of December 31, 2022 due to the recent enactment.

The Company accounts for an unrecognized tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the tax authorities. The Company considers and estimates interest and penalties related to the gross unrecognized tax benefits and includes as part of its income tax provision based on the applicable income tax regulations.

The Company did not accrue any liability, interest or penalties related to uncertain tax positions in the provision for income taxes line of the consolidated statements of operations for the three months ended March 31, 2023 and for the year ended December 31, 2022. The Company had no uncertain tax position for the three months ended March 31, 2023 and for the years ended December 31, 2022.

Foreign Currency and Foreign Currency Translation

The functional currency of the Company is the Chinese Yuan (“RMB”), as their functional currencies. An entity’s functional currency is the currency of the primary economic environment in which it operates, normally that is the currency of the environment in which the entity primarily generates and expends cash. Management’s judgment is essential to determine the functional currency by assessing various indicators, such as cash flows, sales price and market, expenses, financing and inter-company transactions and arrangements.

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. Gains and losses resulting from foreign currency re-measurement are included in the statements of comprehensive loss.

The consolidated financial statements are presented in U.S. dollars. Assets and liabilities are translated into U.S. dollars at the current exchange rate in effect at the balance sheet date, and revenues and expenses are translated at the average of the exchange rates in effect during the reporting period. Stockholders’ equity accounts are translated using the historical exchange rates at the date the entry to stockholders’ equity was recorded, except for the change in retained earnings during the period, which is translated using the historical exchange rates used to translate each period’s income statement. Differences resulting from translating functional currencies to the reporting currency are recorded in accumulated other comprehensive income in the consolidated balance sheets.

Translation of amounts from RMB and HKD into U.S. dollars has been made at the following exchange rates:

Balance sheet items, except for equity accounts		
March 31, 2023	RMB6.8717 to \$1	HKD7.8497 to \$1
March 31, 2022	RMB6.3482 to \$1	HKD7.8275 to \$1
Income statement and cash flows items		
For the three months ended March 31, 2023	RMB6.8476 to \$1	HKD7.8389 to \$1
For the three months ended March 31, 2022	RMB6.3504 to \$1	HKD7.8062 to \$1

Cash

Cash consist of cash on hand and at banks and highly liquid investments, which are unrestricted from withdrawal or use, and which have original maturities of three months or less when purchased.

Accounts Receivable, Net

Since January 1, 2023, the Company adopted Financial Instruments — Credit Losses. The estimate for the allowance of credit losses is based on a historical loss ratio, in conjunction with a qualitative assessment of current conditions and reasonable and supportable forecasts to determine if the allowance for credit losses should be further adjusted. The Company contemplates available information such as change in Chinese economic conditions, industry trend and the Company's operation plans and so on.

Long-Lived Assets

Long-lived assets consist primarily of equipment and intangible assets.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

	Estimated useful lives (years)
Office and computer equipment	3-5

Expenditure for maintenance and repairs is expensed as incurred.

The gain or loss on the disposal of equipment is the difference between the net sales proceeds and the lower of the carrying value or fair value less cost to sell the relevant assets and is recognized in general and administrative expenses in the consolidated statements of comprehensive loss.

Land Use Rights, Net

Land use rights are a form of intangible assets in the PRC. They are recorded at cost less accumulated amortization with no residual value. Amortization of land use rights are computed using the straight-line method over their estimated useful lives.

The estimated useful lives of the Company's land use rights are as listed below:

	Estimated useful lives (years)
Land use right	20

Impairment of Long-lived Assets

In accordance with ASC 360-10-35, the Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Based on the existence of one or more indicators of impairment, the Company measures any impairment of long-lived assets using the projected discounted cash flow method at the asset group level. The estimation of future cash flows requires significant management judgment based on the Company's historical results and anticipated results and is subject to many factors. The discount rate that is commensurate with the risk inherent in the Company's business model is determined by its management. An impairment loss would be recorded if the Company determined that the carrying value of long-lived assets may not be recoverable. The impairment to be recognized is measured by the amount by which the carrying values of the assets exceed the fair value of the assets. No impairment has been recorded by the Company as of March 31, 2023, and December 31, 2022.

Net earnings per share of common stock

The Company has adopted ASC Topic 260, "Earnings per Share," ("EPS") which requires presentation of basic EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation. In the accompanying consolidation financial statements, basic earnings (loss) per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period.

	March 31,	
	2023	2022
	(Unaudited)	
Net income	<u>\$ 185,466</u>	<u>\$ 949,441</u>
Weighted average number of shares of common stock outstanding - basic*	<u>20,000,000</u>	<u>20,000,000</u>
Add: potentially dilutive effect of shares issuable upon conversion of notes	85,714	-
Add: potentially dilutive effect of shares issuable upon exercise of warrants	-	-
Weighted average number of shares of common stock outstanding - diluted*	<u>20,085,714</u>	<u>20,000,000</u>
Basic and diluted (loss) earnings per share*	<u>\$ 0.01</u>	<u>\$ 0.05</u>

* Retrospectively restated for the effect of 2-for-1 reverse stock split . (Note 17)

The Company had no potentially dilutive securities, such as options or warrants, issued and outstanding as of and for the three months ended March 31, 2023. The Series A - Preferred Stock is not convertible into common stock.

On May 16, 2022, Northann Corp. entered into a securities purchase agreement with certain investors, pursuant to which the Company sold the investors convertible debentures in an aggregate principal amount of \$1,000,000 (the "Convertible Debentures") that are convertible into shares of common stock of Northann Corp. (the "Conversion Shares") with a 100% warrant coverage to purchase common stock of Northann Corp. (the "Warrants" and such shares underlying the Warrants, the "Warrant Shares"). The number of weighted average potentially dilutive shares resulting from this transaction was 857,14. Please see Note 11 below.

Segments

The Company evaluates a reporting unit by first identifying its operating segments, and then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meets the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has only one major reportable segment in the periods presented. The Company's chief operation decision maker is the Company's Chief Executive Officer.

Shipping and Handling Costs

Outbound shipping and handling costs are expenses as incurred and charged to the selling expense. Inbound shipping and freight are charged for raw material and components are accounted for as cost of revenues.

Fair Value of Financial Instruments

U.S. GAAP establishes a three-tier hierarchy to prioritize the inputs used in the valuation methodologies in measuring the fair value of financial instruments. This hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three-tier fair value hierarchy is:

Level 1 – observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – include other inputs that are directly or indirectly observable in the market place.

Level 3 – unobservable inputs which are supported by little or no market activity.

The carrying value of the Company's financial instruments, including cash, accounts and other receivables, other current assets, accounts and other payables, and other short-term liabilities approximate their fair value due to their short maturities.

In accordance with ASC 825, for investments in financial instruments with a variable interest rate indexed to performance of underlying assets, the Company elected the fair value method at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the accompanying consolidated statements of operations and comprehensive loss as other income (expense). To estimate fair value, the Company refers to the quoted rate of return provided by banks at the end of each period using the discounted cash flow method. The Company classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

As of March 31, 2023 and December 31, 2022, the Company had no investments in financial instruments.

Leases

In February 2016, the FASB issued ASU 2016-12, Leases (ASC Topic 842), which amends the leases requirements in ASC Topic 840, Leases. Under the new lease accounting standard, a lessee will be required to recognize a right-of-use asset and lease liability for most leases on the balance sheet. The new standard also modifies the classification criteria and accounting for sales-type and direct financing leases, and enhances the disclosure requirements. Leases will continue to be classified as either finance or operating leases.

The Company adopted ASC Topic 842 using the modified retrospective transition method effective January 1, 2019. There was no cumulative effect of initially applying ASC Topic 842 that required an adjustment to the opening retained earnings on the adoption date nor revision of the balances in comparative periods. As a result of the adoption, the Company recognized a lease liability and right-of-use asset for each of the existing lease arrangement. The adoption of the new lease standard does not have a material impact on the consolidated income statements or the consolidated statements of cash flows.

The Company determines if an arrangement is a lease at inception. The lease payments under the lease arrangements are fixed. Non-lease components include payments for building management, utilities and property tax. It separates the non-lease components from the lease components to which they relate.

Lease assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate, because the interest rate implicit in the leases is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The lease terms include periods under options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company generally uses the base, non-cancelable, lease term when determining the lease assets and liabilities.

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

On January 1, 2020, the Company adopted ASU 2016-02, Leases, using the modified retrospective method which allows for the application of the transition provisions at the beginning of the period of adoption, rather than at the beginning of the earliest comparative period presented in these audited consolidated financial statements. As permitted by the guidance, the Company elected to retain the original lease classification and historical accounting for initial direct costs for leases existing prior to the adoption date and did not reassess contracts entered into prior to the adoption date for the existence of a lease. The Company also did not recognize ROU assets and lease liabilities for short-term leases, which are leases in existence as of the adoption date with an original term of twelve months or less.

“In August 2020, the FASB issued ASU No.2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06), which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The Company adopted ASU 2020-06 on January 1, 2023. The Company is currently evaluating the impact of the new guidance on our consolidated financial statements.”

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, “Financial Instruments - Credit Losses (Topic 326)” (“ASU 2016-13”). ASU 2016-13 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. Originally, ASU 2016-13 was effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. In November 2019, FASB issued ASU 2019-10, “Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842).” This ASU defers the effective date of ASU 2016-13 for public companies that are considered smaller reporting companies as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted this standard in the first quarter of fiscal 2023 using modified retrospective approach and the adoption of this standard did not have a material impact on the Company's consolidated financial statements nor did it result in a cumulative effect adjustment to retained earnings.

Accounting Pronouncements Issued But Not Yet Adopted

In October 2020, the FASB issued ASU 2020-10, “Codification Improvements”. The amendments in this Update represent changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments in this Update affect a wide variety of Topics in the Codification and apply to all reporting entities within the scope of the affected accounting guidance. ASU 2020-10 is effective for the Company for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The amendments in this Update should be applied retrospectively. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

Except for the above-mentioned pronouncements, there are no new recent issued accounting standards that will have material impact on the consolidated financial position, statements of operations and cash flows.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of the following:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Gross accounts receivable	\$ 950,576	\$ 1,428,738
Less: allowance for doubtful accounts	-	-
	<u>\$ 950,576</u>	<u>\$ 1,428,738</u>

4. OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Other receivables and other current assets consist of the following:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Export credit	\$ 18,224	\$ -
Deposit and other assets	19,142	111,294
	<u>37,366</u>	<u>111,294</u>

5. INVENTORY, NET

Inventories, net, consist of the following:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Raw materials and work in progress	\$ 3,495,730	\$ 3,157,736
Finished goods	2,300,015	1,404,630
Total	<u>5,795,745</u>	<u>4,562,366</u>
less: Impairment	-	-
Inventories, net	<u>\$ 5,795,745</u>	<u>\$ 4,562,366</u>

6. EQUIPMENT, NET

Equipment, net consist of the following:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Manufacturing equipment	\$ 9,230,230	\$ 9,099,231
Office equipment	155,289	155,289
less: Accumulated depreciation	<u>3,960,473</u>	<u>3,728,881</u>
	<u>\$ 5,425,046</u>	<u>\$ 5,525,639</u>

Depreciation expenses charged to the consolidated statements of operations for the three months ended March 31, 2023 and for the year ended December 31, 2022 were \$231,592 and \$650,103, respectively.

7. LAND USE RIGHTS, NET

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Land use right	\$ 1,177,465	\$ 1,162,205
less: Accumulated amortization	<u>97,215</u>	<u>89,790</u>
	<u>\$ 1,080,250</u>	<u>\$ 1,072,415</u>

The Company has pledged its land use rights at No. 199, Newtag, Wujin District, Changzhou, Jiangsu Province, China, 213000 to Industrial and Commercial Bank of China Limited as a collateral for securing its loans.

8. BANK BORROWINGS

Current

Short-term loans as of March 31, 2023 and December 31, 2022 represents bank borrowings of \$6,961,094 and \$6,988,757, respectively obtained from financial institutions in the PRC. The short-term bank borrowings were secured by land use right. The weighted average interest rate for the short-term loans for the three months ended March 31, 2023 and for the year ended December 31, 2022 was approximately 5.07% and 5.87%, respectively.

Bank	Loan period	Interest rate	Balance at March 31, 2023	Balance at December 31, 2022
Industrial and Commercial Bank of China	October 24, 2022 - July 17, 2023	4.35%	\$ 1,455,244	\$ 1,435,833
Industrial and Commercial Bank of China	October 26, 2022 - August 17, 2023	4.35%	1,455,244	1,435,833
Bank of Communications	January 28, 2023 - January 28, 2024	4.35%	503,514	496,798
Bank of Communications	January 10, 2022 - January 25, 2023	4.35%	480,231	473,825
Bank of Communications	October 24, 2022 - July 17, 2023	4.35%	257,142	253,712
Changzhou Changjiang Science and Technology Petty Loan Co., LTD	October 26, 2022 - August 17, 2023	17.40%	-	100,508
Jiangnan Rural Commercial Bank	May 9, 2022 - April 3, 2023	4.79%	\$ 392,916	\$ 387,675
Jiangnan Rural Commercial Bank	March 24, 2023 - March 24, 2024	4.79%	916,804	904,575
Bank of America	April 28, 2022 - April 30, 2023	Prime rate + 0.1%	1,500,000	1,500,000
Total			<u>\$ 6,961,094</u>	<u>\$ 6,988,757</u>

The loan from Bank of America is secured by the Company's inventory.

Non-current

Bank	Loan period	Interest rate	Balance at March 31, 2023	Balance at December 31, 2022
EIDL Loan	From June 26, 2020 to June 25, 2050	3.75%	132,946	133,677
Total			<u>\$ 132,946</u>	<u>\$ 133,677</u>

9. BALANCES WITH RELATED PARTY

1) Related party transactions

During the year ended December 31, 2022 and the three months ended March 31, 2023, one of the Company's related parties provided working capital to support the Company's operations when needed. The borrowings were unsecured, due on demand, and interest free. The following table summarizes borrowing transactions with the Company's related party:

2) Related party balances

<u>Accounts</u>	<u>Name of Related Party</u>	<u>Note</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Amount due from related party	Lin Li, Chief Executive Officer and Chairman of the Board		\$ -	\$ -
Amount due to related party	Lin Li, Chief Executive Officer and Chairman of the Board		\$ 734,397	\$ 184,060

All the above balances are due on demand, interest-free and unsecured. The Company used the funds for its operations.

10. EQUITY

Preferred Stock

We are authorized to issue 500,000,000 shares of capital stock, consisting of 400,000,000 shares of common stock, par value US\$0.001 per share, and 100,000,000 shares of preferred stock, par value US\$0.001 per share. 20,000,000 shares were designated to be series A preferred stock (the "Series A Preferred Stock") out of the 100,000,000 shares of blank check preferred stock. Each share of common stock is entitled to one vote and each share of Series A Preferred Stock is entitled to ten votes on any matter on which action of the stockholders of the corporation is sought. The Series A Preferred Stock will vote together with the common stock. Common stock and Series A Preferred Stock are not convertible into each other. Holders of Series A Preferred Stock are not entitled to receive dividends. The Series A Preferred Stock does not have liquidation preference over the Company's Common Stock, and therefore ranks pari passu with the Common Stock in the event of liquidation.

Common Stock

The Company is authorized to issue of 400,000,000 shares of common stock with par value of US\$0.001 per share. As of the date of this report there were 20,000,000 shares of common stock issued and outstanding. Each share of common stock entitles the holder to one vote. For the sake of comparability, the share structure as of the date of this report has been carried back in the Company's statement of stockholders' equity as if they had been issued and outstanding from the beginning of the first period presented.

11. CONVERTIBLE NOTES

On May 16, 2022, Northann Corp. entered into a securities purchase agreement with certain investors, pursuant to which the Company sold the investors convertible notes in an aggregate principal amount of \$1,000,000 (the "Convertible Debentures") that are convertible into shares of common stock of Northann Corp. (the "Conversion Shares") with a 100% warrant coverage to purchase common stock of Northann Corp. (the "Warrants" and such shares underlying the Warrants, the "Warrant Shares").

As of March 31, 2023, we have issued the following securities of the registrant. We believe that each of the following issuances was exempt from registration under the Securities Act pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering or under Regulation S of the Securities Act.

Purchaser	Date of Issuance	Security Type	Consideration	
Hongyu Wang	May 16, 2022	Convertible Note	US\$	500,000
Sam Yan	May 16, 2022	Convertible Note	US\$	500,000

Terms of Conversion or Exercise: Convertible Notes

The Convertible Note holders are entitled to an option to convert all or part of the outstanding principal of the Convertible Note to the Company's shares of common stock at any time after the six-month anniversary of the issuance date of the Note or earlier if a Registration Statement covering the conversion shares has been declared effective, at conversion price of \$7.00. The interest rate of the Note is 7% per annum.

Terms of Conversion or Exercise: Warrants

On May 16, 2022, the Company granted the same investors Warrants to purchase the Company's shares of common stock with exercise price of \$7.00 per share. The Warrants may be exercised, in whole or in part, at any time prior to the fifth anniversary of the date such Warrants are issued. The investors can also choose to exercise the Warrant using a cashless manner based on certain formula stipulated in the Warrant agreement.

The Convertible Notes and Warrant are considered as one unit of accounting which contains two freestanding financial instruments. The proceeds received were allocated between the Notes and the Warrants based on their relative fair value. The beneficial conversion option within the debt instrument was booked to additional paid-in capital, and its book value will not be subsequently adjusted. The warrants were valued using the Black-Scholes Model, and the relative fair value was \$1.21 on a per share basis, for total valuation of \$347,171 based on 285,714 shares issuable if fully exercised. The Company used the following inputs: (1) strike price = \$7.00, (2) fair market value of the Company's stock = \$10.00, (3) annualized volatility = 10%, (4) annualized dividend = 1.70%, (5) years to expiration = 5 years, and (6) risk free rate = 3.789%. Management determined that convertible note contained a beneficial conversion feature ("BCF") and recognized a discount to be amortized over the life of the convertible note. The BCF was valued at \$672,761 and was recorded as a debt discount where the offsetting balance was recorded as an increase to additional paid in capital.

Convertible Notes	March 31, 2023	
Convertible Notes – Face Value	\$	1,000,000
Discount - Cash		(42,226)
Discount – Placement agent fees		(11,222)
Discount – Detachable warrants		(184,239)
Discount – Beneficial conversion feature		(325,326)
	\$	436,987

12. INCOME TAXES

United States of America

The Coronavirus Aid, Relief and Economy Security (CARES) Act ("the CARES Act, H.R. 748") was signed into law on 27 March 2020. The CARES Act temporarily eliminates the 80% taxable income limitation (as enacted under the Tax Cuts and Jobs Act of 2017) for NOL deductions for 2018-2020 tax years and reinstated NOL carrybacks for the 2018-2020 tax years. Moreover, the CARES Act also temporarily increases the business interest deduction limitations from 30% to 50% of adjusted taxable income for the 2019 and 2020 taxable year. Lastly, the Tax Act technical correction classifies qualified improvement property as 15-year recovery period, allowing the bonus depreciation deduction to be claimed for such property retroactively as if it was included in the Tax Act at the time of enactment. The Company does not anticipate a material impact on its financial statements as of March 31, 2023 and December 31, 2022 due to the recent enactment.

Hong Kong

Two-tier Profits Tax Rates

The two-tier profits tax rates system was introduced under the Inland Revenue (Amendment)(No.3) Ordinance 2018 (the “Ordinance”) of Hong Kong became effective for the assessment year 2018/2019. Under the two-tier profit tax rates regime, the profits tax rate for the first HKD 2 million (approximately \$257,868) of assessable profits of a corporation will be subject to the lowered tax rate, 8.25% while the remaining assessable profits will be subject to the legacy tax rate, 16.5%. The Ordinance only allows one entity within a group of “connected entities” is eligible for the two-tier tax rate benefit. An entity is a connected entity of another entity if (1) one of them has control over the other; (2) both of them are under the control (more than 50% of the issued share capital) of the same entity; (3) in the case of the first entity being a natural person carrying on a sole proprietorship business-the other entity is the same person carrying on another sole proprietorship business. Since Benchwick is wholly owned and under the control of Northann, it is a connected entity. Under the Ordinance, it is an entity’s election to nominate the entity that will be subject to the two-tier profits tax rates on its profits tax return. The election is irrevocable. The Company elected Benchwick to be subject to the two-tier profits tax rates.

The provision for current income and deferred taxes of Benchwick has been calculated by applying the new tax rate of 8.25%.

PRC

In accordance with the relevant tax laws and regulations of the PRC, a company registered in the PRC is subject to income taxes within the PRC at the applicable tax rate on taxable income. All the PRC subsidiaries that are not entitled to any tax holiday were subject to income tax at a rate of 25% for the three months ended March 31, 2023 and for the year ended December 31, 2022. According to PRC tax regulations, the PRC net operating loss can generally carry forward for no longer than five years starting from the year subsequent to the year in which the loss was incurred. Carry back of losses is not permitted. If not utilized, the PRC net operating loss will expire in 2025.

The income tax expense was \$5,380 and \$13,841 for the three months ended March 31, 2023 and 2022, respectively, related primarily to the Company’s subsidiaries located outside of the U.S. The income before provision for income taxes for the three months ended March 31, 2023 and 2022 was as follows:

The income tax provision consists of the following components:

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Current:		
Federal	\$	\$
State	5,380	227
Foreign		13,614
Total current	\$ 5,380	\$ 13,841
Deferred:		
Federal	\$ -	\$ -
State	-	-
Foreign	-	-
Total deferred	\$ -	\$ -
Total income tax expense	\$ 5,380	\$ 13,841

A reconciliation between the Company's actual provision for income taxes and the provision at the United States statutory rate is as follow:

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Income before income tax expense	\$ 190,846	\$ 963,282
Computed tax benefit with statutory tax rate	29.84%	29.84%
Income tax expense computed at statutory income tax rate	56,948	287,443
Impact of different tax rates in other jurisdictions	(159,680)	(354,982)
Tax effect of non-deductible expenses	108,112	81,380
Total income tax expense	<u>\$ 5,380</u>	<u>\$ 13,841</u>

The effective tax rate were 2.8% and 1.4% for the three months ended March 31, 2023 and 2022, respectively.

Uncertain tax positions

The Company did not have any uncertain tax positions during the three months ended March 31, 2023 or during the years ended December 31, 2022.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by the respective jurisdictions, where applicable. The statute of limitations for the tax returns varies by jurisdictions.

The amounts of uncertain tax liabilities listed above are based on the recognition and measurement criteria of ASC Topic 740, and the balance is presented as current liability in the consolidated financial statements as of March 31, 2023 and December 31, 2022. The Company anticipated that the settlements with the taxing authority are remitted within one year.

Our policy is to include interest and penalty charges related to uncertain tax liabilities as necessary in the provision for income taxes. The Company has a liability for accrued interest of \$nil and \$nil as of March 31, 2023 and December 31, 2022, respectively.

The statute of limitations for the Internal Revenue Services to assess the income tax returns on a taxpayer expires three years from the due date of the profits tax return or the date on which it was filed, whichever is later.

In accordance with the Hong Kong profits tax regulations, a tax assessment by the IRD may be initiated within six years after the relevant year of assessment, but extendable to 10 years in the case of potential willful underpayment or evasion.

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to assess underpaid tax plus penalties and interest for PRC entities' tax filings. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities remain subject to examination by the tax authorities based on the above.

13. CHINA CONTRIBUTION PLAN

The Company participates in a government-mandated multi-employer defined contribution plan pursuant to which certain retirement, medical and other welfare benefits are provided to employees. Chinese labor regulations require the Company to pay to the local labor bureau a monthly contribution at a stated contribution rate based on the monthly compensation of qualified employees. The relevant local labor bureau is responsible for meeting all retirement benefit obligations; the Company has no further commitments beyond their monthly contributions. For the three months ended March 31, 2023 and for the years ended December 31, 2022, the Company contributed a total of \$24,648 and \$118,261, respectively, to these funds.

14. OPERATING LEASE

The Company has operating leases for its office facilities. The lease is located at 9820 Dino Drive, Suite 110, Elk Grove, California, 95624, which consist of approximately 3,653 square meters. The Company's leases have remaining terms of approximately 37 months for a lease term commencing on August 1, 2020 and ending on August 31, 2023. The lease deposit is \$9,030, with a rent-free period from August 1, 2020 to August 31, 2020. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company does not separate non-lease components from the lease components to which they relate, and instead accounts for each separate lease and non-lease component associated with that lease component as a single lease component for all underlying asset classes.

The following table provides a summary of leases by balance sheet location as of March 31, 2023 and December 31, 2022:

Assets/liabilities	March 31, 2023	December 31, 2022
Assets		
Operating lease right-of-use assets	\$ 11,471	\$ 18,240
Liabilities		
Operating lease liability - current	\$ 11,471	\$ 18,240
Operating lease liability - non-current	-	-
Total lease liabilities	\$ 11,471	\$ 18,240

The operating lease expenses for the three months ended March 31, 2023 and for the year ended December 31, 2022 were as follows:

Lease Cost	Classification	March 31, 2023	December 31, 2022
Operating lease expense	General and administrative expenses	\$ 6,969	\$ 27,340

Maturities of operating lease liabilities as of March 31, 2023 were as follows:

Maturity of Lease Liabilities	Operating Leases
12 months ending March 31, 2024	\$ 11,615
Total lease payments	\$ 11,615
Less: interest	(144)
Present value of lease payments	\$ 11,471

Lease liabilities include lease and non-lease components such as management fee.

Future minimum lease payments, which do not include the non-lease components, as of March 31, 2023 were as follows:

12 months ending March 31, 2024	\$ 11,615
Total lease payments	\$ 11,615

Lease Term and Discount Rate	March 31, 2023	December 31, 2022
Weighted-average remaining lease term (years)		
Operating leases	0.42	0.67
Weighted-average discount rate (%)		
Operating leases	5%	5%

15. CONCENTRATIONS AND CREDIT RISK

(a) Concentrations

During the three months ended March 31, 2023, two customers each accounted for 32.6% and 15% of the Company's revenues, respectively. During the fiscal year ended December 31, 2022, one customer accounted for over 49% of the Company's revenues. No other customer accounts for more than 10% of the Company's revenue as of March 31, 2023 and December 31, 2022.

As of March 31, 2023, two customers accounted for 71% of the Company's accounts receivable. As of December 31, 2022, five customers accounted for 91% of the Company's accounts receivable. No other customer accounts for more than 10% of the Company's accounts receivable for the three months ended March 31, 2023 and for the years ended December 31, 2022.

During the three month ended March 31, 2023, five suppliers accounted for a total of 73% of the Company's cost of revenues. During the fiscal year ended December 31, 2022, three suppliers accounted for a total of 68% of the Company's cost of revenues. No other supplier accounts for over 10% of the Company's cost of revenues.

As of March 31, 2023, no supplier accounted for 10% of the Company's accounts payable. As of December 31, 2022, one supplier accounted for 11% of the Company's accounts payable. No other supplier accounts for over 10% of the Company's accounts payable.

(b) *Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. As of March 31, 2023 and December 31, 2022, substantially all of the Company's cash were held by major financial institutions located in the PRC, Hong Kong, and the United States, which management believes are of high credit quality. Deposits in the United States up to \$250,000 are insured by the Federal Depository Insurance Corporation.

For the credit risk related to trade accounts receivable, the Company performs ongoing credit evaluations of its customers and, if necessary, maintains reserves for potential credit losses. Historically, such losses have been within management's expectations.

(c) *Tax risk*

There is the potential risk that the Company may be subject to significant taxes and related penalties owed to the PRC government. This risk arises from the Company's collection of proceeds from the sales of its products in the normal course, by itself, or via its subsidiaries located in the US or Hong Kong, and whereby the remittance made to the Company's PRC subsidiaries may not be in the exact amounts reported to the PRC customs authority in connection with the application for export credit refunds which have already been refunded to the Company by the PRC government on the assumption that Company will fully remit the amounts indicated in its application. Management is unable to reliably estimate the amount due or determine if it is probable that the PRC government will make efforts to recover the tax credit refunds already paid to the Company and if there would be any related penalties; however, if the PRC government were to take actions to recover such export tax credit refunds, the Company may be materially adversely affected or may be forced to cease operations.

16. CAPITAL COMMITMENTS

On July 26, 2021, the Company has contracted Changzhou Wanyuan Construction Engineering Co. to build a second phase of its factory. The amount required in the contract is \$10 million. The construction progress has been adjusted based on the Company's business status.

17. SUBSEQUENT EVENT

On April 27, 2023, the holders of the Convertible Notes and Northann Corp. entered into amendments to the Convertible Notes (see Note 11). Pursuant to the amendment, Northann Corp. agreed to pay the principal and accrued interest of the Convertible Notes in cash on or before the earlier of July 12, 2023 or the three months' anniversary of the completion of this offering, and the holders agreed to not convert the Convertible Notes. As of the date of this prospectus, the Convertible Notes have not been converted in any shares of common stock of Northann Corp.

Effective on July 6, 2023, the Company implemented a 2-for-1 reverse stock split of the issued and outstanding shares. Under the reverse split, every two shares of outstanding shares issued and outstanding were automatically converted into one share of ordinary share, with a par value of US\$0.001 each. Except as otherwise indicated, all information in the consolidated financial statements concerning share and per share data gives retroactive effect to the 2-for-1 reverse stock split. The total number of outstanding common shares immediately before the reverse split was 40,000,000 and immediately after the reverse split was 20,000,000. The total number of outstanding preferred shares immediately before the reverse split was 10,000,000 and immediately after the reverse split was 5,000,000.

18. UNRESTRICTED NET ASSETS

The following presents condensed financial information of Northann Corp:

Condensed Financial Information on Financial Position

	<u>As of March 31, 2023</u>	<u>As of December 31, 2022</u>
	<u>(Unaudited)</u>	
Cash	364	224
All other current assets	-	-
Amounts due from subsidiaries	708,300	713,500
Amounts due from related party	-	-
Total current assets	<u>708,664</u>	<u>713,724</u>
All other non-current assets	218,354	218,354
Interests in a subsidiary	13,982,402	13,477,384
Total Assets	<u>14,909,420</u>	<u>14,409,462</u>
Liabilities and Stockholders' Equity		
All other current liabilities	-	-
Amounts due to subsidiaries	11,939,492	12,122,024
Amounts due to related party	-	-
Total current liabilities	<u>11,939,492</u>	<u>12,122,024</u>
Non-current liabilities	436,987	313,699
Total Liabilities	<u>12,376,479</u>	<u>12,435,723</u>
Stockholders' Equity (Deficit)		
Preferred stock – Series A, \$0.001 par value, 100,000,000 shares authorized, 5,000,000 shares issued and outstanding as of March 31, 2023 and December 31, 2022*	5,000	5,000
Common stock, \$0.001 par value, 400,000,000 shares authorized, 20,000,000 shares issued and outstanding as of March 31, 2023 and December 31, 2022*	20,000	20,000
Subscription receivable	(25,000)	(25,000)
Additional paid-in capital	925,000	925,000
Retained earnings	2,004,096	1,818,630

Accumulated other comprehensive income loss	<u>(396,155)</u>	<u>(769,891)</u>
Total Stockholders' Equity	<u>2,532,941</u>	<u>1,973,739</u>
Total Liabilities and Stockholders' Equity	<u>14,909,420</u>	<u>14,409,462</u>

* Retrospectively restated for the effect of 2-for-1 reverse stock split . (Note 17)

Condensed Financial Information on Results of Operations

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
	(Unaudited)	
Revenue	-	-
Cost or revenues	-	-
Operating expenses	123,288	-
Income taxes	-	-
Income (loss) – Parent only	(123,288)	-
Income (loss) – Subsidiaries with unrestricted net assets	429,006	851,328
(Loss) income – Subsidiaries with restricted net assets	(120,252)	98,113
Net income – Consolidated	<u>185,466</u>	<u>949,441</u>

Condensed Financial Information on Cash Flows

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
	(Unaudited)	
Cash from operating activities	5,140	-
Cash used in investing activities	-	-
Cash used in financing activities	(5,000)	-
Effect of exchange rates on cash	-	-
Net cash flows	140	-
Beginning cash balance	224	-
Ending cash balance	<u>364</u>	<u>-</u>

(i) Basis of presentation

The condensed financial information reflects the accounts of the Company. The condensed financial information should be read in connection with the consolidated financial statements and notes thereto. The condensed financial information is presented as if the incorporation of the Company were in effect since January 1, 2020, and throughout the three months ended March 31, 2023.

(ii) Restricted Net Assets

Schedule I of Rule 5-04 of Regulation S-X requires the condensed financial information of registrant shall be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. For purposes of the above test, restricted net assets of consolidated subsidiaries shall mean that amount of the registrant's proportionate share of net assets of consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company by subsidiaries in the form of loans, advances or cash dividends without the consent of a third party (i.e., lender, regulatory agency, foreign government, etc.). The Company's only assets are its equity interests in its subsidiaries. Unrestricted net assets are held in the Company's subsidiaries located in the US and Hong Kong. The Company does maintain substantial assets and operating subsidiaries in China; therefore, the ability for operating subsidiaries to pay dividends or transfer assets to the Company may be restricted due to the foreign exchange control policies and availability of cash balances of the Chinese operating subsidiaries.

As of March 31, 2023 and December 31, 2022, there were no material contingencies, significant provisions of long term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of the Company, except for those which have been separately disclosed in the Consolidated Financial Statements, if any.

Northann Corp.



Shares of Common Stock

Craft Capital Management LLC

, 2023

PART II - INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

Set forth below is an itemization of the total expenses, excluding underwriting discounts, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the FINRA filing fee and the NYSE American listing fee, all amounts are estimates.

	Amount (US\$)
Securities and Exchange Commission Registration Fee	\$ 2,044
NYSE American Listing Fee	\$ 50,000
FINRA Filing Fee	\$ 5,009
Legal Fees and Expenses	\$ 400,000
Accounting Fees and Expenses	\$ 600,000
Printing Expenses	\$ 20,000
Miscellaneous Expenses	\$ 2,947
Underwriters' Accountable Expenses	\$ 200,000
Underwriters' Non-Accountable Expenses (assuming no exercise of the over-allotment option)	150,000
Total Expenses	\$ 1,430,000

All amounts are estimates other than the SEC's registration fee and NYSE American listing fee. We are paying all expenses of the offering listed above.

Item 14. Indemnification of Directors and Officers.

To the fullest extent permitted by the laws of the State of Nevada, our Articles of Incorporation and Bylaws, we may indemnify an officer or director who is made a party to any proceeding, including a lawsuit, because of his/her position, if he/she acted in good faith and in a manner he/she reasonably believed to be in our best interest. We may advance expenses incurred in defending a proceeding. To the extent that the officer or director is successful on the merits in a proceeding as to which he/she is to be indemnified, we will indemnify him/her against all expenses incurred, including attorney's fees. With respect to a derivative action, indemnity may be made only for expenses actually and reasonably incurred in defending the proceeding, and if the officer or director is judged liable, only by a court order.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 15. Recent Sales of Unregistered Securities.

The information in this section reflects a 2-for-1 reverse split of our issued and outstanding shares of common stock and Series A Preferred Stock, effected on July 5, 2023.

Founding Transactions

Northann Corp. was incorporated on March 29, 2022. In connection with the incorporation, on April 25, 2022, Northann Corp. issued a total of 5,570,000 shares of common stock to 12 stockholders, each one of which holds less than 5% of the total issued and outstanding common stock as of the date of this registration statement. The transaction was not registered under the Securities Act in reliance on an exemption from registration set forth in Section 4(a)(2) and/or Regulation D and/or Regulation S thereof.

Private Placement

On May 12, 2022, Northann Corp. entered into a securities purchase agreement with certain investors, pursuant to which the Company sold the investors convertible debentures in an aggregate principal amount of \$1,000,000 (the "Convertible Debentures") that are convertible into shares of common stock of Northann Corp. (the "Conversion Shares") and warrants to purchase up to 142,858 shares of common stock of Northann Corp. (the "Warrants" and such shares underlying the Warrants, the "Warrant Shares").

The Convertible Debentures have a maturity date of 24 months after the issuance thereof and bear interest at the rate of 7% per annum. The Convertible Debentures are convertible after the six-month anniversary of the date of issuance or earlier if a registration statement covering the Conversion Shares has been declared effective until the Convertible Debentures have been paid in full or converted in full, at an initial conversion price of \$7.00 per share and shall be adjusted to the lower of (i) 70% of the offering price in a future equity financing with gross proceeds of not less than \$5,000,000, or (ii) \$7.00, subject to further adjustments thereunder, including a reduction in the conversion price, in the event of a subsequent offering at a price less than the then current exercise price, to the same price as the price in such offering (a "Price Protection Adjustment"). If Northann Corp. is not able to or ceases to be eligible for quotation or listed on a trading market within 12 months from the issuance of the Convertible Debentures, the holders may demand Northann Corp. to pay all the outstanding principal amount or convert all or a portion of the outstanding principal amount. If at any time following the six months' anniversary of the final closing date or termination of the offering and if there is an effective registration statement permitting the issuance of the Conversion Shares to or resale of the Conversion Shares by the holders, (A) Northann Corp.'s common stock is listed on a senior national securities exchange, (B) the daily VWAP for the prior 20 consecutive trading days is \$8.00 or more (adjusted for splits and similar distributions) and (C) the daily trading volume is at least \$1,000,000 during such 20-day period, then the Company shall have the right to require the holders to convert all or any portion of the principal and accrued interest then remaining under the Convertible Debentures into shares of common stock at the conversion price then in effect.

On April 27, 2023, the holders of the Convertible Debentures and Northann Corp. entered into amendments to the Convertible Debentures. Pursuant to the amendment, Northann Corp. agreed to pay the principal and accrued interest of the Convertible Debentures in cash on or before the earlier of July 12, 2023 or the three months' anniversary of the completion of this offering, and the holders agreed to not convert the Convertible Debentures. As of the date of this prospectus, the Convertible Debentures have not been converted in any shares of common stock of Northann Corp. and Northann Corp. has not repaid any principal or accrued interest of the Convertible Debentures.

The Warrants are exercisable from time to time in whole or in part from the date of issuance until the five-year anniversary of the date of issuance. The Warrants can be exercised on a cashless or a cash basis. The initial exercise price of the Warrants is \$7.00 per share and shall be adjusted to the lower of (i) 70% of the offering price in a future equity financing with gross proceeds of not less than \$5,000,000, or (ii) \$7.00, subject to further adjustments thereunder, including a Price Protection Adjustment.

Univest Securities, LLC was the placement agent for the Convertible Debentures and the Warrants offering. The Company paid Univest Securities, LLC a total cash fee equal to 7% of the aggregate gross proceeds and a non-accountable expense allowance equal to 0.5% of the gross proceeds. Additionally, the Company issued to Univest Securities, LLC warrants to purchase 8,572 shares of common stock, which equals to 6% of the Warrant Shares, for an exercise price equal to 120% of the exercise price of the Warrants, as adjusted. The warrants issued to Univest Securities, LLC have a term of five years and are first exercisable six months after the date of issuance.

The transaction was completed on May 16, 2022. The Company received gross proceeds from the sale of the Convertible Debentures and the Warrants in the amount of \$1,000,000, before deducting placement agent fees and expenses. The Company has used the net proceeds for working capital and general business purposes.

The transaction was not registered under the Securities Act in reliance on the exemption under Section 4(a)(2) and/or Regulation D of the Securities Act.

Item 16. Exhibits.

Exhibit Number	Description
1.1*	Underwriting Agreement
3.1*	Articles of Incorporation
3.2*	Certificate of Amendment to the Articles of Incorporation
3.3*	Certificate of Designation of Series A Preferred Stock
3.4*	Certificate of Amendment to the Certificate of Designation of Series A Preferred Stock
3.5*	Bylaws
4.1*	Form of Underwriters' Warrant (included in Exhibit 1.1)
4.2*	Form of Convertible Note
4.3*	Form of Warrant
4.4*	Form of Amendment Agreement to the Convertible Note
5.1*	Opinion of Ortolí Rosenstadt LLP regarding the legality of the shares being issued and the enforceability of the underwriters warrants
8.1*	Opinion of Ortolí Rosenstadt LLP regarding certain U.S. tax matters
8.2*	Opinion of Grandall Law Firm regarding certain PRC tax matters (included in Exhibit 99.1)
10.1*	Licensing Agreement by and between Northann Building Solutions LLC and Interglobal Forest LLC, dated September 10, 2021
10.2*	Employment Agreement between the Company and Lin Li dated July 1, 2022
10.3*	Employment Agreement between the Company and David M. Kratochvil dated April 18, 2023
10.4*	Employment Agreement between the Company and Kurtis W. Winn dated July 1, 2022
10.5*	Form of Securities Purchase Agreement
10.6*	Form of Registration Right Agreement
10.7*	Form of Security Agreement
10.8*	Form of Patent Security Agreement
10.9*	Form of Trademark Security Agreement
10.10*	Form of Guaranty
10.11*	Form of Guarantors Security Agreement
10.12*	English translation of the Construction Agreement between NCP and Changzhou Wanyuan Construction Engineering Co., dated July 26, 2021
10.13*	English Translation of Form of Loan Agreement by and between NCP and Industrial and Commercial Bank of China
10.14*	English Translation of Loan Agreement by and between NCP and Jiangnan Rural Commercial Bank, dated March 26, 2020
10.15*	English Translation of Loan Agreement by and between NCP and Bank of Communications, dated January 26, 2022
10.16*	English Translation of Form of Standard Plant Lease Agreement by and between Crazy Industry and Jiangsu Wujin Lvjin Construction Co., Ltd.
10.17*	2023 Equity Incentive Plan
14.1*	Code of Business Conduct and Ethics of the Company
14.2*	Insider Trading Policies
15.1*	Letter regarding unaudited interim financial information
21.1*	List of Subsidiaries
23.1*	Consent of WWCC, P.C.

<u>23.2*</u>	<u>Consent of Ortol Rosenstadt LLP (included in Exhibit 5.1)</u>
<u>23.3*</u>	<u>Consent of Grandall Law Firm (included in Exhibit 99.1)</u>
<u>99.1*</u>	<u>Opinion of Grandall Law Firm, regarding certain PRC law matters</u>
<u>99.2*</u>	<u>Audit Committee Charter</u>
<u>99.3*</u>	<u>Nominating Committee Charter</u>
<u>99.4*</u>	<u>Compensation Committee Charter</u>
<u>99.5*</u>	<u>Consent of Bradley C. Lalonde</u>
<u>99.6*</u>	<u>Consent of Charles James Schaefer IV</u>
<u>99.7*</u>	<u>Consent of Scott Powell</u>
<u>99.8*</u>	<u>Consent of Beijing Gaopeng (Nanjing) Law Firm</u>
<u>107*</u>	<u>Filing Fee Table</u>

* filed herewith

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

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

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
 - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
 - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;
 - (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

- (2) That for the purpose of determining any liability under the Securities Act of 1933 each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.
- (5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
 - (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
 - (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
 - (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.
- (6) The undersigned Registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.
 - (7) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.
 - (8) The undersigned Registrant hereby undertakes:

- (1) That for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) That for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of New York, State of NY on July 14, 2023.

Northann Corp.

By: /s/ Lin Li
Lin Li
Chairman of the Board, Chief Executive Officer,
President, Secretary, Treasurer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

	<u>Title</u>	<u>Date</u>
<u>/s/ Lin Li</u> Lin Li	Chairman of the Board, Chief Executive Officer, President, Secretary, and Treasurer (Principal Executive Officer)	July 14, 2023
<u>/s/ David M. Kratochvil</u> David M. Kratochvil	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	July 14, 2023
<u>/s/ Kurtis W. Winn</u> Kurtis W. Winn	Chief Operating Officer and Director	July 14, 2023

NORTHANN CORP.

UNDERWRITING AGREEMENT

[●], 2023

Craft Capital Management, LLC
377 Oak Street, Lower Concourse
Garden City, NY 11530

As Representative of the Underwriters
named on Schedule A hereto

Ladies and Gentlemen:

The undersigned, **Northann Corp.**, a Nevada corporation (collectively with its subsidiaries and affiliates, including, without limitation, all entities disclosed or described in the Registration Statement (as hereinafter defined) as being subsidiaries or affiliates of the Company, the “**Company**”), hereby confirms its agreement (this “**Agreement**”) with the several underwriters (such underwriters, including the Representative (as defined below), the “**Underwriters**” and each an “**Underwriter**”) named in Schedule A hereto for which Craft Capital Management, LLC is acting as the representative (in such capacity, the “**Representative**”) to issue and sell an aggregate of [●] shares of common stock (“**Firm Shares**”), par value \$0.001 per share (“**Common Stock**”). The Company has also granted to the several Underwriters an option to purchase up to [●]¹ shares of Common Stock, on the terms and for the purposes set forth in Section 2(c) hereof (the “**Additional Shares**”). The Firm Shares and any Additional Shares purchased pursuant to this Agreement are herein collectively referred to as the “**Offered Securities**.” The offering and sale of the Offered Securities contemplated by this Agreement is referred to herein as the “**Offering**.”

The Company confirms its agreement with the Underwriters as follows:

SECTION 1. *Representations and Warranties of the Company.*

The Company represents and warrants to the Underwriters as follows with the understanding that the same may be relied upon by the Underwriters in this Offering, as of the date hereof and as of the Closing Date (as defined below) and each Option Closing Date (as defined below), if any:

(a) *Filing of the Registration Statement.* The Company has prepared and filed with the U.S. Securities and Exchange Commission (the “**Commission**”) a registration statement on Form S-1 (File No. 333-[●]), which contains a form of prospectus to be used in connection with the public offering and sale of the Offered Securities. Such registration statement, as amended, including the financial statements and the notes thereto, exhibits and schedules thereto contained in the registration statement at the time such registration statement became effective, in the form in which it was declared effective by the Commission under the Securities Act of 1933, as amended (the “**Securities Act**”), and the rules and regulations promulgated thereunder (the “**Securities Act Regulations**”), and including any required information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A under the Securities Act, or pursuant to the Securities Exchange Act of 1934, as amended (collectively, the “**Exchange Act**”) and the rules and regulations promulgated thereunder (the “**Exchange Act Regulations**”), is called the “**Registration Statement**.” Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act is called the “**Rule 462(b) Registration Statement**,” and from and after the date and time of filing of the Rule 462(b) Registration Statement, the term “**Registration Statement**” shall include the Rule 462(b) Registration Statement. Such prospectus, in the form first filed pursuant to Rule 424(b) under the Securities Act after the date and time that this Agreement is executed and delivered by the parties hereto, or, if no filing pursuant to Rule 424(b) under the Securities Act is required, the form of final prospectus relating to the Offered Securities included in the Registration Statement at the effective date of the Registration Statement (“**Effective Date**”), is called the “**Prospectus**.” All references in this Agreement to the Registration Statement, the Rule 462(b) Registration Statement, the preliminary prospectus included in the Registration Statement (each, a “**preliminary prospectus**”), the Prospectus, or any amendments or supplements to any of the foregoing, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System (“**EDGAR**”). The preliminary prospectus that was included in the Registration Statement immediately prior to the Applicable Time (as defined below) is hereinafter called the “**Pricing Prospectus**.” Any reference to the “most recent preliminary prospectus” shall be deemed to refer to the latest preliminary prospectus included in the registration statement. Any reference herein to any preliminary prospectus or the Prospectus or any supplement or amendment to either thereof shall be deemed to refer to and include any documents incorporated by reference therein as of the date of such reference.

¹ 15% of the shares of common stock being offered.

(b) “**Applicable Time**” means [●] p.m., Eastern Time, on the date of this Agreement.

(c) *Compliance with Registration Requirements.* The Registration Statement has been declared effective by the Commission under the Securities Act and the Securities Act Regulations on [●], 2023. The Company has complied, to the Commission’s satisfaction, with all requests of the Commission for additional or supplemental information. No stop order preventing or suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

Each preliminary prospectus and the Prospectus when filed complied or will comply in all material respects with the Securities Act and, if filed by electronic transmission pursuant to EDGAR (except as may be permitted by Regulation S-T under the Securities Act), was identical in content to the copy thereof delivered to the Underwriters for use in connection with the offer and sale of the Offered Securities, other than with respect to any artwork and graphics that were not filed. Each of the Registration Statement, any Rule 462(b) Registration Statement, and any post-effective amendment to either the Registration Statement or the Rule 462(b) Registration Statement, at the time it became effective and at all subsequent times until the expiration of the prospectus delivery period required under Section 4(3) of the Securities Act, complied and will comply in all material respects with the Securities Act and the Securities Act Regulations and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus, as amended or supplemented, as of its date and at all subsequent times until the Underwriters have completed the Offering, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the two immediately preceding sentences do not apply to statements in or omissions from the Registration Statement or any Rule 462(b) Registration Statement, or any post-effective amendment to either the Registration Statement or the Rule 462(b) Registration Statement, or in the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, made in reliance upon and in conformity with information relating to the Underwriters furnished to the Company in writing expressly for use therein, it being understood and agreed that the only such information furnished on behalf of any of the Underwriters consists of (i) the name of the Underwriters contained on the cover page of the Pricing Prospectus and Prospectus and (ii) the sub-sections titled “Price Stabilization” and “Electronic Offer, Sale and Distribution of Shares” in each case under the caption “Underwriting” in the Prospectus (the “**Underwriter Information**”). There are no contracts or other documents required to be described in the Pricing Prospectus or the Prospectus or to be filed as exhibits to the Registration Statement that have not been fairly and accurately described in all material respects or filed as required.

(d) *Disclosure Package.* The term “**Disclosure Package**” shall mean (i) the Pricing Prospectus, as amended or supplemented, (ii) each issuer free writing prospectus, as defined in Rule 433 under the Securities Act (each, an “**Issuer Free Writing Prospectus**”), if any, identified in Schedule B hereto, (iii) the pricing terms set forth in Schedule C to this Agreement, and (iv) any other free writing prospectus that the parties hereto shall hereafter expressly agree in writing to treat as part of the Disclosure Package. As of the Applicable Time, the Disclosure Package did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the Disclosure Package based upon and in conformity with the Underwriter Information.

(e) *Company Not Ineligible Issuer.* (i) At the time of filing the Registration Statement and (ii) as of the date of the execution and delivery of this Agreement, the Company was not and is not an Ineligible Issuer (as defined in Rule 405 under the Securities Act), without taking account any determination by the Commission pursuant to Rule 405 under the Securities Act that it is not necessary that the Company be considered an Ineligible Issuer.

(f) *Issuer Free Writing Prospectuses.* No Issuer Free Writing Prospectus includes any information that conflicts with the information contained in the Registration Statement, including any document incorporated by reference therein that has not been superseded or modified. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with the Underwriter Information.

(g) *Offering Materials Furnished to the Underwriters.* The Company has delivered to the Underwriters copies of the Registration Statement and of each consent and certificate of experts filed as a part thereof, and each preliminary prospectus and the Prospectus, as amended or supplemented, in such quantities and at such places as the Underwriters have reasonably requested in writing.

(h) *Distribution of Offering Material by the Company.* The Company has not distributed or authorized the distribution of, and will not distribute, prior to the completion of the Underwriters' purchase of the Offered Securities, any offering material in connection with the offering and sale of the Offered Securities other than a preliminary prospectus, the Pricing Prospectus, the Prospectus, any Issuer Free Writing Prospectus reviewed and consented to by the Underwriters, and the Registration Statement.

(i) *The Underwriting Agreement.* This Agreement has been duly authorized, executed and delivered by, and is a valid and binding agreement of, the Company, enforceable in accordance with its terms, except as rights to indemnification hereunder may be limited by applicable law and except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(j) *Authorization of the Offered Securities and the Underwriter's Securities.* The Offered Securities to be sold by the Company through the Underwriters have been duly and validly authorized by all required corporate action and have been reserved for issuance and sale pursuant to this Agreement and, when so issued and delivered by the Company, will be validly issued, fully paid and non-assessable, free and clear of all Liens (as defined in sub-section (r)) imposed by the Company. The shares of Common Stock underlying the Underwriters' Warrant (the "**Underlying Shares**") and together with the Underwriters' Warrant, the "**Underwriters' Securities**") are duly authorized and, when issued and paid for in accordance with the terms of the Underwriters' Warrant, as applicable, will be duly and validly issued, fully paid and non-assessable, free and clear of all Liens imposed by the Company. The Company has sufficient shares of Common Stock for the issuance of the maximum number of Offered Securities and underlying Shares issuable pursuant to the Offering as described in the Prospectus.

(k) *No Applicable Registration or Other Similar Rights.* There are no persons with registration or other similar rights to have any securities of the Company registered for sale under the Registration Statement and included in the Offering.

(l) *No Material Adverse Change.* Except as otherwise disclosed in the Disclosure Package, subsequent to the respective dates as of which information is given in the Disclosure Package: (i) there has been no material adverse change, or any development that could reasonably be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, prospects or operations, whether or not arising from transactions in the ordinary course of business, of the Company (any such change, a "**Material Adverse Change**" and any resulting effect, a "**Material Adverse Effect**"); (ii) the Company has not incurred any material liability or obligation, indirect, direct or contingent, not in the ordinary course of business nor entered into any material transaction or agreement not in the ordinary course of business; and (iii) there has been no dividend or distribution of any kind declared, paid or made by the Company in respect of its shares of Common Stock.

(m) *Independent Accountant.* WWC, P.C. (the “**Accountant**”), which has expressed its opinions with respect to the audited financial statements (which term as used in this Agreement includes the related notes thereto) of the Company filed with the Commission as a part of the Registration Statement and included in the Disclosure Package and the Prospectus, is an independent registered public accounting firm as required by the Securities Act and the Exchange Act.

(n) *Preparation of the Financial Statements.* Each of the historical financial statements of the Company, respectively, filed with the Commission as a part of the Registration Statement and included in the Disclosure Package and the Prospectus, presents fairly the information provided as of and at the dates and for the periods indicated. Such financial statements comply as to form with the applicable accounting requirements of the Securities Act and the Securities Act Regulations and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto or in the case of unaudited interim financial statements, which are subject to normal year-end audit adjustments that are not expected to be material. No other financial statements or supporting schedules are required to be included or incorporated by reference in the Registration Statement. Each item of historical financial data relating to the operations, assets or liabilities of the Company set forth in summary form in each of the preliminary prospectuses and the Prospectus fairly presents such information on a basis consistent with that of the complete financial statements contained in the Registration Statement.

(o) *Incorporation and Good Standing.* The Company has been duly incorporated or formed and is validly existing and in good standing as a corporation under the laws of the jurisdiction of its formation and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the Disclosure Package and the Prospectus and to enter into and perform its obligations under this Agreement. As of the Closing Date, the Company does not own or control, directly or indirectly, any corporation, association or other entity that is not otherwise disclosed in the Registration Statement, the Disclosure Package or the Prospectus.

(p) *Capitalization and Other Capital Stock Matters.* The authorized, issued and outstanding capital stock of the Company is as set forth in each of the Disclosure Package and the Prospectus (other than for subsequent issuances, if any, pursuant to employee benefit plans described in each of the Disclosure Package and the Prospectus or upon exercise of outstanding options or warrants described in the Disclosure Package and Prospectus, as the case may be). The shares of Common Stock conform, and, when issued and delivered as provided in this Agreement, the Offered Securities will conform, in all material respects to the description thereof contained in each of the Disclosure Package and Prospectus. All of the issued and outstanding shares of capital stock of the Company have been duly authorized and validly issued, are fully paid and non-assessable and have been issued in compliance with applicable laws. None of the outstanding shares of capital stock of the Company were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any shares of the Company other than those described in the Disclosure Package and the Prospectus. The description of the Company’s stock option and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in the Disclosure Package and the Prospectus accurately and fairly presents the information required to be shown with respect to such plans, arrangements, options and rights. No further approval from **NYSE American** or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Offered Securities and the Underlying Shares. Except as set forth in the Registration Statement, the Disclosure Package and the Prospectus, there are no stockholders agreements, voting agreements or other similar agreements with respect to the Company’s capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company’s stockholders.

(q) *Non-Contravention of Existing Instruments; No Further Authorizations or Approvals Required.* The Company is not in violation of its articles of incorporation or amended and restated bylaws or in default (or, with the giving of notice or lapse of time, would be in default) (“**Default**”) under any indenture, mortgage, loan or credit agreement, note, contract, franchise, lease or other instrument to which it is a party or by which it may be bound (including, without limitation, any agreement or contract filed as an exhibit to the Registration Statement or to which any of the property or assets of the Company are subject (each, an “**Existing Instrument**”), except for such Defaults as would not, individually or in the aggregate, result in a Material Adverse Change. The Company’s execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Disclosure Package and the Prospectus (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the bylaws of the Company, as amended and restated, (ii) will not conflict with or constitute a breach of, or Default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, or require the consent of any other party to, any Existing Instrument and (iii) will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company, except in the case of each of clauses (ii) and (iii), to the extent such conflict, breach Default or violation could not reasonably be expected to result in a Material Adverse Effect. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency, is required for the Company’s execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Disclosure Package and the Prospectus, except the registration or qualification of the Offered Securities under the Securities Act and applicable state securities or blue sky laws and from the Financial Industry Regulatory Authority (“**FINRA**”).

(r) *Subsidiaries.* Each of the Company’s direct and indirect subsidiaries (each a “**Subsidiary**” and collectively, the “**Subsidiaries**”) has been identified on Schedule E hereto. Each of the Subsidiaries has been duly formed, is validly existing under the laws of its State of formation, the People’s Republic of China (the “**PRC**”) or Hong Kong, as the case may be, and in good standing under the laws of the jurisdiction of its incorporation, has full power and authority (corporate or otherwise) to own its property and to conduct its business as described in the Registration Statement, the Disclosure Package, the Prospectus, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not result in a Material Adverse Change on the Company and its Subsidiaries, taken as a whole. Except as otherwise disclosed in the Registration Statement, the Disclosure Package and the Prospectus, all of the equity interests of each Subsidiary have been duly and validly authorized and issued, are owned directly or indirectly by the Company, are fully paid in accordance with its bylaws or charter documents and non-assessable and are free and clear of all liens, encumbrances, equities or claims (“**Liens**”). None of the outstanding share capital or equity interest in any Subsidiary was issued in violation of preemptive or similar rights of any security holder of such Subsidiary. All of the constitutive or organizational documents of each of the Subsidiaries comply with the requirements of applicable laws of its jurisdiction of incorporation or organization and are in full force and effect. Apart from the Subsidiaries, the Company has no direct or indirect subsidiaries or any other company over which it has direct or indirect effective control. Other than the Subsidiaries, the Company does not directly or indirectly control any entity through contractual arrangements or otherwise such that the entity would be deemed a consolidated affiliated entity whose financial results would be consolidated under U.S. GAAP with the financial results of the Company on the consolidated financial statements of the Company, regardless of whether the Company directly or indirectly owns less than a majority of the equity interests of such person.

(s) *No Material Actions or Proceedings.* Except as otherwise disclosed in the Disclosure Package and the Prospectus, there are no legal, governmental or regulatory investigations, actions, demands, claims, suits, arbitrations, inquiries or proceedings (collectively, “**Actions**”) pending or, to the Company’s knowledge, threatened (i) against the Company or any of its Subsidiaries, (ii) to the Company’s knowledge, which have as the subject thereof any officer or director (in such capacities) of, or property owned or leased by, the Company or any of its Subsidiaries, where in any such case (A) there is a reasonable possibility that such Action might be determined adversely to the Company and (B) any such Action, if so determined adversely, would reasonably be expected to result in a Material Adverse Change or adversely affect the consummation of the transactions contemplated by this Agreement. Except as otherwise disclosed in the Disclosure Package and the Prospectus, no material labor dispute with the employees of the Company exists or, to the Company’s knowledge, is threatened or imminent. None of the Company’s or its Subsidiaries’ employees is a member of a union that relates to such employee’s relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. No executive officer, to the knowledge of the Company, is in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. Except as otherwise disclosed in the Disclosure Package and the Prospectus, the Company and its Subsidiaries are in compliance with all applicable laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. Neither the Company or any Subsidiary, nor any director or officer thereof, is or has within the last 10 years been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company.

(t) *Intellectual Property Rights.* The Company owns, possesses or licenses, and otherwise has legally enforceable rights to use all patents, patent applications, trademarks, trade names, copyrights, domain names, licenses, approvals and trade secrets (collectively, “**Intellectual Property Rights**”) necessary to conduct its business as now conducted or, otherwise, as disclosed in the Registration Statement, the Disclosure Package and the Prospectus, except to the extent such failure to own, possess or have other rights to use such Intellectual Property would not be expected to result in a Material Adverse Change. Except as otherwise disclosed in the Registration Statement, the Disclosure Package and the Prospectus: (i) the Company has not received any written notice of infringement or conflict with asserted Intellectual Property Rights of others; (ii) the Company is not a party to or bound by any options, licenses or agreements with respect to the Intellectual Property Rights of any other person or entity that are required to be set forth in the Registration Statement, Disclosure Package and the Prospectus and are not described in all material respects; (iii) none of the technology employed by the Company has been obtained or is being used by the Company in violation of any contractual obligation binding on the Company or, to the Company’s knowledge, in violation of the rights of any persons; and (iv) the Company is not subject to any judgment, order, writ, injunction or decree of any court or any governmental department, commission, board, bureau, agency or instrumentality, or any arbitrator, nor has it entered into nor is it a party to any agreement made in settlement of any pending or threatened litigation, which materially restricts or impairs its use of any Intellectual Property Rights.

(u) *All Necessary Permits, etc.* Except as otherwise disclosed in the Disclosure Package and the Prospectus, each of the Company and its Subsidiaries possesses such valid and current certificates, authorizations or permits issued by the applicable regulatory agencies or bodies necessary to conduct its business, and has made all declarations and filings with, the appropriate national, regional, local or other governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or assets or the conduct of their respective business as described in the Registration Statement, the Disclosure Package and the Prospectus, except where lack of the licenses would not reasonably be expected to have, individually or in aggregate, a Material Adverse Effect, and has not received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such licenses and, to the knowledge of the Company, the Company has no reason to believe that such licenses will not be renewed in the ordinary course of their respective business that, if determined adversely to the Company, would individually or in the aggregate have a Material Adverse Effect. Such licenses are valid and in full force and effect and contain no materially burdensome restrictions or conditions not described in the Registration Statement, the Disclosure Package or the Prospectus.

(v) *Title to Properties.* Except as otherwise disclosed in the Disclosure Package and the Prospectus, the Company has good and marketable title to all the properties and assets reflected as owned by it in the financial statements referred to in Section 1(n) above (or elsewhere in the Disclosure Package and the Prospectus), in each case free and clear of any security interest, mortgage, lien, encumbrance, equity, adverse claim or other defect, except such as do not materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property by the Company. The real property, improvements, equipment and personal property held under lease by the Company are held under valid and enforceable leases, with such exceptions as are not material and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property by the Company.

(w) *Tax Law Compliance.* (i) The Company and its Subsidiaries have each filed all federal, state, local and foreign income tax returns required to be filed as of the date of this Agreement or have timely and properly filed requested extensions thereof and have paid all taxes required to be paid by them and, if due and payable, any related or similar assessment, fine or penalty levied against any of them in all material respects; (ii) No tax deficiency has been determined adversely to the Company or any of its Subsidiaries that has had (nor does the Company nor any of its Subsidiaries have any notice or knowledge of any tax deficiency which could reasonably be expected to be determined adversely to the Company or its Subsidiaries and which could reasonably be expected to have) a Material Adverse Effect; (iii) The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 1(n) above in respect of all federal, state and foreign income and franchise taxes for all periods as to which the tax liability of the Company has not been finally determined; and (iv) All local and national PRC governmental tax credit, exemptions, waivers, financial subsidies, and other local and national PRC tax relief, concessions and preferential treatment enjoyed by the Company or any of the Subsidiaries as disclosed in the Registration Statement, the Disclosure Package and the Prospectus and the Prospectus are valid, binding and enforceable and do not violate any laws, regulations, rules, orders, decrees, guidelines, judicial interpretations, notices or other legislation of the PRC.

(x) *Company Not an "Investment Company."* The Company is not, and after giving effect to payment for the Offered Securities and the application of the proceeds as contemplated under the caption "Use of Proceeds" in each of the Disclosure Package and the Prospectus will not be, required to register as an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "**Investment Company Act**").

(y) *FINRA Affiliation.* No officer, director or any beneficial owner of 10% or more of the Company's unregistered securities has any direct or indirect affiliation or association with any Participating Member (as defined under FINRA rules). The Company will advise the Representative and Hunter Taubman Fischer & Li LLC if it learns that any officer, director or owner of 10% or more of the Company's outstanding shares of capital stock is or becomes an affiliate or registered person of a Participating Member.

(z) *No Price Stabilization or Manipulation.* The Company has not taken and will not take, directly or indirectly, any action designed to, or that might be reasonably expected to cause or result in, stabilization or manipulation of the price of any securities of the Company to facilitate the sale or resale of the Offered Securities.

(aa) *Related Party Transactions.* There are no business relationships or related-party transactions, directly or indirectly, involving the Company or its Subsidiaries with any related person required to be described or filed in the Registration Statement, or described in the Disclosure Package or the Prospectus, that have not been as set forth in the Registration Statement, the Prospectus and the Pricing Prospectus.

(bb) *Disclosure Controls and Procedures.* To the extent required, the Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act Regulations) designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Except as otherwise disclosed in the Registration Statement, the Disclosure Package and the Prospectus, the Company is not aware of (a) any significant deficiency in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or any material weaknesses in internal controls or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

(cc) *Company's Accounting System.* Except as otherwise disclosed in the Disclosure Package and the Prospectus, the Company maintains a system of accounting controls designed to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(dd) *Money Laundering Law Compliance.* The operations of the Company are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the United States Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company conducts business, and the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any competent governmental agency (collectively, the "**Anti-Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to any Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(ee) *OFAC.* (i) Neither the Company, any of its Subsidiaries nor, to the knowledge of the Company, any director, officer, employee or affiliate of the Company or any Subsidiary, of any other person authorized to act on behalf of the Company, is an individual or entity ("**Person**") that is, or is owned or controlled by a Person that is:

A. the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**"), the United Nations Security Council ("**UNSC**"), the European Union ("**EU**"), His Majesty's Treasury ("**HMT**"), or other relevant sanctions authority (collectively, "**Sanctions**"), nor

B. located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Burma/Myanmar, Cuba, Iran, Libya, North Korea, Sudan and Syria).

(ii) The Company will not, directly or indirectly, use the proceeds of the Offering, or lend, contribute or otherwise make available such proceeds to any Subsidiary or affiliated entity, joint venture partner or other Person:

A. to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

B. in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the Offering, whether as underwriter, advisor, investor or otherwise).

(ff) *Foreign Corrupt Practices Act.* Neither the Company nor any of its Subsidiaries, to the best of the Company's knowledge, any director, officer, employee or affiliate of the Company, any Subsidiary or any other person authorized to act on behalf of the Company has, directly or indirectly, taken any action that (i) would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA") or otherwise subject the Company to any damage or penalty in any civil, criminal or governmental litigation or proceeding; (ii) if done in the past, might reasonably be expected to have a Material Adverse Effect or (iii) if continued in the future, might reasonably be expected to materially and adversely affect the assets, business, or operations of the Company. The foregoing includes, without limitation, giving or agreeing to give any money, gift or similar benefit (other than legal price concessions to customers in the ordinary course of business) to any customer, supplier, employee or agent of a customer or supplier, or official or employee of any governmental agency or instrumentality of any government (domestic or foreign) or any political party or candidate for office (domestic or foreign) or other person who was, is, or may be in a position to help or hinder the business of the Company (or assist it in connection with any actual or proposed transaction) that might subject the Company to any damage or penalty in any civil, criminal or governmental litigation or proceeding.

(gg) *Internal Control and Compliance with Sarbanes-Oxley Act of 2002.* The Company is in full compliance with any provision applicable to it of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the rules and regulations promulgated in connection therewith, including, without limitation, Section 402 related to loans and Sections 302 and 906 related to certifications of the Sarbanes-Oxley Act and all applicable rule of the listing exchanges. The Company maintains a system of internal controls, including, but not limited to, disclosure controls and procedures, internal controls over accounting matters and financial reporting, an internal audit function and legal and regulatory compliance controls that comply with all applicable laws and regulations including without limitation the Securities Act, the Exchange Act, the Sarbanes-Oxley Act, the rules and regulations of the Commission, and the rules of the listing exchanges.

(hh) *Exchange Act Filing.* A registration statement in respect of the Common Stock has been filed on Form 8-A pursuant to Section 12(b) of the Exchange Act, which registration statement complies in all material respects with the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the shares of Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration.

(ii) *Earning Statements.* The Company will make generally available (which includes filings pursuant to the Exchange Act made publicly through the EDGAR system) to its security holders as soon as practicable, but in any event not later than 16 months after the end of the Company's current fiscal year, an earnings statement (which need not be audited) covering a 12-month period that shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Rules and Regulations.

(jj) *Periodic Reporting Obligations.* During the Prospectus Delivery Period, the Company shall file, on a timely basis, with the Commission all reports and documents required to be filed under the Exchange Act. Additionally, the Company shall report the use of proceeds from the issuance of the Firm Shares as may be required under Rule 463 under the Securities Act.

(kk) *Valid Title.* Except as otherwise disclosed in the Disclosure Package and the Prospectus, the Company has legal and valid title to all of its properties and assets, free and clear of all liens, charges, encumbrances, equities, claims, options and restrictions except such as do not materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property by such entity; each lease agreement to which it is a party is duly executed and legally binding; its leasehold interests are set forth in and governed by the terms of any lease agreements, and, to the best of the Company's knowledge such agreements are valid, binding and enforceable in accordance with their respective terms; and the Company does not own, operate, manage or have any other right or interest in any other material real property of any kind, except as described in the Prospectus or the Disclosure Package.

(ll) *Foreign Tax Compliance.* Except as otherwise disclosed in the Disclosure Package and the Prospectus, no transaction, stamp, capital or other issuance, registration, transaction, transfer or withholding taxes or duties are payable in the PRC or Hong Kong to any PRC or Hong Kong taxing authority in connection with the issuance, sale and delivery of the Offered Securities, and the delivery of the Offered Securities to or for the account of the Underwriters.

(mm) *Compliance with PRC Oversea Investment and Listing Rules and Regulations.* Except as otherwise disclosed in Disclosure Package and the Prospectus, the Company and its Subsidiaries have taken reasonable steps to cause the Company's principal stockholders, directors and officers that is, or directly or indirectly controlled by, a PRC resident or citizen, to comply with any applicable rules and regulations of relevant PRC government agencies (including but not limited to the Ministry of Commerce, the National Development and Reform Commission, the China Securities Regulatory Commission ("**CSRC**") , and the State Administration of Foreign Exchange ("**SAFE**") relating to overseas investment by PRC residents and citizens (collectively, the "**PRC Oversea Investment and Listing Rules and Regulations**"), including, without limitation, taking reasonable steps to require each such person that is, or is directly or indirectly owned or controlled by, a PRC resident or citizen to complete any registration, to timely report material changes, and other procedures required under any applicable PRC Oversea Investment and Listing Rules and Regulations.

(nn) *M&A Rules.* The Company is aware of and has been advised as to the content of the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors jointly promulgated by the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Tax Administration, the State Administration of Industry and Commerce, the CSRC and SAFE on August 8, 2006 and amended on June 22, 2009 (the "**M&A Rules**"), in particular the relevant provisions thereof that purport to require offshore special purpose vehicles formed for the purpose of obtaining a stock exchange listing outside of the PRC and controlled directly or indirectly by companies or natural persons of the PRC, to obtain the approval of the CSRC prior to the listing and trading of their securities on a stock exchange located outside of the PRC; the Company has received legal advice specifically with respect to the M&A Rules from its PRC counsel and based on such legal advice, the Company confirms with the Underwriters:

(i) Except as disclosed in the Disclosure Materials, Registration Statement and the Prospectus, the issuance and sale of the Offered Securities, the listing and trading of the Offered Securities on the NYSE American and the consummation of the transactions contemplated by this Agreement are not and will not be, as of the date hereof, at the Closing Date or the Option Closing Date, materially affected by the M&A Rules or any official clarifications, guidance, interpretations or implementation rules in connection with or related to the M&A Rules as amended as of the date hereof (collectively, the "**M&A Rules and Related Clarifications**").

(ii) Except as disclosed in the Disclosure Materials, Registration Statement and the Prospectus, as of the date hereof, the M&A Rules and Related Classifications did not and do not require the Company to obtain the approval of the CSRC prior to the issuance and sale of the Offered Securities, the listing and trading of the Offered Securities on the NYSE American, or the consummation of the transactions contemplated by this Agreement.

(oo) *D&O Questionnaires.* To the Company's knowledge, all information contained in the questionnaires (the "**Questionnaires**") completed by each of the Company's directors and officers prior to the Offering (the "**Insiders**") as well as in the Lock-Up Agreement in the form attached hereto as Exhibit B provided to the Representative is true and correct in all respects and the Company has not become aware of any information which would cause the information disclosed in the Questionnaires completed by each Insider to become inaccurate and incorrect.

Any certificate signed by an officer of the Company and delivered to the Representative or to counsel for the Representative shall be deemed to be a representation and warranty by the Company to the Underwriters as to the matters set forth therein. The Company acknowledges that the Underwriters and, for purposes of the opinions to be delivered pursuant to Section 5 hereof, counsel to the Company, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

(pp) *Solvency.* Based on the consolidated financial condition of the Company as of each Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Offered Securities hereunder, the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, are sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). Except as set forth in the Registration Statement and the Prospectus, the Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from each Closing Date. The Registration Statement and the Prospectus set forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, “**Indebtedness**” means (x) any liabilities for borrowed money or amounts owed in excess of \$50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company’s consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of \$50,000 due under leases required to be capitalized in accordance with U.S. GAAP. Except as set forth in the Registration Statement and the Prospectus, neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(qq) *Regulation M Compliance.* The Company has not, and to its knowledge no one authorized to act on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Offered Securities or the Underlying Shares, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Offered Securities or the Underlying Shares, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Underwriter in connection with the Offering.

(rr) *EGS Status and Testing the Waters Communications.* From the time of initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Test the Waters Communication) through the date hereof, the Company has been and is an “emerging growth company”, as defined in Section 2(a) of the Act (“**Emerging Growth Company**”). “Testing the Waters Communication” means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Act. The Company (a) has not alone engaged in any Testing-the-Waters Communication other than Testing-the-Waters Communications with the consent of the Underwriters with entities that are qualified institutional buyers within the meaning of Rule 144A under the Securities Act or institutions that are accredited investors within the meaning of Rule 501 under the Securities Act and (b) has not authorized anyone other than the Underwriters to engage in Testing-the-Waters Communications. The Company reconfirms that the Underwriters have been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications.

(ss) *Bank Holding Company Act.* Neither the Company nor any of its Subsidiaries is subject to the Bank Holding Company Act of 1956, as amended (the “**BHCA**”) and to regulation by the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”). Neither the Company nor any of its Subsidiaries owns or controls, directly or indirectly, five percent or more of the outstanding shares of any class of voting securities or 25% or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(tt) *U.S. Real Property Holding Corporation.* The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon the Underwriters’ request.

(uu) *Margin Securities.* The Company owns no “margin securities” as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System (the “**Federal Reserve Board**”), and none of the proceeds of Offering will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security, for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Offered Securities to be considered a “purpose credit” within the meanings of Regulation T, U or X of the Federal Reserve Board.

(vv) *Integration.* Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause the Offering to be integrated with prior offerings by the Company for purposes of the Securities Act that would require the registration of any such securities under the Securities Act.

(ww) *No Fiduciary Duties.* The Company acknowledges and agrees that the Underwriters' responsibility to the Company is solely contractual in nature and that none of the Underwriters or their affiliates or any selling agent shall be deemed to be acting in a fiduciary capacity, or otherwise owes any fiduciary duty to the Company or any of its affiliates in connection with the Offering and the other transactions contemplated by this Agreement. Notwithstanding anything in this Agreement to the contrary, the Company acknowledges that the Underwriters may have financial interests in the success of the Offering that are not limited to the difference between the price to the public and the purchase price paid to the Company by the Underwriters for the Offered Securities and the Underwriters have no obligation to disclose, or account to the Company for, any of such additional financial interests. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Underwriters with respect to any breach or alleged breach of fiduciary duty.

(xx) *No Accounting Issues.* The Company has not received any notice, oral or written, from its Board of Directors or Audit Committee stating that it is reviewing or investigating, and neither the Company's independent auditors nor its internal auditors have recommended that the Board of Directors or Audit Committee review or investigate, (i) adding to, deleting, changing the application of, or changing the Company's disclosure with respect to, any of the Company's material accounting policies; or (ii) any matter which could result in a restatement of the Company's financial statements for any annual or interim period during the current or prior two fiscal years.

(yy) *Forward-looking Statements.* No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in the Registration Statement, the Disclosure Package, the Prospectus, or shall be contained in any amendments and supplements thereof, has been made or reaffirmed, or will be made, without a reasonable basis, or has been disclosed or will be disclosed other than in good faith.

(zz) *Insurance.* The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged in the jurisdictions that the Company and each of its Subsidiaries operate as required by the laws of such jurisdictions; neither the Company nor any of its Subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its Subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(aaa) *No Finder's Fee.* There are no contracts, agreements, or understandings between the Company or its Subsidiaries and any other person that would give rise to a valid claim against the Company or its Subsidiaries or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with this Offering, or any other arrangements, agreements, understandings, payments, or issuance with respect to the Company, or its Subsidiaries, or any of their respective officers, directors, shareholders/stockholders, partners, employees or related parties that may affect the Underwriters' compensation as determined by FINRA.

(bbb) *Operating and Other Data.* All operating and other data pertaining to the Disclosure Package and the Prospectus are true and accurate in all materials respects.

(ccc) *Third-party Data.* Any statistical, industry-related and market-related data included in the Disclosure Package and the Prospectus is based on or derived from sources that the Company reasonably and in good faith believes to be reliable and accurate, and such data agrees with the sources from which it is derived, and the Company has obtained the written consent for the use of such data from such sources to the extent required.

(ddd) *Compliance with Environmental Laws.* The Company and its subsidiaries are (a) in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“**Environmental Laws**”), (b) have received and are in compliance with all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (c) have not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or liability would not have a Material Adverse Effect.

(eee) *Compliance with Law, Constitutive Documents and Contracts.* Neither the Company nor any of the Subsidiaries is (a) in breach or violation of any provision of applicable law (including, but not limited to, any applicable law concerning information collection and user privacy protection) or (b) in breach or violation of its respective constitutive documents, or (c) in default under (nor has any event occurred that, with notice, lapse of time or both, would result in any breach or violation of, constitute a default under or give the holder of any indebtedness (or a person acting on such holder’s behalf) the right to require the repurchase, redemption or repayment of all or a part of such indebtedness under) any agreement or other instrument that is binding upon the Company or any of the Subsidiaries, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any of the Subsidiaries, except in the cases of (a) and (c) above, where any such breach, violation or default would not have a Material Adverse Effect.

(fff) *No Unlawful Influence.* The Company has not offered, or caused the Underwriters to offer, shares to any person or entity with the intention of unlawfully influencing: (a) a customer or supplier of the Company or any affiliate of the Company to alter the customer’s or supplier’s level or type of business with the Company or such affiliate or (b) a journalist or publication to write or publish favorable information about the Company or any such affiliate.

(ggg) The Company acknowledges that the Underwriters and, for purposes of the opinions to be delivered pursuant to Section 6 hereof, counsel to the Company, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

SECTION 2. *Firm Shares, Additional Shares and Underwriters’ Warrant.*

(a) *Purchase of Firm Shares.* On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell to the Underwriters an aggregate of [●] shares of Common Stock (the “**Firm Shares**”) at a purchase price (net of discounts)² of \$[●] per Share. The Underwriters agree to purchase from the Company the Firm Shares.

(b) *Delivery of and Payment for Firm Shares.* Delivery of and payment for the Firm Shares shall be made at 10:00 A.M., Eastern time, on the third (3rd) Business Day following the Applicable Time, or at such time as shall be agreed upon by the Underwriters and the Company, at the offices of the Representative’s counsel or at such other place as shall be agreed upon by the Underwriters and the Company. The hour and date of delivery of and payment for the Firm Shares is called the “**Closing Date.**” The closing of the payment of the purchase price for is referred to herein as the “**Closing.**” Payment for the Firm Shares shall be made on the Closing Date by wire transfer in Federal (same day) funds upon delivery to the Underwriters of certificates (in form and substance reasonably satisfactory to the Underwriters) representing the Firm Shares (or if uncertificated through the full fast transfer facilities of the Depository Trust Company (the “**DTC**”)) for the account of the Underwriters. The Firm Shares shall be registered in such names and in such denominations as the Underwriters may request in writing at least two Business Days prior to the Closing Date. If certificated, the Company will permit the Underwriters to examine and package the Firm Shares for delivery at least one full Business Day prior to the Closing Date. The Company shall not be obligated to sell or deliver the Firm Shares except upon tender of payment by the Underwriters for all the Firm Shares.

² 7.5%

(c) *Additional Shares.* The Company hereby grants to the Underwriters an option (the “**Over-allotment Option**”) to purchase up to an additional [●]³ shares of Common Stock (the “**Additional Shares**”), in each case solely for the purpose of covering over-allotments of such securities, if any. The Over-allotment Option is, at the Underwriters’ sole discretion, for Additional Shares.

(d) *Exercise of Over-allotment Option.* The Over-allotment Option granted pursuant to Section 2(c) hereof may be exercised by the Representative within 45 days of the Closing Date. The purchase price to be paid per Additional Shares shall be equal to the price per Firm Share in Section 2(a). The Underwriters shall not be under any obligation to purchase any Additional Shares prior to the exercise of the Over-allotment Option. The Over-allotment Option granted hereby may be exercised by the giving of oral notice to the Company from the Underwriters, which shall be confirmed in writing via overnight mail or facsimile or other electronic transmission, setting forth the number of Additional Shares to be purchased and the date and time for delivery of and payment for the Additional Shares (the “**Option Closing Date**”), which shall not be later than five (5) full Business Days after the date of the notice or such other time as shall be agreed upon by the Company and the Underwriters, at the offices of the Representative’s counsel or at such other place (including remotely by facsimile or other electronic transmission) as shall be agreed upon by the Company and the Underwriters. If such delivery and payment for the Additional Shares does not occur on the Closing Date, the Option Closing Date will be as set forth in the notice. Upon exercise of the Over-allotment Option with respect to all or any portion of the Additional Shares, subject to the terms and conditions set forth herein, (i) the Company shall become obligated to sell to the Underwriters the number of Additional Shares specified in such notice and (ii) the Underwriters shall purchase that portion of the total number of Additional Shares.

(e) *Delivery and Payment of Additional Shares.* Payment for the Additional Shares shall be made on the Option Closing Date by wire transfer in Federal (same day) funds, upon delivery to the Underwriters of certificates (in form and substance satisfactory to the Underwriters) representing the Additional Shares (or through the facilities of DTC) for the account of the Underwriters. The Additional Shares shall be registered in such name or names and in such authorized denominations as the Underwriters may request in writing at least two (2) full Business Days prior to the Option Closing Date. The Company shall not be obligated to sell or deliver the Additional Shares except upon tender of payment by the Underwriters for applicable Additional Shares. The Option Closing Date may be simultaneous with, but not earlier than, the Closing Date; and in the event that such time and date are simultaneous with the Closing Date, the term “**Closing Date**” shall refer to the time and date of delivery of the Firm Shares and Additional Shares.

(f) *Underwriting Discount.* In consideration of the services to be provided for hereunder, the Underwriters shall receive a seven and a half percent (7.5%) underwriting discount, with respect to any Offered Securities sold to investors in this Offering.

(g) *Underwriter’s Warrant.* The Company hereby agrees to issue to the Representative (and/or its designees) on the applicable Closing Date and Option Closing Date (if applicable), Warrants, substantially in the form of Exhibit A attached hereto, to purchase such number of shares of Common Stock equal to six percent (6.0%) of the Offered Securities sold by the Company (the “**Underwriter’s Warrant**”), including any shares of Common Stock issued pursuant to the exercise of Over-allotment Option. The Underwriter’s Warrant shall be exercisable, in whole or in part, commencing six months from issuance and expiring on the fifth-year anniversary of the commencement of sale of the Offering at an initial exercise price of \$[●] per shares of Common Stock, which is equal to one hundred and twenty-five percent (125%) of the initial public offering price of a Firm Share.

(h) *Non-accountable Expense Allowance.* The Company agrees that upon the closing of the Offering it will pay to the Representative a non-accountable expense allowance (the “**Non-accountable Expense Allowance**”) equal to one percent (1%) of the gross proceeds to be received by the Company on the Closing Date.

³ 15% of the Firm Shares

SECTION 3. *Covenants of the Company.*

The Company covenants and agrees with the Underwriters as follows:

(a) *Underwriters' Review of Proposed Amendments and Supplements.* During the period beginning at the Applicable Time and ending on the later of the Closing Date or such date as, in the opinion of Representative's counsel, the Prospectus is no longer required by law to be delivered in connection with sales by the Underwriters or selected dealers, including under circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act (the "**Prospectus Delivery Period**"), prior to amending or supplementing the Registration Statement or the Prospectus, including any amendment or supplement through incorporation by reference of any report filed under the Exchange Act, the Company shall furnish to the Underwriters for review a copy of each such proposed amendment or supplement, and the Company shall not file any such proposed amendment or supplement to which the Underwriters reasonably objects.

(b) *Securities Act Compliance.* After the date of this Agreement, during the Prospectus Delivery Period, the Company shall promptly advise the Underwriters in writing (i) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission, (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to the Pricing Prospectus or the Prospectus, (iii) of the time and date that any post-effective amendment to the Registration Statement becomes effective and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of any order or notice preventing or suspending the use of the Registration Statement, the Pricing Prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Offered Securities from any securities exchange upon which they are listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order or order or notice of prevention or suspension at any time, the Company will use commercially reasonable efforts to obtain the lifting of such order at the earliest possible moment, or will file a new registration statement and use commercially reasonable efforts to have such new registration statement declared effective as soon as practicable. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b) and 430A, as applicable, under the Securities Act, including with respect to the timely filing of documents thereunder and will confirm that any filings made by the Company under such Rule 424(b) were received in a timely manner by the Commission.

(c) *Exchange Act Compliance.* During the Prospectus Delivery Period, to the extent the Company becomes subject to reporting obligation under the Exchange Act, the Company will file all documents required to be filed with the Commission pursuant to Sections 13, 14 or 15 of the Exchange Act in the manner and within the time periods required by the Exchange Act.

(d) *Amendments and Supplements to the Registration Statement, Prospectus and Other Securities Act Matters.* If, during the Prospectus Delivery Period, any event or development shall occur or condition exist as a result of which the Disclosure Package or the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in light of the circumstances under which they were made, as the case may be, not misleading, or if it shall be necessary to amend or supplement the Disclosure Package or the Prospectus, in order to make the statements therein, in light of the circumstances under which they were made, as the case may be, not misleading, or if in the opinion of the Underwriters it is otherwise necessary to amend or supplement the Registration Statement, the Disclosure Package or the Prospectus, or to file a new registration statement containing the Prospectus, in order to comply with law, including in connection with the delivery of the Prospectus, the Company agrees to (i) notify the Underwriters of any such event or condition (unless such event or condition was previously brought to the Company's attention by the Underwriters during the Prospectus Delivery Period) and (ii) promptly prepare (subject to Section 3(a) and Section 3(f) hereof), file with the Commission (and use commercially reasonable efforts to have any amendment to the Registration Statement or any new registration statement to be declared effective) and furnish at its own expense to the Underwriters and to dealers, amendments or supplements to the Registration Statement, the Disclosure Package or the Prospectus, or any new registration statement, necessary in order to make the statements in the Disclosure Package or the Prospectus as so amended or supplemented, in light of the circumstances under which they were made, as the case may be, not misleading or so that the Registration Statement, the Disclosure Package or the Prospectus, as amended or supplemented, will comply with law.

(e) *Permitted Free Writing Prospectuses.* The Company represents that it has not made, and agrees that, unless it obtains the prior written consent of the Underwriters, it will not make, any offer relating to the Offered Securities that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a “**free writing prospectus**” (as defined in Rule 405 under the Securities Act) required to be filed by the Company with the Commission or retained by the Company under Rule 433 under the Securities Act; provided that the prior written consent of the Underwriters hereto shall be deemed to have been given in respect of each free writing prospectuses listed on Schedule B hereto. Any such free writing prospectus consented to by the Underwriters is hereinafter referred to as a “**Permitted Free Writing Prospectus.**” The Company agrees that (i) it has treated and will treat, as the case may be, each Permitted Free Writing Prospectus as an Issuer Free Writing Prospectus, and (ii) has complied and will comply, as the case may be, with the requirements of Rules 164 and 433 under the Securities Act applicable to any Permitted Free Writing Prospectus, including in respect of timely filing with the Commission, legending and record keeping.

(f) *Copies of any Amendments and Supplements to the Prospectus.* The Company agrees to furnish the Underwriters, without charge, during the Prospectus Delivery Period, as many copies of each of the preliminary prospectuses, the Prospectus and the Disclosure Package and any amendments and supplements thereto (including any documents incorporated or deemed incorporated by reference therein) as the Underwriters may reasonably request.

(g) *Use of Proceeds.* The Company shall apply the net proceeds from the sale of the Offered Securities sold by it in the manner described under the caption “Use of Proceeds” in the Disclosure Package and the Prospectus.

(h) *Transfer Agent.* The Company shall engage and maintain, at its expense, a registrar and transfer agent for the Offered Securities.

(i) *Internal Controls.* The Company will maintain a system of internal accounting controls designed to provide reasonable assurances that: (i) transactions are executed in accordance with management’s general or specific authorization; (ii) transactions are recorded as necessary in order to permit preparation of financial statements in accordance with U.S. GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The internal controls, upon consummation of the Offering, will be, overseen by the Audit Committee (the “**Audit Committee**”) of the Board in accordance with the rules of the NYSE American.

(j) *Exchange Listing.* The shares of Common Stock have been duly authorized for listing on NYSE American, subject to official notice of issuance. The Company is in material compliance with the provisions of the rules and regulations promulgated by NYSE American and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements (to the extent applicable to the Company as of the date hereof, the Closing Date or the Option Closing Date; and subject to all exemptions and exceptions from the requirements thereof as are set forth therein, to the extent applicable to the Company). Without limiting the generality of the foregoing and subject to the qualifications above: (i) all members of the Company’s board of directors who are required to be “independent” (as that term is defined under applicable laws, rules and regulations), including, without limitation, all members of each of the audit committee, compensation committee and nominating and corporate governance committee of the Company’s board of directors, meet the qualifications of independence as set forth under such laws, rules and regulations, (ii) the audit committee of the Company’s board of directors has at least one member who is an “audit committee financial expert” (as that term is defined under such laws, rules and regulations), and (iii) that, based on discussions with NYSE American, the Company meets all requirements for listing on NYSE American.

(k) *Future Reports to the Underwriters.* For one year after the date of this Agreement, the Company will furnish, if not otherwise available on EDGAR, to the Representative at 40 Wall St, 58th Floor, New York, NY 10005, Attention: Enna Wang, Managing Director: (i) as soon as practicable after the end of each fiscal year, copies of the Annual Report of the Company containing the balance sheet of the Company as of the close of such fiscal year and statements of income, stockholders' equity and cash flows for the year then ended and the opinion thereon of the Company's independent public or certified public accountants; (ii) as soon as practicable after the filing thereof, copies of each proxy statement, Annual Report on Form 10-K, quarterly financial statements on Form 10-Q or other report filed by the Company with the Commission; and (iii) as soon as available, copies of any report or communication of the Company mailed generally to holders of its shares.

(l) *No Manipulation of Price.* The Company will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

(m) *Existing Lock-Up Agreements.* Except as described in the Registration Statement, the Disclosure Package and the Prospectus, there are no existing agreements between the Company and its security holders that prohibit the sale, transfer, assignment, pledge or hypothecation of any of the Company's securities. The Company will direct the transfer agent to place stop transfer restrictions upon the securities of the Company that are bound by such "lock-up" agreements for the duration of the periods contemplated therein.

(n) *Company Lock-up.*

(i) The Company will not, without the prior written consent of the Representative, for a period of 180 days from the date of this Agreement (the "**Lock-Up Period**"), (i) issue, offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, or file with the Commission a registration statement under the Securities Act relating to, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the shares of Common Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of shares of Common Stock or such other securities, in cash or otherwise, except to the Underwriters pursuant to this Agreement. The Company agrees not to accelerate the vesting of any option or warrant or the lapse of any repurchase right prior to the expiration of the Lock-Up Period.

(ii) The restrictions contained in Section 3(n)(i) hereof shall not apply to: (A) the Offered Securities, (B) the Underlying Shares, (C) any shares of Common Stock issued pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding as of the Applicable Time and as described in the Registration Statement, the Disclosure Package or the Prospectus, (D) any shares of Common Stock or options to purchase any shares of Common Stock or other any shares of Common Stock based award issued or granted pursuant to the Company's stock incentive plans, stock purchase plan, stock ownership plan or dividend reinvestment plan in effect at the Applicable Time and as described in the Registration Statement, the Disclosure Package or the Prospectus, and (E) shares of Common Stock or other securities issued in connection with a transaction with an unaffiliated third party that includes a bona fide commercial relationship (including joint ventures, marketing or distribution arrangements, collaboration agreements or intellectual property license agreements) or any acquisition of assets or acquisition of not less than a majority or controlling portion of the equity of another entity; provided that (x) the aggregate number of shares of Common Stock issued pursuant to clause (E) shall not exceed five percent (5%) of the total number of outstanding shares of Common Stock immediately following the issuance and sale of the Offered Securities pursuant hereto and (y) the recipient of any such shares of Common Stock or other securities issued or granted pursuant to clause (E) during the Lock-Up Period shall enter into an agreement substantially in the form of Exhibit B hereto.

(o) *Restriction on Continuous Offerings.* Notwithstanding the restrictions contained in Section 3(n), the Company, on behalf of itself and any successor entity, agrees that, without the prior written consent of the Underwriters, it will not, for a period of twelve months from the commencement of the Company's first day of trading, directly or indirectly in any "at-the-market" or continuous equity transaction, offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of shares of Common Stock of the Company or any securities convertible into or exercisable or exchangeable for shares of Common Stock of the Company.

(p) *Absence of Further Requirements.* No consent, approval, authorization, or order of, or filing or registration with, any person (including any governmental or regulatory agency or body or any court) is required to be obtained or made by the Company for the consummation of the transactions contemplated by this Agreement, and issuance and sale of the Offered Securities, except such as have been obtained, or made on or prior to the Closing Date, and are, or on the Closing Date will be, in full force and effect. No authorization, consent, approval, license, qualification or order of, or filing or registration with any person (including any governmental agency or body or any court) in any foreign jurisdiction is required for the consummation of the transactions contemplated by this Agreement in connection with the Offering, issuance and sale of the Offered Securities under the laws and regulations of such jurisdiction except such as have been obtained or made.

(q) *Right of First Refusal.* The Company and the Representative agree that the Representative shall have an irrevocable right of first refusal (the "**Right of First Refusal**") for a period of twelve (12) months after the date the Offering is completed, to act as sole and exclusive investment banker, sole and exclusive book-runner, sole and exclusive financial advisor, sole and exclusive underwriter and/or sole and exclusive placement agent, at the Representative's sole and exclusive discretion, if the Company or any of its subsidiaries: (i) decides to finance or refinance any indebtedness; or (ii) decides to raise funds by means of a public offering (including at-the-market facility) or a private placement or any other capital raising financing of equity, equity-linked or debt securities. If the Representative decides to accept such engagement, the agreement governing such engagement will contain, among other things, provisions for fees customary to the Representative for transactions of similar size and nature, and the provisions of this Agreement, including indemnification, which are appropriate to such transaction. Notwithstanding the foregoing, the decision to accept the Company's engagement under this Section 3(q) shall be made by the Representative, by a written notice to the Company, within five (5) business days of the receipt of the Company's notification of its financing needs. The Representative shall have the sole right to determine whether or not any other broker dealer shall have the right to participate in any such transaction and the economic terms of any such participation.

(r) *Tail Period.* The Representative shall be entitled to receive from the Company a cash placement fee equal to 7.5% of the aggregate purchase price paid by each purchaser of securities of the Company, with respect to any public or private offering or other financing or capital-raising transaction of any kind (the "**Tail Financing**") to the extent that such financing or capital is provided to the Company by investors whom the Representative has introduced, directly or indirectly by way of at least one meeting in person or telephonically, to the Company during the Engagement Period (as defined below), if such Tail Financing is consummated at any time during the Engagement Period or within twelve (12) months following the expiration of the Engagement Period or termination of that certain engagement letter agreement by and between the Company and the Representative, dated as of June 21, 2023 (the "**Engagement Agreement**"). The Representative will provide a list of investors at the conclusion of the Engagement Period that were introduced to the Company during the Engagement Period and only these investors will be eligible for the fees specified in this section. "**Engagement Period**" shall mean the period beginning on June 21, 2023, and ending on the earliest of (i) June 21, 2024, (ii) the date the Offering is completed, or (iii) the date that either the Company or the Representative terminates the Engagement Agreement pursuant to the terms therein.

SECTION 4. *Payment of Fees and Expenses.* The Company hereby agrees to pay on each of the Closing Date and the Option Closing Date, if any, to the extent not paid at the Closing Date, all expenses incident to the performance of the obligations of the Company under this Agreement, including, but not limited to: (a) all filing fees and communication expenses relating to the registration of the shares of Common Stock to be sold in the Offering with the Commission; (b) all Public Filing System filing fees associated with the review of the Offering by FINRA; (c) all fees and expenses relating to the listing of such Offered Securities on the Exchange and such other stock exchanges as the Company and the Representative together determine, including any fees charged by DTC for new securities; (d) all fees, expenses and disbursements relating to background checks of the Company's officers and directors; (e) all fees, expenses and disbursements relating to the registration or qualification of the Offered Securities under the "Blue Sky" laws of such states and other jurisdictions as the Representative may reasonably designate (including, without limitation, all filing and registration fees); (f) all fees, expenses and disbursements relating to the registration, qualification or exemption of the Offered Securities under the securities laws of such foreign jurisdictions as the Representative may reasonably designate; (g) the costs of all mailing and printing of the underwriting documents (including, without limitation, the Underwriting Agreement, any Blue Sky Surveys and, if appropriate, any Agreement Among Underwriters, Selected Dealers' Agreement, Underwriters' Questionnaire and Power of Attorney), Registration Statements, Prospectuses and all amendments, supplements and exhibits thereto and as many preliminary and final Prospectuses as the Representative may reasonably deem necessary; (h) the costs of preparing, printing and delivering certificates representing the Offered Securities; (i) fees and expenses of the transfer agent for the shares of Common Stock; (j) stock transfer and/or stamp taxes, if any, payable upon the transfer of securities from the Company to the Underwriters; (k) the fees and expenses of the Company's accountants; (l) the fees and expenses of the Issuer's Counsel and other agents and representatives; (m) the Company's actual "road show" expenses for the Offering; and (n) all out-of-pocket accountable expenses of the Underwriters (including, but not limited to, fees and disbursements of HTFL and the Underwriters' reasonable travel, database, printing, postage, facsimile and telephone expenses) incurred in connection with the Underwriters' performance of their obligations hereunder. The Representative may deduct from the net proceeds of the Offering payable to the Company on the Closing Date, or each Option Closing Date, if any, all such out-of-pocket fees, expenses and disbursements in connection with the forgoing clause (n) incurred by Underwriters as a result of providing services related to the Offering to be paid by the Company to the Underwriters up to a maximum aggregate expense allowance of \$200,000 (\$25,000 of which has been paid prior to the date of this Agreement and will be reimbursed to the extent not offset by actual expenses in accordance with FINRA Rule 5110(g)).

SECTION 5. *Conditions of the Obligations of the Underwriters.* The obligations of the Underwriters to purchase the Offered Securities as provided herein on the Closing Date or the Option Closing Date shall be subject to (1) the accuracy of the representations and warranties on the part of the Company set forth in Section 1 hereof as of the date hereof and as of the Closing Date or the Option Closing Date as though then made; (2) the timely performance by the Company of its covenants and other obligations hereunder; and (3) each of the following additional conditions:

(a) *Accountant's Comfort Letter.* On the date hereof, the Representative shall have received from the Accountant, a letter dated the date hereof addressed to the Representative, in form and substance satisfactory to the Representative, containing statements and information of the type ordinarily included in accountants' "comfort letters" to the Representative, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited and unaudited financial statements and certain financial information contained in the Registration Statement and the Prospectus.

(b) *Effectiveness of Registration Statement; Compliance with Registration Requirements; No Stop Order.* During the period from and after the execution of this Agreement to and including the Closing Date or the Option Closing Date, as applicable:

(i) the Company shall have filed the Prospectus with the Commission (including the information required by Rule 430A under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information required by such Rule 430A, and such post-effective amendment shall have become effective; and

(ii) no stop order suspending the effectiveness of the Registration Statement, or any post-effective amendment to the Registration Statement, shall be in effect and no proceedings for such purpose shall have been instituted or threatened by the Commission.

(c) *No Material Adverse Change.* For the period from and after the date of this Agreement to and including the Closing Date or the Option Closing Date, in the reasonable judgment of the Representative there shall not have occurred any Material Adverse Change.

(d) *CFO Certificate.* On the Closing Date and/or the Option Closing Date, the Representative shall have received a written certificate executed by the Chief Financial Officer of the Company, dated as of such date, on behalf of the Company, with respect to certain financial data contained in the Registration Statement, Disclosure Package and the Prospectus, providing "management comfort" with respect to such information, in form and substance reasonably satisfactory to the Underwriters.

(e) *Officers' Certificate.* On the Closing Date and/or the Option Closing Date, the Representative shall have received a written certificate executed by the Chief Executive Officer and the Chief Financial Officer of the Company, dated as of such date, to the effect that the signers of such certificate have reviewed the Registration Statement, the Disclosure Package and the Prospectus and any amendment or supplement thereto, each Issuer Free Writing Prospectus and this Agreement, to the effect that:

(i) The representations and warranties of the Company in this Agreement are true and correct, as if made on and as of such Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date;

(ii) No stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus has been issued and no proceedings for that purpose have been instituted or are pending or, to the Company's knowledge, threatened under the Securities Act; no order having the effect of ceasing or suspending the distribution of the Offered Securities or any other securities of the Company has been issued by any securities commission, securities regulatory authority or stock exchange in the United States and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, contemplated by any securities commission, securities regulatory authority or stock exchange in the United States; and

(iii) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been: (a) any Material Adverse Change; (b) any transaction that is material to the Company and the Subsidiaries taken as a whole, except transactions entered into in the ordinary course of business; (c) any obligation, direct or contingent, that is material to the Company and the Subsidiaries taken as a whole, incurred by the Company or any Subsidiary, except obligations incurred in the ordinary course of business; (d) any material change in the capital stock (except changes thereto resulting from the exercise of outstanding options or warrants or conversion of outstanding indebtedness into shares of Common Stock of the Company) or outstanding indebtedness of the Company or any Subsidiary (except for the conversion of such indebtedness into shares of Common Stock of the Company); (e) any dividend or distribution of any kind declared, paid or made on shares of Common Stock of the Company; or (f) any loss or damage (whether or not insured) to the property of the Company or any Subsidiary which has been sustained or will have been sustained which has a Material Adverse Effect

(f) *Secretary's Certificate.* On the Closing Date and/or the Option Closing Date, the Representative shall have received a certificate of the Company signed by the Secretary of the Company, dated such Closing Date, certifying: (i) that each of the Company's articles of incorporation and bylaws attached to such certificate is true and complete, has not been modified and is in full force and effect; (ii) that each of the Subsidiaries bylaws or charter documents attached to such certificate is true and complete, has not been modified and is in full force and effect; (iii) that the resolutions of the Company's board of directors relating to the Offering attached to such certificate are in full force and effect and have not been modified; and (iv) the good standing of the Company and each of the Subsidiaries (except in such jurisdictions where the concept of good standing is not applicable). The documents referred to in such certificate shall be attached to such certificate.

(g) *Bring-down Comfort Letter.* On the Closing Date and/or the Option Closing Date, the Representative shall have received from the Accountant, a letter dated such date, in form and substance satisfactory to the Representative, to the effect that the Accountant reaffirms the statements made in the letter furnished by it pursuant to subsection (a) of this Section 5, except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the Closing Date and/or the Option Closing Date.

(h) *Lock-Up Agreement from Certain Securityholders of the Company.* On or prior to the date hereof, the Company shall have furnished to the Representative an agreement substantially in the form of Exhibit B hereto from each of the Company's officers, directors, security holders of 5% or more of the Common Stock or securities convertible into or exercisable for shares of Common Stock listed on Schedule D hereto.

(i) *Exchange Listing.* The Offered Securities to be delivered on the Closing Date and/or the Option Closing Date shall have been approved for listing on NYSE American, subject to official notice of issuance.

(j) *Company Counsel Opinions.* On the Closing Date and/or the Option Closing Date, the Representative shall have received

- (i) the favorable opinion of Ortolini Rosenstadt LLP, U.S. counsel to the Company, including, without limitation, a negative assurance letter, addressed to the Underwriters, in form and substance reasonably satisfactory to the Representative;
- (ii) the favorable opinion of [***], IP counsel to the Company, addressed to the Underwriters, in form and substance reasonably satisfactory to the Representative; and
- (iii) the favorable opinion of Grandall Law Firm, PRC counsel to the Company, addressed to the Underwriters, in form and substance reasonably satisfactory to the Representative.

The Underwriters shall rely on the opinions of (i) the Company's U.S. counsel, Ortolini Rosenstadt LLP, filed as Exhibit 5.1 to the Registration Statement, as to the due incorporation, validity of the Offered Securities and the Underlying Shares and due authorization, execution and delivery of the Agreement and (ii) the Company's PRC counsel, Grandall Law Firm, filed as Exhibit 8.2 to the Registration Statement.

(k) *Additional Documents.* On or before the Closing Date and/or the Option Closing Date, the Representative and counsel for the Representative shall have received such information, documents and opinions as they may reasonably require for the purposes of enabling them to pass upon the issuance and sale of the Offered Securities as contemplated herein, or in order to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained.

If any condition specified in this Section 5 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representative by written notice to the Company at any time on or prior to the Closing Date and/or the Option Closing Date, which termination shall be without liability on the part of any party to any other party, except that Section 4 (with respect to the reimbursement of out-of-pocket accountable, bona fide expenses actually incurred by the Representative) and Section 7 shall at all times be effective and shall survive such termination.

SECTION 6. *Effectiveness of this Agreement.*

This Agreement shall not become effective until the later of (i) the execution of this Agreement by the parties hereto and (ii) notification (including by way of oral notification from the reviewer at the Commission) by the Commission to the Company of the effectiveness of the Registration Statement under the Securities Act.

SECTION 7. *Indemnification.*

(a) *Indemnification by the Company.* The Company shall indemnify and hold harmless the Underwriters, their respective affiliates and each of their respective directors, officers, members, employees and agents and each person, if any, who controls such Underwriters within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (collectively the "**Underwriter Indemnified Parties**," and each a "**Underwriter Indemnified Party**") from and against any losses, claims, damages or liabilities (including in settlement of any litigation if such settlement is effected with the prior written consent of the Company) arising out of (i) an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including the information deemed to be a part of the Registration Statement at the time of effectiveness and at any subsequent time pursuant to Rules 430A and 430B of the Securities Act Regulations, or arise out of or are based upon the omission from the Registration Statement, or alleged omission to state therein, a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or (ii) an untrue statement or alleged untrue statement of a material fact contained in the Prospectus, or any amendment or supplement thereto, or in any other materials used in connection with the Offering, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and shall reimburse such Underwriter Indemnified Party for any legal or other expenses reasonably incurred by it in connection with evaluating, investigating or defending against such loss, claim, damage, liability or action; *provided, however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, expense or liability arises out of or is based upon an untrue statement in, or omission from any preliminary prospectus, any Registration Statement or the Prospectus, or any such amendment or supplement thereto, or any Issuer Free Writing Prospectus or in any other materials used in connection with the Offering made in reliance upon and in conformity with the Underwriter Information. The indemnification obligations under this Section 7(a) are not exclusive and will be in addition to any liability, which the Underwriters might otherwise have and shall not limit any rights or remedies which may otherwise be available at law or in equity to each Underwriter Indemnified Party.

(b) *Indemnification by the Underwriters.* The Underwriters shall indemnify and hold harmless the Company and the Company's affiliates and each of their respective directors, officers, employees, agents and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (collectively the "**Company Indemnified Parties**" and each a "**Company Indemnified Party**") from and against any losses, claims, damages or liabilities (including in settlement of any litigation if such settlement is effected with the prior written consent of the Underwriters) arising out (i) any untrue statement of a material fact contained in any preliminary prospectus, any Issuer Free Writing Prospectus, any "issuer information" filed or required to be filed pursuant to Rule 433(d) of the Securities Act Regulations, any Registration Statement or the Prospectus, or in any amendment or supplement thereto, or (ii) the omission to state in any preliminary prospectus, any Issuer Free Writing Prospectus, any "issuer information" filed or required to be filed pursuant to Rule 433(d) of the Securities Act Regulations, any Registration Statement or the Prospectus, or in any amendment or supplement thereto, a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, but in each case only to the extent that the untrue statement or omission was made in reliance upon and in conformity with the Underwriters Information and shall reimburse the Company for any legal or other expenses reasonably incurred by such party in connection with investigating or preparing to defend or defending against or appearing as third party witness in connection with any such loss, claim, damage, liability, action, investigation or proceeding, as such fees and expenses are incurred. Notwithstanding the provisions of this Section 7(b), in no event shall any indemnity by the Underwriters under this Section 7(b) exceed the total discounts received by the Underwriters in connection with the Offering. The indemnification obligations under this Section 7(b) are not exclusive and will be in addition to any liability, which the Company might otherwise have and shall not limit any rights or remedies which may otherwise be available at law or in equity to each Company Indemnified Party.

(c) *Procedure.* Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 7, notify such indemnifying party in writing of the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 7 except to the extent it has been materially adversely prejudiced by such failure; and, provided, further, that the failure to notify an indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 7. If any such action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense of such action with counsel reasonably satisfactory to the indemnified party (which counsel shall not, except with the written consent of the indemnified party, be counsel to the indemnifying party). After notice from the indemnifying party to the indemnified party of its election to assume the defense of such action, except as provided herein, the indemnifying party shall not be liable to the indemnified party under Section 7(a) or 7(b), as applicable, for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense of such action other than reasonable costs of investigation; *provided, however*, that any indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense of such action but the fees and expenses of such counsel (other than reasonable costs of investigation) shall be at the expense of such indemnified party unless (i) the employment thereof has been specifically authorized in writing by the Company in the case of a claim for indemnification under Section 7(a), (ii) such indemnified party shall have been advised by its counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party, or (iii) the indemnifying party has failed to assume the defense of such action and employ counsel reasonably satisfactory to the indemnified party within a reasonable period of time after notice of the commencement of the action or the indemnifying party does not diligently defend the action after assumption of the defense, in which case, if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of (or, in the case of a failure to diligently defend the action after assumption of the defense, to continue to defend) such action on behalf of such indemnified party and the indemnifying party shall be responsible for legal or other expenses subsequently incurred by such indemnified party in connection with the defense of such action; *provided, however*, that the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys at any time any such indemnified party (in addition to any local counsel), which firm shall be designated in writing by the Underwriters if the indemnified party under this Section 7 is an Underwriter Indemnified Party or by the Company if an indemnified party under this Section 7 is a Company Indemnified Party. Subject to this Section 7(c), the amount payable by an indemnifying party under Section 7 shall include, but not be limited to, (x) reasonable legal fees and expenses of counsel to the indemnified party and any other expenses in investigating, or preparing to defend or defending against, or appearing as a third party witness in respect of, or otherwise incurred in connection with, any action, investigation, proceeding or claim, and (y) all amounts paid in settlement of any of the foregoing. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of judgment with respect to any pending or threatened action or any claim whatsoever, in respect of which indemnification or contribution could be sought under this Section 7 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party in form and substance reasonably satisfactory to such indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party. Subject to the provisions of the following sentence, no indemnifying party shall be liable for settlement of any pending or threatened action or any claim whatsoever that is effected without its written consent (which consent shall not be unreasonably withheld or delayed), but if settled with its written consent, if its consent has been unreasonably withheld or delayed or if there be a judgment for the plaintiff in any such matter, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment. In addition, if at any time an indemnified party shall have requested that an indemnifying party reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated herein effected without its written consent if (i) such settlement is entered into more than forty-five (45) days after receipt by such indemnifying party of the request for reimbursement, (ii) such indemnifying party shall have received notice of the terms of such settlement at least thirty (30) days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(d) *Contribution.* If the indemnification provided for in this [Section 7](#) is unavailable or insufficient to hold harmless an indemnified party under [Section 7\(a\)](#) or [Section 7\(b\)](#), then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid, payable or otherwise incurred by such indemnified party as a result of such loss, claim, damage, expense or liability (or any action, investigation or proceeding in respect thereof), as incurred, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the Offering, or (ii) if the allocation provided by clause (i) of this [Section 7\(d\)](#) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) of this [Section 7\(d\)](#) but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party or parties on the other with respect to the statements, omissions, acts or failures to act which resulted in such loss, claim, damage, expense or liability (or any action, investigation or proceeding in respect thereof) as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other with respect to such offering shall be deemed to be in the same proportion as the total proceeds from the Offering purchased by investors as contemplated by this Agreement (before deducting expenses) received by the Company bear to the total underwriting discounts received by the Underwriters in connection with the Offering, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of the Company on the one hand and the Underwriters on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement, omission, act or failure to act; provided that the parties hereto agree that the written information furnished to the Company by the Underwriters for use in any preliminary prospectus, any Registration Statement or the Prospectus, or in any amendment or supplement thereto, consists solely of the Underwriters' Information. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this [Section 7\(d\)](#) be determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage, expense, liability, action, investigation or proceeding referred to above in this [Section 7\(d\)](#) shall be deemed to include, for purposes of this [Section 7\(d\)](#), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating, preparing to defend or defending against or appearing as a third party witness in respect of, or otherwise incurred in connection with, any such loss, claim, damage, expense, liability, action, investigation or proceeding. Notwithstanding the provisions of this [Section 7\(d\)](#), the Underwriters shall not be required to contribute any amount in excess of the total discounts received in cash by the Underwriters in connection with the Offering less the amount of any damages that the Underwriters have otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement, omission or alleged omission, act or alleged act or failure to act or alleged failure to act by the Underwriters. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

SECTION 8. *Termination of this Agreement.* Prior to the Closing Date, whether before or after notification by the Commission to the Company of the effectiveness of the Registration Statement under the Securities Act, this Agreement may be terminated by the Underwriters by written notice given to the Company if at any time (i) trading or quotation in any of the Company's securities shall have been suspended or limited by the Commission or by NYSE American; (ii) a general banking moratorium shall have been declared by any U.S. federal authorities; (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States' or international political, financial or economic conditions that, in the reasonable judgment of the Underwriters, is material and adverse and makes it impracticable to market the Offered Securities in the manner and on the terms described in the Prospectus or to enforce contracts for the sale of securities, (iv) if the Company shall have sustained a material loss by fire, flood, accident, hurricane, earthquake, theft, sabotage or other calamity or malicious act which, whether or not such loss shall have been insured, will, in the Representative's opinion, make it inadvisable to proceed with the delivery of the Offered Securities, (v) if the Company is in material breach of any of its representations, warranties or covenants hereunder, or (vi) if the Representative shall have become aware after the date hereof of such a material adverse change in the conditions or prospects of the Company, or such adverse material change in general market conditions as in the Representative's reasonable judgment would make it impracticable to proceed with the offering, sale and/or delivery of the Securities or to enforce contracts made by the Underwriters for the sale of the Offered Securities. Any termination pursuant to this [Section 8](#) shall be without liability on the part of (a) the Company to any of the Underwriters, except that the Company shall be, subject to demand by the Underwriters, obligated to reimburse the Underwriters for only those out-of-pocket expenses (including the reasonable fees and expenses of their counsel, and expenses associated with a due diligence report), actually incurred by the Underwriters in connection herewith as allowed under FINRA Rule 5110, less any amounts previously paid by the Company; *provided, however,* that all such expenses shall not exceed \$250,000 in the aggregate, (b) the Underwriters to the Company, or (c) of any party hereto to any other party except that the provisions of [Section 4](#) (with respect to the reimbursement of out-of-pocket accountable, bona fide expenses actually incurred by the Underwriters) and [Section 7](#) shall at all times be effective and shall survive such termination.

SECTION 9. *No Advisory or Fiduciary Responsibility.* The Company hereby acknowledges that the Underwriters are acting solely as underwriters in connection with the Offering. The Company further acknowledges that the Underwriters are acting pursuant to a contractual relationship created solely by this Agreement entered into on an arm's-length basis and in no event do the parties intend that the Underwriters act or be responsible as a fiduciary to the Company, its management, stockholders, creditors or any other person in connection with any activity that the Underwriters may undertake or have undertaken in furtherance of the Offering, either before or after the date hereof. The Underwriters hereby expressly disclaim any fiduciary or similar obligations to the Company, either in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions, and the Company hereby confirms its understanding and agreement to that effect. The Company hereby further confirms its understanding that no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Company with respect to the Offering contemplated hereby or the process leading thereto, including, without limitation, any negotiation related to the pricing of the Offered Securities; and the Company has consulted its own legal and financial advisors to the extent it has deemed appropriate in connection with this Agreement and the Offering. The Company and the Underwriters agree that they are each responsible for making their own independent judgments with respect to any such transactions, and that any opinions or views expressed by the Underwriters to the Company regarding such transactions, including but not limited to any opinions or views with respect to the price or market for the Company's securities, do not constitute advice or recommendations to the Company. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Underwriters with respect to any breach or alleged breach of any fiduciary or similar duty to the Company in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions.

SECTION 10. *Representations and Indemnities to Survive Delivery.* The respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers, and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of the Underwriters or the Company or any of its or their partners, officers or directors or any controlling person, as the case may be, and will survive delivery of and payment for the Offered Securities sold hereunder and any termination of this Agreement.

SECTION 11. *Taxes.* All sums payable by the Company under this Agreement shall be paid free and clear of and without deductions or withholdings of any present or future taxes or duties, unless the deduction or withholding is required by law, in which case the Company shall pay such additional amount as will result in the receipt by an Underwriter or Representative (each a "**Taxable Entity**") of the full amount that would have been received had no deduction or withholding been made.

SECTION 12. *Notices.* All communications hereunder shall be in writing and shall be mailed, hand delivered or emailed to the parties hereto as follows:

If to the Underwriters:

Craft Capital Management, LLC
377 Oak Street, Lower Concourse
Garden City, NY 11530
Attn: [*]
Email: [*]

With a copy (which shall not constitute notice) to:

Hunter Taubman Fischer & Li LLC
950 Third Avenue, 19th Floor
New York, NY 10022
Attn: Ying Li, Esq.
Guillaume de Sampigny, Esq.
Email: yli@htflawyers.com
gdesampigny@htflawyers.com

If to the Company:

Northann Corp.
c/o Northann Distribution Center Inc,
9820 Dino Drive, Suite 110
Elk Grove, CA 95624
Attn: Lin Li

Email: lin.li@northann.com

With a copy (which shall not constitute notice) to:

Ortoli Rosenstadt LLP
366 Madison Avenue, 3rd FL
New York, NY 10017
Attn: William S. Rosenstadt, Esq.
Mengyi “Jason” Ye, Esq
Email: wsr@orllp.legal
jye@orllp.legal

Any party hereto may change the address for receipt of communications by giving written notice to the others.

SECTION 13. *Successors.* This Agreement will inure to the benefit of and be binding upon the parties hereto and to the benefit of the employees, officers and directors and controlling persons referred to in [Section 7](#), and in each case their respective successors, and no other person will have any right or obligation hereunder. The term “**successors**” shall not include any purchaser of the Offered Securities as such merely by reason of such purchase.

SECTION 14. *Partial Unenforceability.* The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

SECTION 15. *Governing Law Provisions.* This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to conflict of laws principles thereof.

SECTION 16. *Consent to Jurisdiction.* No legal suit, action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby (each, a “**Related Proceeding**”) may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts (collectively, the “**Specified Courts**”) shall have jurisdiction over the adjudication of any Related Proceeding, and the parties to this Agreement hereby irrevocably consent to the exclusive jurisdiction the Specified Courts and personal service of process with respect thereto. The parties to this Agreement hereby irrevocably waive any objection to the laying of venue of any Related Proceeding in the Specified Courts and irrevocably waive and agree not to plead or claim in any Specified Court that any Related Proceeding brought in any Specified Court has been brought in an inconvenient forum.

SECTION 17. *General Provisions.* This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the Offering. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification and contribution provisions of Section 7, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of Section 7 hereto fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus and the Prospectus (and any amendments and supplements thereto), as required by the Securities Act and the Exchange Act.

The respective indemnities, contribution agreements, representations, warranties and other statements of the Company and the Underwriters set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation, or statement as to the results thereof, made by or on behalf of the Underwriters, the officers or employees of the Underwriters, any person controlling any of the Underwriters, the Company, the officers or employees of the Company, or any person controlling the Company, (ii) acceptance of the Offered Securities and payment for them as contemplated hereby and (iii) termination of this Agreement.

Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon the Company, the Underwriters, the Underwriters' officers and employees, any controlling persons referred to herein, the Company's directors and the Company's officers who sign the Registration Statement and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "**successors and assigns**" shall not include a purchaser of any of the Offered Securities from the Underwriters merely because of such purchase.

[Signature Page Follows]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

Northann Corp.

By: _____

Name: Lin Li

Title: Chairman of the Board, Chief Executive Officer,
President, Secretary, Treasurer

The foregoing Underwriting Agreement is hereby confirmed and accepted by the Underwriters as of the date first above written.

For itself and on behalf of the several
Underwriters listed on Schedule A hereto

Craft Capital Management, LLC

By: _____

Name:

Title:

SCHEDULE A

Underwriter	Number of Firm Shares
Craft Capital Management, LLC	[•]
[]	[•]
Total	[•]

SCHEDULE B

Issuer Free Writing Prospectus(es)

[•]

SCHEDULE C

Pricing Information

Number of Firm Shares:

Number of Additional Shares:

Public Offering Price per one Share: \$

Underwriting Discount per one Share: \$

Proceeds to Company per one Share (before expenses): \$

SCHEDULE D

Lock-Up Parties

Name

Lin Li
David M. Kratochvil
Kurtis W. Winn
Bradley C. Lalonde
Charles James Schaefer IV
Scott Powell

SCHEDULE E

Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Northann Building Solutions LLC.	Delaware
Benchwich Construction Products Co., Limited	Hong Kong
Northann (Changzhou) Construction Products Co., Ltd.	PRC
Northann Distribution Center Inc	California
Dotfloor, Inc.	California
Crazy Industry (Changzhou) Industry Technology Co., Ltd.	PRC
Changzhou Ringold International Trading Co., Ltd.	PRC
Changzhou Marco Merit International Trading Co., Ltd.	PRC

EXHIBIT A

Form of Warrant

As attached.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD OF ONE HUNDRED AND EIGHTY (180) DAYS BEGINNING ON THE DATE OF COMMENCEMENT OF SALES OF THE OFFERING PURSUANT TO THE REGISTRATION STATEMENT OF THE COMPANY (FILE NO. []) AND MAY NOT BE (A) SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED TO ANYONE OTHER THAN CRAFT CAPITAL MANAGEMENT, LLC, OR BONA FIDE OFFICERS OR PARTNERS OF CRAFT CAPITAL MANAGEMENT, LLC, OR (B) CAUSED TO BE THE SUBJECT OF ANY HEDGING, SHORT SALE, DERIVATIVE, PUT OR CALL TRANSACTION THAT WOULD RESULT IN THE EFFECTIVE ECONOMIC DISPOSITION OF THIS SECURITIES HEREUNDER, EXCEPT AS PROVIDED FOR IN FINRA RULE 5110(E)(2).

THIS PURCHASE WARRANT IS NOT EXERCISABLE PRIOR TO [●], 2023. VOID AFTER 5:00 P.M., EASTERN TIME, [●], 2028⁵.

UNDERWRITER'S WARRANT
FOR THE PURCHASE OF [] SHARES OF COMMON STOCK
OF
NORTHANN CORP.

1. Purchase Warrant. THIS CERTIFIES THAT, pursuant to that certain Underwriting Agreement by and between Northann Corp., a Nevada corporation (the "Company"), on the one hand, and Craft Capital Management, LLC (the "Holder"), on the other hand, dated [●], 2023 (the "Underwriting Agreement"), the Holder, as registered owner of this Purchase Warrant, is entitled, at any time or from time to time from the date that is six months from [●], 2023 (the "Exercise Date"), and at or before 5:00 p.m., Eastern time, on [●], 2028, (the "Expiration Date"), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to such number of shares of common stock of the Company, par value \$0.001 per share ("Common Stock") as equates to six percent (6.0%) of the aggregate number of shares of Common Stock sold in the Offering (the "Shares), including any Common Stock sold upon exercise of the over-allotment option, subject to adjustment as provided in Section 6 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Purchase Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate this Purchase Warrant. This Purchase Warrant is initially exercisable at \$[●] per share of Common Stock (which is equal to one hundred and twenty-five percent (125%) of the price of the shares of Common Stock sold in the Offering); *provided, however*, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Purchase Warrant, including the exercise price per share of Common Stock and the number of shares of Common Stock to be received upon such exercise, shall be adjusted as therein specified. The term "Exercise Price" shall mean the initial exercise price as set forth above or the adjusted exercise price as a result of the events set forth in Section 6 below, depending on the context. Capitalized terms not defined herein shall have the meaning ascribed to them in the Underwriting Agreement.

2. Exercise.

2.1 Exercise Form. In order to exercise this Purchase Warrant, the exercise form attached hereto as Exhibit A must be duly executed and completed and delivered to the Company, together with this Purchase Warrant and payment of the Exercise Price for the Common Stock being purchased payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern Time, on the Expiration Date, this Purchase Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

⁵ Five (5) years from the commencement of sales of the public offering.

2.2 Cashless Exercise. After the Exercise Date and until the Expiration Date, Holder may elect to receive the number of shares of Common Stock equal to the value of this Purchase Warrant (or the portion thereof being exercised), by surrender of this Purchase Warrant to the Company, together with the exercise form attached hereto, in which event the Company shall issue to Holder, Shares in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where, X =The number of shares of Common Stock to be issued to Holder;
Y =The number of shares of Common Stock for which the Purchase Warrant is being exercised;
A =The fair market value of one share of Common Stock; and
B =The Exercise Price.

For purposes of this Section 2.2, the “fair market value” of one share of Common Stock is defined as follows:

- (i) if the Common Stock is traded on a national securities exchange, the value shall be deemed to be the weighted average price on such exchange for the five consecutive trading days ending on the day immediately prior to the exercise form being submitted in connection with the exercise of the Purchase Warrant; or
- (ii) if the Common Stock is actively traded over-the-counter, the value shall be deemed to be the weighted average price of the Common Stock for the five consecutive trading days ending on the trading day immediately prior to the exercise form being submitted in connection with the exercise of the Purchase Warrant; or
- (iii) if there is no market for the Common Stock, the value shall be the fair market value thereof, as determined in good faith by the Company’s Board of Directors.

2.3 Legend. Each certificate for the securities purchased under this Purchase Warrant shall bear the following legends unless such securities have been registered under the Securities Act of 1933, as amended (the “**Act**”), or are exempt from registration under the Act:

(i) “THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD OF ONE HUNDRED AND EIGHTY (180) DAYS BEGINNING ON THE DATE OF COMMENCEMENT OF SALES OF THE OFFERING PURSUANT TO THE REGISTRATION STATEMENT OF THE COMPANY(FILE NO. []) AND MAY NOT BE (A) SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED TO ANYONE OTHER THAN CRAFT CAPITAL MANAGEMENT, LLC, OR BONA FIDE OFFICERS OR PARTNERS OF CRAFT CAPITAL MANAGEMENT, LLC, OR (B) CAUSED TO BE THE SUBJECT OF ANY HEDGING, SHORT SALE, DERIVATIVE, PUT OR CALL TRANSACTION THAT WOULD RESULT IN THE EFFECTIVE ECONOMIC DISPOSITION OF THIS SECURITIES HEREUNDER, EXCEPT AS PROVIDED FOR IN FINRA RULE 5110(E)(2).”

(ii) Any legend required by the securities laws of any state to the extent such laws are applicable to the Shares represented by a certificate, instrument, or book entry so legended.

3. Transfer.

3.1 General Restrictions. The registered Holder of this Purchase Warrant agrees by his, her or its acceptance hereof, for a period of one hundred eighty (180) days from the date of commencement of sales of the public offering (the “**Effective Date**”), that such Holder will not: (a) sell, transfer, assign, pledge or hypothecate this Purchase Warrant to anyone other than: (i) the Underwriter or a selected dealer participating in the Offering, or (ii) a bona fide officer or partner of the Underwriter or of any such selected dealer, in each case in accordance with FINRA Rule 5110(e)(1), or (b) cause this Purchase Warrant or the securities issuable hereunder to be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of this Purchase Warrant or the securities hereunder, except as provided for in FINRA Rule 5110(e)(2). On and after that date that is one hundred eighty (180) days after the commencement of sales of the offering, transfers to others may be made subject to compliance with or exemptions from applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto as Exhibit B duly executed and completed, together with this Purchase Warrant and payment of all transfer taxes, if any, payable in connection therewith. The Company shall within five (5) Business Days transfer this Purchase Warrant on the books of the Company and shall execute and deliver a new Purchase Warrant or Purchase Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of shares of Common Stock purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

3.2 Restrictions Imposed by the Act. The securities evidenced by this Purchase Warrant shall not be transferred unless and until: (i) the Company has received the opinion of counsel for the Company that the securities may be transferred pursuant to an exemption from registration under the Act and applicable state securities laws, the availability of which is established to the reasonable satisfaction of the Company, (ii) a registration statement or a post-effective amendment to the Registration Statement relating to the offer and sale of such securities that has been declared effective by the U.S. Securities and Exchange Commission (the “**Commission**”) and includes a current prospectus or (iii) a registration statement, relating to the offer and sale of such securities has been filed and declared effective by the Commission and compliance with applicable state securities law has been established.

4. Registration Rights.

4.1 Demand Registration.

4.1.1 Grant of Right. Unless all of the Registrable Securities (as defined below) are included in an effective registration statement with a current prospectus or a qualified offering statement with a current registration statement, the Company, upon written demand (a “**Demand Notice**”) of the Holder(s) of at least fifty-one percent (51%) of the shares of Common Stock (“**Majority Holders**”), agrees to register, on one occasion, all or any portion of the shares of Common Stock underlying this Purchase Warrant that are permitted to be registered under the Act (collectively, the “**Registrable Securities**”). On such occasion, the Company will file a registration statement with the Commission (a “**Demand Registration Statement**”) covering the Registrable Securities within sixty (60) days after receipt of a Demand Notice and use its best efforts to have the registration statement declared effective promptly thereafter, subject to compliance with review by the Commission; provided, however, that the Company shall not be required to comply with a Demand Notice if the Company has filed a registration statement with respect to which the Holder is entitled to piggyback pursuant to Section 4.2 hereof and either: (i) the Holder has elected to participate in the offering covered by such registration statement; or (ii) if such registration statement relates to an underwritten primary offering of securities of the Company, until the offering covered by such registration statement has been withdrawn or until thirty days after such offering is consummated. The demand for registration may be made at any time during a period of five years beginning on the date of commencement of sales of the Offering.

4.1.2 Terms. The Company shall bear all fees and expenses attendant to the Demand Registration Statement pursuant to Section 4.1.1, but the Holder(s) shall pay any and all underwriting commissions and the expenses of any legal counsel selected by the Holder(s) to represent the Holder(s) in connection with the sale of the Registrable Securities. The Company agrees to use its best efforts to cause the filing of a Demand Registration Statement required herein to become effective promptly and to qualify or register the Registrable Securities in such states as are reasonably requested by the Holder(s); provided, however, that in no event shall the Company be required to register the Registrable Securities in a state in which such registration would cause: (i) the Company to be obligated to register or license to do business in such State or submit to general service of process in such State, or (ii) the principal stockholders of the Company to be obligated to escrow their shares of Common Stock of the Company. The Company shall cause any registration statement filed pursuant to the demand right granted under Section 4.1.1 to remain effective for a period of at least 12 consecutive months after the date that the Holders of the Registrable Securities covered by such registration statement are first given the opportunity to sell all of such securities. The Holder(s) shall only use the prospectuses provided by the Company to sell the shares of Common Stock covered by such registration statement, and will immediately cease to use any prospectus furnished by the Company if the Company advises the Holder(s) that such prospectus may no longer be used due to a material misstatement or omission. Notwithstanding the provisions of this Section 4.1.2, the Holder(s) shall be entitled to a Demand Registration Statement under this Section 4.1.2 on only one occasion and such demand registration right shall terminate on the fifth anniversary of the commencement of sales of the Offering in accordance with FINRA Rule 5110(g)(8)(C).

4.2 “Piggy-Back” Registration.

4.2.1 Grant of Right. Unless all of the Registrable Securities are included in an effective registration statement with a current prospectus or a qualified offering statement with a current offering circular, the Holder shall have the right, for a period of five years commencing on the date of commencement of sales of the Offering, to include the remaining Registrable Securities as part of any other registration of securities filed by the Company (other than in connection with a transaction contemplated by Rule 145 promulgated under the Act or pursuant to Form F-3 or any equivalent form).

4.2.2 Terms. The Company shall bear all fees and expenses attendant to registering the Registrable Securities pursuant to Section 4.2.1 hereof, but the Holder(s) shall pay any and all underwriting commissions and the expenses of any legal counsel selected by the Holder(s) to represent them in connection with the sale of the Registrable Securities. In the event of such a proposed registration, the Company shall furnish the then Holders of outstanding Registrable Securities with not less than 30 days written notice prior to the proposed date of filing of such registration statement. Such notice to the Holder(s) shall continue to be given for each registration statement filed by the Company until such time as all of the Registrable Securities have been registered under an effective registration statement. The holders of the Registrable Securities shall exercise the “piggy-back” rights provided for herein by giving written notice, within ten days of the receipt of the Company’s notice of its intention to file a registration statement. Except as otherwise provided in this Purchase Warrant, there shall be no limit on the number of times the Holder may request registration under this Section 4.2.2. Notwithstanding the provisions of this Section 4.2.2, such piggyback registration rights shall terminate on the fifth anniversary of the commencement of sales of the Offering in accordance with FINRA Rule 5110(g)(8)(D).

5. New Purchase Warrants to be Issued.

5.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereof, the Company shall cause to be delivered to the Holder without charge a new Purchase Warrant of like tenor to this Purchase Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of shares of Common Stock purchasable hereunder as to which this Purchase Warrant has not been exercised or assigned.

5.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Warrant and of reasonably satisfactory indemnification or the posting of a bond, the Company shall execute and deliver a new Purchase Warrant of like tenor and date. Any such new Purchase Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

6. Adjustments.

6.1 Adjustments to Exercise Price and Number of Shares of Common Stock. The Exercise Price and the number of shares of Common Stock underlying this Purchase Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Stock Dividends; Split Ups. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding shares of Common Stock is increased by a stock dividend payable in shares of Common Stock or by a split up of the shares of Common Stock or other similar event, then, on the effective day thereof, the number of shares of Common Stock purchasable hereunder shall be increased in proportion to such increase in outstanding shares of Common Stock, and the Exercise Price shall be proportionately decreased.

6.1.2 Aggregation of Shares of Common Stock. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding shares of Common Stock is decreased by a consolidation, combination or reclassification of Common Stock or other similar event, then, on the effective date thereof, the number of shares of Common Stock purchasable hereunder shall be decreased in proportion to such decrease in outstanding shares of Common Stock, and the Exercise Price shall be proportionately increased.

6.1.3 Replacement of Common Stock upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding shares of Common Stock other than a change covered by Section 6.1.1 or Section 6.1.2 hereof or that solely affects the par value of such shares of Common Stock, or in the case of any stock reconstruction or amalgamation or consolidation of the Company with or into another corporation (other than a consolidation or stock reconstruction or amalgamation in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Warrant shall have the right thereafter (until the expiration of the right of exercise of this Purchase Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of Common Stock or other securities or property (including cash) receivable upon such reclassification, reorganization, stock reconstruction or amalgamation, or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of shares of Common Stock of the Company obtainable upon exercise of this Purchase Warrant immediately prior to such event; and if any reclassification also results in a change in the shares Common Stock covered by Section 6.1.1 or Section 6.1.2, then such adjustment shall be made pursuant to Section 6.1.1, Section 6.1.2 and this Section 6.1.3. The provisions of this Section 6.1.3 shall similarly apply to successive reclassifications, reorganizations, stock reconstructions or amalgamations, or consolidations, sales or other transfers.

6.1.4 Fundamental Transaction. If, at any time while this Purchase Warrant is outstanding, the Company enters into the following transactions with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with, the other Persons making or party to such stock or share purchase agreement or other business combination): (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any direct or indirect purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding shares of Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the shares of Common Stock or any compulsory share exchange pursuant to which the shares of Common Stock are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spinoff or scheme of arrangement) with another Person or group of Persons (each a **“Fundamental Transaction”**), then, upon any subsequent exercise of this Purchase Warrant, the Holder shall have the right to receive, for each Purchase Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional or alternative consideration (the **“Alternative Consideration”**) receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Purchase Warrant is exercisable immediately prior to such Fundamental Transaction. For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternative Consideration based on the amount of Alternative Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternative Consideration in a reasonable manner reflecting the relative value of any different components of the Alternative Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternative Consideration it receives upon any exercise of this Purchase Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the **“Successor Entity”**) to assume in writing all of the obligations of the Company under this Purchase Warrant, and to deliver to the Holder in exchange for this Purchase Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Purchase Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Purchase Warrant prior to such Fundamental Transaction, and with an exercise price which applies the Exercise Price hereunder to such shares of capital stock (but taking into account the relative value of the Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Purchase Warrant immediately prior to the consummation of such Fundamental Transaction). Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Purchase Warrant and the other Transaction Documents referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of, the Company and shall assume all of the obligations of the Company, under this Purchase Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

6.1.5 Changes in Form of Purchase Warrant. This form of Purchase Warrant need not be changed because of any change pursuant to this Section 6.1, and Purchase Warrants issued after such change may state the same Exercise Price and the same number of shares of Common Stock as are stated in the Purchase Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Purchase Warrants reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the date hereof or the computation thereof.

6.2 Substitute Purchase Warrant. In case of any consolidation of the Company with, or stock reconstruction or amalgamation of the Company with or into, another corporation (other than a consolidation or stock reconstruction or amalgamation which does not result in any reclassification or change of the outstanding shares of Common Stock), the corporation formed by such consolidation or stock reconstruction or amalgamation shall execute and deliver to the Holder a supplemental Purchase Warrant providing that the holder of each Purchase Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Purchase Warrant) to receive, upon exercise of such Purchase Warrant, the kind and amount of shares of Common Stock and other securities and property receivable upon such consolidation or stock reconstruction or amalgamation, by a holder of the number of shares of Common Stock of the Company for which such Purchase Warrant might have been exercised immediately prior to such consolidation, stock reconstruction or amalgamation, sale or transfer. Such supplemental Purchase Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 6. The above provision of this Section 6 shall similarly apply to successive consolidations or stock reconstructions or amalgamations.

6.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of shares of Common Stock upon the exercise of the Purchase Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down, as the case may be, to the nearest whole number of shares of Common Stock or other securities, properties or rights.

7. Reservation and Listing. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon exercise of this Purchase Warrant, such number of shares of Common Stock or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of this Purchase Warrant and payment of the Exercise Price therefor, in accordance with the terms hereby, all shares of Common Stock and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any stockholder. As long as this Purchase Warrant shall be outstanding, the Company shall use its best efforts to cause all shares of Common Stock issuable upon exercise of this Purchase Warrant to be listed (subject to official notice of issuance) on all national securities exchanges (or, if applicable, on the OTCQB Market or any successor quotation system) on which the Common Stock issued to the public in the Offering may then be listed and/or quoted (if at all).

8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a stockholder for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Purchase Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall give written notice of such event at least fifteen days prior to the date fixed as a record date or the date of closing the transfer books (the "**Notice Date**") for the determination of the stockholders entitled to such dividend, distribution, conversion or exchange of securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of the closing of the transfer books, as the case may be. Notwithstanding the foregoing, the Company shall deliver to each Holder a copy of each notice given to the other stockholders of the Company at the same time and in the same manner that such notice is given to the stockholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, (ii) the Company shall offer to all the holders of its shares of Common Stock any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or stock reconstruction or amalgamation) or a sale of all or substantially all of its property, assets and business shall be proposed.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change (“**Price Notice**”). The Price Notice shall describe the event causing the change and the method of calculating same and shall be certified as being true and accurate by the Company’s Chief Financial Officer.

8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Purchase Warrant shall be in writing and shall be deemed to have been duly made if made in accordance with the notice provisions of the Underwriting Agreement to the addresses and contact information set forth below:

If to the Holder, then to:

Craft Capital Management, LLC
377 Oak Street, Lower Concourse
Garden City, NY 11530
Attn: [*]
Email: [*]

With a copy to:

Hunter Taubman Fischer & Li LLC
950 Third Avenue, 19th Floor
New York, NY 10022
Attn: Ying Li, Esq.
Attn.: Guillaume de Sampigny, Esq.
Email: yli@htflawyers.com
gdesampigny@htflawyers.com

If to the Company:

Northann Corp.
c/o Northann Distribution Center Inc,
9820 Dino Drive, Suite 110
Elk Grove, CA 95624
Attn: Lin Li
Email: lin.li@northann.com

With a copy to:

Ortoli Rosenstadt LLP
366 Madison Avenue, 3rd FL
New York, NY 10017
Attn: William S. Rosenstadt, Esq.
Mengyi “Jason” Ye, Esq.
Email: wsr@orllp.legal
jye@orllp.legal

9. Miscellaneous.

9.1 Amendments. The Company and the Underwriter may from time to time supplement or amend this Purchase Warrant without the approval of any of the Holders in order to cure any ambiguity, to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, or to make any other provisions in regard to matters or questions arising hereunder that the Company and the Underwriter may deem necessary or desirable and that the Company and the Underwriter deem shall not adversely affect the interest of the Holders. All other modifications or amendments shall require the written consent of and be signed by the party against whom enforcement of the modification or amendment is sought.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Warrant.

9.3 Entire Agreement. This Purchase Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Purchase Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.4 Binding Effect. This Purchase Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Warrant or any provisions herein contained.

9.5 Governing Law; Submission to Jurisdiction; Trial by Jury. This Purchase Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Purchase Warrant shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and the Holder hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

9.7 Exchange Agreement. As a condition of the Holder's receipt and acceptance of this Purchase Warrant, Holder agrees that, at any time prior to the complete exercise of this Purchase Warrant by Holder, if the Company and the Underwriter enter into an agreement ("**Exchange Agreement**") pursuant to which they agree that all outstanding Purchase Warrants will be exchanged for securities or cash or a combination of both, then Holder shall agree to such exchange and become a party to the Exchange Agreement.

9.8 Execution in Counterparts. This Purchase Warrant may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto. Such counterparts may be delivered by facsimile transmission or other electronic transmission.

9.9 Holder Not Deemed a Stockholder. Except as otherwise specifically provided herein, the Holder, solely in its capacity as a holder of this Purchase Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of capital stock of the Company for any purpose, nor shall anything contained in this Purchase Warrant be construed to confer upon the Holder, solely in its capacity as the Holder of this Purchase Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Shares which it is then entitled to receive upon the due exercise of this Purchase Warrant. In addition, nothing contained in this Purchase Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Purchase Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

9.10 Restrictions. The Holder acknowledges that the Shares acquired upon the exercise of this Purchase Warrant, if not registered, and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

9.10 Severability. Wherever possible, each provision of this Purchase Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Purchase Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Purchase Warrant.

[Signature Page Follows]

202_. **IN WITNESS WHEREOF**, the Company has caused this Purchase Warrant to be signed by its duly authorized officer as of the ____ day of _____,

Northann Corp.

By: _____
Name:
Title:

EXHIBIT A
Exercise Notice

Form to be used to exercise Purchase Warrant:

Date: _____, 20__

The undersigned hereby elects irrevocably to exercise the Purchase Warrant for _____ shares of Common Stock of Northann Corp., a Nevada corporation (the "**Company**") and hereby makes payment of \$_____ (at the rate of \$_____ per share of Common Stock) in payment of the Exercise Price pursuant thereto. Please issue the Common Stock as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of shares of Common Stock for which this Purchase Warrant has not been exercised.

or

The undersigned hereby elects irrevocably to convert its right to purchase ___ shares of Common Stock under the Purchase Warrant for _____ shares of Common Stock, as determined in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where, X = The number of shares of Common Stock to be issued to Holder;

Y = The number of shares of Common Stock for which the Purchase Warrant is being exercised;

A = The fair market value of one share of Common Stock which is equal to \$_____; and

B = The Exercise Price which is equal to \$_____ per share of Common Stock

The undersigned agrees and acknowledges that the calculation set forth above is subject to confirmation by the Company and any disagreement with respect to the calculation shall be resolved by the Company in its sole discretion.

Please issue the shares of Common Stock as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of shares of Common Stock for which this Purchase Warrant has not been converted.

Signature

Signature Guaranteed

INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name:

(Print in Block Letters)

Address:

NOTICE: The signature to this form must correspond with the name as written upon the face of the Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

EXHIBIT B
Assignment Notice

Form to be used to assign Purchase Warrant:

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Purchase Warrant):

FOR VALUE RECEIVED, _____ does hereby sell, assign and transfer unto the right to purchase _____ shares of Common Stock of Northam Corp., a Nevada corporation (the "**Company**"), evidenced by the Purchase Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: _____ 20__

Signature

Signature Guaranteed

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

EXHIBIT B

Form of Lock-Up Agreement

As attached.

Lock-Up Agreement

[], 2023⁶

Craft Capital Management, LLC
377 Oak Street, Lower Concourse
Garden City, NY 11530

Ladies and Gentlemen:

This Lock-Up Agreement (this “**Agreement**”) is being delivered to Craft Capital Management, LLC (the “**Representative**”) in connection with the proposed Underwriting Agreement (the “**Underwriting Agreement**”) between Northann Corp., a Nevada corporation (the “**Company**”), and the Representative, relating to the proposed public offering (the “**Offering**”) of common stock, par value \$0.001 per share (“**Common Stock**”), of the Company.

In order to induce the Underwriters (as defined in the Underwriting Agreement) to continue their efforts in connection with the Offering, and in light of the benefits that the Offering will confer upon the undersigned in its capacity as a shareholder and/or an officer, director or employee of the Company, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with the Representative that, during the period beginning on and including the date of this Agreement through and including the date that is six months from the date of this Agreement (the “**Lock-Up Period**”), the undersigned will not, without the prior written consent of the Representative, directly or indirectly, (i) offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of, or announce the intention to otherwise dispose of, any Common Stock now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (including, without limitation, Common Stock which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations promulgated under the Securities Act of 1933, as amended, and as the same may be amended or supplemented on or after the date hereof from time to time (the “**Securities Act**”)) (such shares, the “**Beneficially Owned Shares**”) or securities convertible into or exercisable or exchangeable for Common Stock, (ii) enter into any swap, hedge or similar agreement or arrangement that transfers in whole or in part, the economic risk of ownership of the Beneficially Owned Shares or securities convertible into or exercisable or exchangeable for Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition, or (iii) engage in any short selling of the Common Stock.

The restrictions set forth in the immediately preceding paragraph shall not apply to:

(1) if the undersigned is a natural person, any transfers made by the undersigned (a) as a bona fide gift to any member of the immediate family (as defined below) of the undersigned or to a trust the beneficiaries of which are exclusively the undersigned or members of the undersigned’s immediate family, (b) by will or intestate succession upon the death of the undersigned, (c) as a bona fide gift to a charity or educational institution, (d) any transfer pursuant to a qualified domestic relations order or in connection with a divorce; or (e) if the undersigned is or was an officer, director or employee of the Company, to the Company pursuant to the Company’s right of repurchase upon termination of the undersigned’s service with the Company;

(2) if the undersigned is a corporation, partnership, limited liability company or other business entity, any transfers to any shareholder, partner or member of, or owner of a similar equity interest in, the undersigned, as the case may be, if, in any such case, such transfer is not for value;

(3) if the undersigned is a corporation, partnership, limited liability company or other business entity, any transfer made by the undersigned (a) in connection with the sale or other bona fide transfer in a single transaction of all or substantially all of the undersigned’s capital stock, partnership interests, membership interests or other similar equity interests, as the case may be, or all or substantially all of the undersigned’s assets, in any such case not undertaken for the purpose of avoiding the restrictions imposed by this Agreement or (b) to another corporation, partnership, limited liability company or other business entity so long as the transferee is an affiliate (as defined below) of the undersigned and such transfer is not for value;

⁶ Pricing date

(4) (a) exercises of stock options or equity awards granted pursuant to an equity incentive or award or other plan or warrants to purchase Common Stock or other securities (including by cashless exercise to the extent permitted by the instruments representing such stock options or warrants so long as such cashless exercise is effected solely by the surrender of outstanding stock options or warrants to the Company and the Company's cancellation of all or a portion thereof to pay the exercise price), provided that in any such case the securities issued upon exercise shall remain subject to the provisions of this Agreement (as defined below); (b) transfers of Common Stock or other securities to the Company in connection with the issuance, vesting or exercise of any equity awards granted pursuant to an equity incentive or other plan and held by the undersigned to the extent, but only to the extent, as may be necessary to satisfy tax withholding obligations pursuant to the Company's equity incentive or other plans;

(5) the exercise by the undersigned of any warrant(s) issued by the Company prior to the date of this Agreement, including any exercise effected by the delivery of shares of Common Stock of the Company held by the undersigned; provided, that, the Common Stock received upon such exercise shall remain subject to the restrictions provided for in this Agreement;

(6) the occurrence after the date hereof of any of (a) an acquisition by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of 100% of the voting securities of the Company, (b) the Company merges into or consolidates with any other entity, or any entity merges into or consolidates with the Company, (c) the Company sells or transfers all or substantially all of its assets to another person, or (d) provided, that, the Common Stock received upon any of the events set forth in clauses (a) through (c) above shall remain subject to the restrictions provided for in this Agreement;

(7) the Offering;

(8) transfers consented to, in writing by the Representative;

(9) transactions relating to Common Stock acquired in open market transactions after the completion of the Offering; provided that, no filing by any party under the Exchange Act or other public announcement shall be required or shall be voluntarily made in connection with such transactions;

provided however, that in the case of any transfer described in clauses (1), (2) or (3) above, it shall be a condition to the transfer that the transferee executes and delivers to the Representative, acting on behalf of the Underwriters, not later than one business day prior to such transfer, a written agreement, in substantially the form of this Agreement (it being understood that any references to "immediate family" in the agreement executed by such transferee shall expressly refer only to the immediate family of the undersigned and not to the immediate family of the transferee) and otherwise satisfactory in form and substance to the Representative.

In addition, the restrictions set forth herein shall not prevent the undersigned from entering into a sales plan pursuant to Rule 10b5-1 under the Exchange Act after the date hereof, provided that (i) a copy of such plan is provided to the Representative promptly upon entering into the same and (ii) no sales or transfers may be made under such plan until the Lock-Up Period ends or this Agreement is terminated in accordance with its terms. For purposes of this paragraph, "immediate family" shall mean a spouse, child, grandchild or other lineal descendant (including by adoption), father, mother, brother or sister of the undersigned; and "affiliate" shall have the meaning set forth in Rule 405 under the Securities Act.

If (i) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs, or (ii) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results or becomes aware that material news or a material event will occur during the 16-day period beginning on the last day of the Lock-Up Period, the restrictions imposed by this Agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of such material news or material event, as applicable, unless the Representative waives, in writing, such extension.

If the undersigned is an officer or director of the Company, the Representative agrees that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of Common Stock, the Representative will notify the Company of the impending release or waiver. Any release or waiver granted by the Representative hereunder to any such officer or director shall only be effective two business days after the publication date of such press release; provided, that such press release is not a condition to the release of the aforementioned lock-up provisions due to the expiration of the Lock-Up Period. The provisions of this paragraph will also not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this Agreement to the extent and for the duration that such terms remain in effect at the time of such transfer.

In furtherance of the foregoing, (1) the undersigned also agrees and consents to the entry of stop transfer instructions with any duly appointed transfer agent for the registration or transfer of the securities described herein against the transfer of any such securities except in compliance with the foregoing restrictions, and (2) the Company, and any duly appointed transfer agent for the registration or transfer of the securities described herein, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Agreement and that this Agreement has been duly authorized (if the undersigned is not a natural person), executed and delivered by the undersigned and is a valid and binding agreement of the undersigned. This Agreement and all authority herein conferred are irrevocable and shall survive the death or incapacity of the undersigned (if a natural person) and shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned for the term of the Lock-Up Period.

This Agreement shall automatically terminate upon the earliest to occur, if any, of (1) either the Representative, on the one hand, or the Company, on the other hand, advising the other in writing, they have determined not to proceed with the Offering, (2) termination of the Underwriting Agreement before the sale of Common Stock, or (3) the withdrawal of the Registration Statement.

This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to the conflict of laws principles thereof.

[Signature Page Follows]

Very truly yours,

(Name - Please Print)

(Signature)

(Name of Signatory, in the case of entities - Please Print)

(Title of Signatory, in the case of entities - Please Print)

Address: _____

of shares of
Common Stock Held
by Signatory: _____



BARBARA K. CEGAVSKE
 Secretary of State
 202 North Carson Street
 Carson City, Nevada 89701-4201
 (775) 684-5708
 Website: www.nvsos.gov
www.nvsilverflume.gov

Filed in the Office of <i>Barbara K. Cegavske</i>	Business Number E22088812022-7
Secretary of State State Of Nevada	Filing Number 20222208880
	Filed On 3/29/2022 8:00:00 AM
	Number of Pages 2

ABOVE SPACE IS FOR OFFICE USE ONLY

Formation - Profit Corporation

NRS 78 - Articles of Incorporation Domestic Corporation NRS 80 - Foreign Corporation NRS 89 - Articles of Incorporation Professional Corporation

78A Formation - Close Corporation

(Name of Close Corporation MUST appear in the below heading)

Articles of Formation of _____ a close corporation (NRS 78A)

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

1. Name of Entity: <small>(If foreign, name in home jurisdiction)</small>	Northann Corp.
2. Registered Agent for Service of Process: <small>(Check only one box)</small>	<input checked="" type="checkbox"/> Commercial Registered Agent:(name only below) <input type="checkbox"/> Noncommercial Registered Agent (name and address below) <input type="checkbox"/> Office or Position with Entity (title and address below) VCorp Services, LLC <small>Name of Registered Agent OR Title of Office or Position with Entity</small> _____ Nevada _____ <small>Street Address City Zip Code</small> _____ Nevada _____ <small>Mailing Address (if different from street address) City Zip Code</small>
2a. Certificate of Acceptance of Appointment of Registered Agent:	<i>I hereby accept appointment as Registered Agent for the above named Entity. If the registered agent is unable to sign the Articles of Incorporation, submit a separate signed Registered Agent Acceptance form.</i> _____ 03/25/2022 <small>Authorized Signature of Registered Agent or On Behalf of Registered Agent Entity Date</small>
3. Governing Board: <small>(NRS 78A, close corporation only, check one box; if yes, complete article 4 below)</small>	This corporation is a close corporation operating with a board of directors <input type="checkbox"/> Yes <u>OR</u> <input type="checkbox"/> No
4. Names and Addresses of the Board of Directors/ Trustees or Stockholders <small>(NRS 78: Board of Directors/ Trustees is required. NRS 78a: Required if the Close Corporation is governed by a board of directors. NRS 89: Required to have the Original stockholders and directors. A certificate from the regulatory board must be submitted showing that each individual is licensed at the time of filing. See instructions)</small>	1) <u>Lin Li</u> <u>United States</u> <small>Name Country</small> <u>9820 Dino Drive, Suite 110</u> <u>Elk Grove</u> <u>CA</u> <u>95624</u> <small>Street Address City State Zip/Postal Code</small> 2) _____ <small>Name Country</small> _____ <small>Street Address City State Zip/Postal Code</small> 3) _____ <small>Name Country</small> _____ <small>Street Address City State Zip/Postal Code</small>
5. Jurisdiction of Incorporation: <small>(NRS 80 only)</small>	5a. Jurisdiction of incorporation: _____ 5b. I declare this entity is in good standing in the jurisdiction of its incorporation. <input type="checkbox"/>

This form must be accompanied by appropriate fees.



BARBARA K. CEGAVSKE
 Secretary of State
 202 North Carson Street
 Carson City, Nevada 89701-4201
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www.nvsilverflume.gov

Formation - Profit Corporation

Continued, Page 2

6. Benefit Corporation: <small>(For NRS 78, NRS 78A, and NRS 89, optional. See instructions.)</small>	By selecting "Yes" you are indicating that the corporation is organized as a benefit corporation pursuant to NRS Chapter 78B with a purpose of creating a general or specific public benefit. The purpose for which the benefit corporation is created must be disclosed in the below purpose field.	Yes <input type="checkbox"/>												
7. Purpose/Profession to be practiced: <small>(Required for NRS 80, NRS 89 and any entity selecting Benefit Corporation. See instructions.)</small>														
8. Authorized Shares: <small>(Number of shares corporation is authorized to issue)</small>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 45%;">Number of Authorized shares with Par value:</td> <td style="width: 25%; border: 1px solid black; text-align: center;">500,000.000</td> <td style="width: 30%;">Par value: \$ 0.0010000000</td> </tr> <tr> <td>Number of Common shares with Par value:</td> <td style="border: 1px solid black; text-align: center;">400,000,000</td> <td>Par value: \$ 0.0010000000</td> </tr> <tr> <td>Number of Preferred shares with Par value:</td> <td style="border: 1px solid black; text-align: center;">100,000,000</td> <td>Par value: \$ 0.0010000000</td> </tr> <tr> <td>Number of shares with no par value:</td> <td colspan="2" style="border: 1px solid black;"></td> </tr> </table> <p style="font-size: small;">If more than one class or series of stock is authorized, please attach the information on an additional sheet of paper.</p>		Number of Authorized shares with Par value:	500,000.000	Par value: \$ 0.0010000000	Number of Common shares with Par value:	400,000,000	Par value: \$ 0.0010000000	Number of Preferred shares with Par value:	100,000,000	Par value: \$ 0.0010000000	Number of shares with no par value:		
Number of Authorized shares with Par value:	500,000.000	Par value: \$ 0.0010000000												
Number of Common shares with Par value:	400,000,000	Par value: \$ 0.0010000000												
Number of Preferred shares with Par value:	100,000,000	Par value: \$ 0.0010000000												
Number of shares with no par value:														
9. Name and Signature of: Officer making the statement or Authorized Signer for NRS 80. Name, Address and Signature of the Incorporator for NRS 78, 78A, and 89. NRS 89 - Each Organizer/ Incorporator must be a licensed professional.	<p>I declare, to the best of my knowledge under penalty of perjury, that the information contained herein is correct and acknowledge that pursuant to NRS 239.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; border-bottom: 1px solid black;">Lin Li</td> <td style="width: 40%; border-bottom: 1px solid black;">United States</td> </tr> <tr> <td style="font-size: x-small;">Name</td> <td style="font-size: x-small;">Country</td> </tr> <tr> <td style="border-bottom: 1px solid black;">9820 Dino Drive, Suite 110</td> <td style="border-bottom: 1px solid black;">Elk Grove CA 95624</td> </tr> <tr> <td style="font-size: x-small;">Address</td> <td style="font-size: x-small;">City State Zip/Postal Code</td> </tr> </table> <p style="font-size: x-large; font-family: cursive;">X </p> <p style="text-align: right; font-size: x-small;">(attach additional page if necessary)</p>		Lin Li	United States	Name	Country	9820 Dino Drive, Suite 110	Elk Grove CA 95624	Address	City State Zip/Postal Code				
Lin Li	United States													
Name	Country													
9820 Dino Drive, Suite 110	Elk Grove CA 95624													
Address	City State Zip/Postal Code													

AN INITIAL LIST OF OFFICERS MUST ACCOMPANY THIS FILING

Please include any required or optional information in space below:
 (attach additional page(s) if necessary)

This form must be accompanied by appropriate fees.

Filed in the Office of <i>F. H. Aquilon</i>	Business Number E22088812022-7
Secretary of State State Of Nevada	Filing Number 20233330898
	Filed On 7/5/2023 1:54:00 PM
	Number of Pages 3

ces, LLC



BARBARA K. CEGAUSKE
 Secretary of State
 202 North Carson Street
 Carson City, Nevada 89701-4201
 (775)684-5708
 Website: www.nvsos.gov

Profit Corporation:
Certificate of Amendment (PURSUANT TO NRS 78.380 & 78.385/78.390)
Certificate to Accompany Restated Articles or Amended and Restated Articles (PURSUANT TO NRS 78.403)
Officer's Statement (PURSUANT TO NRS 80.030)

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

1. Entity information:	Name of entity as on file with the Nevada Secretary of State: Northann Corp. Entity or Nevada Business Identification Number (NVID): NV20222410777
2. Restated or Amended and Restated Articles: (Select one) <i>(If amending and restating only, complete section 1, 2 3, 5 and 6)</i>	<input type="checkbox"/> Certificate to Accompany Restated Articles or Amended and Restated Articles <input type="checkbox"/> Restated Articles - No amendments; articles are restated only and are signed by an officer of the corporation who has been authorized to execute the certificate by resolution of the board of directors adopted on: _____ The certificate correctly sets forth the text of the articles or certificate as amended to the date of the certificate. <input type="checkbox"/> Amended and Restated Articles * Restated or Amended and Restated Articles must be included with this filing type.
3. Type of Amendment Filing Being Completed: (Select only one box) <i>(If amending, complete section 1, 3, 5 and 6.)</i>	<input type="checkbox"/> Certificate of Amendment to Articles of Incorporation (Pursuant to NRS 78.380 - Before Issuance of Stock) The undersigned declare that they constitute at least two-thirds of the following: (Check only one box) <input type="checkbox"/> incorporators <input type="checkbox"/> board of directors The undersigned affirmatively declare that to the date of this certificate, no stock of the corporation has been issued. <input checked="" type="checkbox"/> Certificate of Amendment to Articles of Incorporation (Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock) The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation* have voted in favor of the amendment is: 92.04% <input type="checkbox"/> Officer's Statement (foreign qualified entities only) - Name in home state, if using a modified name in Nevada: _____ Jurisdiction of formation: _____ Changes to takes the following effect: <input type="checkbox"/> The entity name has been amended. <input type="checkbox"/> Dissolution <input type="checkbox"/> The purpose of the entity has been amended. <input type="checkbox"/> Merger <input type="checkbox"/> The authorized shares have been amended. <input type="checkbox"/> Conversion <input type="checkbox"/> Other: (specify changes) _____ * Officer's Statement must be submitted with either a certified copy of or a certificate evidencing the filing of any document, amendatory or otherwise, relating to the original articles in the place of the corporations creation.

This form must be accompanied by appropriate fees.



BARBARA K. CEGAUSKE
 Secretary of State
 202 North Carson Street
 Carson City, Nevada 89701-4201
 (775) 684-5708
 Website: www.nvsos.gov

Profit Corporation:
Certificate of Amendment (PURSUANT TO NRS 78.380 & 78.385/78.390)
Certificate to Accompany Restated Articles or Amended and Restated Articles (PURSUANT TO NRS 78.403)
Officer's Statement (PURSUANT TO NRS 80.030)

4. Effective Date and Time: (Optional)
 Date: _____ Time: _____
 (must not be later than 90 days after the certificate is filed)

5. Information Being Changed: (Domestic corporations only)
 Changes to takes the following effect:
 The entity name has been amended.
 The registered agent has been changed. (attach Certificate of Acceptance from new registered agent)
 The purpose of the entity has been amended.
 The authorized shares have been amended.
 The directors, managers or general partners have been amended.
 IRS tax language has been added.
 Articles have been added.
 Articles have been deleted.
 Other.
 The articles have been amended as follows: (provide article numbers, if available)
 Article 8 is hereby amended in its entirety and replaced with the following

 (attach additional page(s) if necessary)

6. Signature: (Required)
 X _____ **Chief Executive Officer and President**
 Signature of Officer or Authorized Signer Title
 X _____
 Signature of Officer or Authorized Signer Title
 *If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.

Please include any required or optional information in space below:
 (attach additional page(s) if necessary)

This form must be accompanied by appropriate fees.

**CERTIFICATE OF AMENDMENT
TO
ARTICLES OF INCORPORATION
OF
NORTHANN CORP.**

Northann Corp., a Nevada corporation (the "Corporation"), does hereby certify that:

FIRST: This Certificate of Amendment amends the provisions of the Corporation's articles of incorporation, as amended (the "Articles of Incorporation").

SECOND: The terms and provisions of this Certificate of Amendment have been duly adopted in accordance with Section 78.390 of the Nevada Revised Statutes and shall become effective upon filing of this Certificate of Amendment to the Articles of Incorporation with the Secretary of State of Nevada (the "Effective Time").

THIRD: Article 8 of the Articles of Incorporation is hereby amended in its entirety and replaced with the following:

"Number of Authorized shares with Par Value: 500,000,000 Par Value \$0.001

Number of Common shares with Par Value: 400,000,000 Par Value \$0.001

Number of Preferred shares with Par Value: 100,000,000 Par Value \$0.001

At the Effective Time, every two (2) outstanding common stock, par value \$0.001 of the Company (the "Common Stock") shall without further action by the Corporation or the holder thereof be combined into and automatically become one share of Common Stock (the "Reverse Split"); provided, however, no fractional share of Common Stock shall be issued in connection with the Reverse Split, and instead, the Corporation shall issue one full share of post-Reverse Common Stock to any stockholder who would have been entitled to receive a fractional share of Common Stock as a result of the Reverse Split."

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its officers thereunto duly authorized this 5th day of July 2023.

By: _____

Name: Lin Li

Title: Chief Executive Officer, President,
Chairman of the Board and Director



BARBARA K. CEGAUSKE
 Secretary of State
 202 North Carson Street
 Carson City, Nevada 89701-4201
 (775) 684-5708
 Website: www.nvsos.gov

Filed in the Office of <i>Barbara K. Cegauske</i>	Business Number E22088812022-7
Secretary of State State Of Nevada	Filing Number 20222215061
	Filed On 3/30/2022 12:25:00 PM
	Number of Pages 4

Certificate, Amendment or Withdrawal of Designation

NRS 78.1955, 78.1955(6)

Certificate of Designation

Certificate of Amendment to Designation - Before Issuance of Class or Series

Certificate of Amendment to Designation - After Issuance of Class or Series

Certificate of Withdrawal of Certificate of Designation

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

1. Entity information:	Name of entity: <u>Northann Corp.</u>
	Entity or Nevada Business Identification Number (NVID): <u>NV20222410777</u>
2. Effective date and time:	For Certificate of Designation or Amendment to Designation Only (Optional): Date: _____ Time: _____ (must not be later than 90 days after the certificate is filed)
3. Class or series of stock: (Certificate of Designation only)	The class or series of stock being designated within this filing: <u>Series A Preferred Stock</u>
4. Information for amendment of class or series of stock:	The original class or series of stock being amended within this filing: _____
5. Amendment of class or series of stock:	<input type="checkbox"/> Certificate of Amendment to Designation- Before Issuance of Class or Series As of the date of this certificate no shares of the class or series of stock have been issued.
	<input type="checkbox"/> Certificate of Amendment to Designation- After Issuance of Class or Series The amendment has been approved by the vote of stockholders holding shares in the corporation entitling them to exercise a majority of the voting power, or such greater proportion of the voting power as may be required by the articles of incorporation or the certificate of designation.
6. Resolution: Certificate of Designation and Amendment to Designation only)	By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes OR amends the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.* <u>a series of preferred stock consisting of TWENTY MILLION shares, par value \$0.001 per share, to be designated "Series A Preferred Stock" see attached</u>
7. Withdrawal:	Designation being Withdrawn: _____ Date of Designation: _____ No shares of the class or series of stock being withdrawn are outstanding. The resolution of the board of directors authorizing the withdrawal of the certificate of designation establishing the class or series of stock: * _____
8. Signature: (Required)	X <u><i>[Signature]</i></u> _____ Date: <u>03/25/2022</u> Signature of Officer

* Attach additional page(s) if necessary
 This form must be accompanied by appropriate fees. Page 1 of 1
Revised: 1/1/2019

**CERTIFICATE OF DESIGNATIONS, POWERS, PREFERENCES
AND OTHER RIGHTS OF PREFERRED STOCK AND QUALIFICATIONS,
LIMITATIONS AND RESTRICTIONS THEREOF**
of
SERIES A PREFERRED STOCK
of
NORTHANN CORP.

(Pursuant to Section 78.1955 of the
Nevada Revised Statutes)

NORTHANN CORP., a Nevada corporation (the "Corporation"), pursuant to the provisions of Section 78.1955 of the Nevada Revised Statutes, does hereby make this Certificate of Designations, Powers, Preferences and Other Rights of Preferred Stock and Qualifications, Limitations and Restrictions (the "Certificate of Designations") and does hereby state and certify that pursuant to the authority expressly vested in the Board of Directors of the Corporation (the "Board") by the Articles of Incorporation of the Corporation (as amended, the "Articles"), which authorizes the issuance of 100,000,000 shares of preferred stock, par value \$0.001 per share, in one or more series, the Board duly adopted the following resolutions, which resolutions remain in full force and effect as of the date hereof:

RESOLVED, that, pursuant to Article 3 of the Articles, the Board hereby authorizes the issuance of, and fixes the designation and preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions, of a series of preferred stock of the Corporation consisting of TWENTY MILLION (20,000,000) shares, par value \$0.001 per share, to be designated "Series A Preferred Stock" (each such share, a "Series A Preferred Share"): and be it

RESOLVED, that each Series A Preferred Share shall rank equally in all respects and shall be subject to the following terms and provisions:

1. Dividends. The holders of the Series A Preferred Shares shall not be entitled to receive dividends of any kind.
2. Conversion Rights. The Series A Preferred Shares shall not be subject to conversion into common stock, par value \$0.001 per share (the "Common Stock") or other equity authorized to be issued by the Corporation.
3. Voting Rights. The holders of the Series A Preferred Shares are entitled to vote on all matters on which the holders of shares of Common Stock are entitled to vote and, except as otherwise provided herein or by law, the holders of the Series A Preferred Shares shall vote together with the holders of shares of Common Stock as a single class. As of any record date or other determination date, each holder of the Series A Preferred Shares shall be entitled to the TEN (10) votes per Series A Preferred Share.
4. Recapitalization or Reclassification. If the Corporation shall at any time effect a recapitalization, reclassification or other similar transaction of such character that the shares of Common Stock shall be changed into or become exchangeable for a larger or smaller number of shares, then upon the effective date thereof, the voting rights of each Series A Preferred Share, as set forth in paragraph 3 above, shall be increased or decreased, as applicable, in direct proportion to the increase or decrease in the number of shares of Common Stock by reason of such recapitalization, reclassification or similar transaction.

5. Exclusion of Other Rights. Except as may otherwise be required by law, the Series A Preferred Shares shall not have any preferences or relative, participating, optional or special rights, other than those specifically set forth in this resolution (as such resolution may be amended from time to time) and in the Articles.

6. Heading and Subdivision. The heading of the various subdivisions hereof is for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

7. Severability of Provisions. If any right, preference or limitation of the Series A Preferred Shares set forth in this resolution (as such resolution may be amended from time to time) is valid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other rights, preferences and limitations set forth in this resolution (as so amended) which can be given effect without the invalid, unlawful or unenforceable right, preference or limitation shall, nevertheless, remain in full force and effect, and no right, preference or limitation herein set forth shall be deemed dependent upon any other such right, preference or limitation unless so expressed herein.

8. Status of Cancelled Shares. Series A Preferred Shares which have been issued and cancelled in any manner shall (upon compliance with any applicable provisions of the laws of the State of Nevada) have the status of authorized and unissued Series A Preferred Shares issuable in series undesignated and may be re-designated and reissued

[signature page follows]

Filed in the Office of <i>FVAguilar</i> Secretary of State State Of Nevada	Business Number E22088812022-7 Filing Number 20233330900 Filed On 7/5/2023 1:57:00 PM Number of Pages 2
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ces, LLC



FRANCISCO V. AGUILAR
Secretary of State
202 North Carson Street
Carson City, Nevada 89701-4201
(775) 684-5708
Website: www.nvsos.gov

Certificate, Amendment or Withdrawal of Designation

NRS 78.1955, 78.1955(6)

Certificate of Designation
 Certificate of Amendment to Designation - Before Issuance of Class or Series
 Certificate of Amendment to Designation - After Issuance of Class or Series
 Certificate of Withdrawal of Certificate of Designation

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

1. Entity information:	Name of entity: <u>Northann Corp.</u> Entity or Nevada Business Identification Number (NMD): <u>NV20222410777</u>
2. Effective date and time:	For Certificate of Designation or Amendment to Designation Only (Optional): Date: _____ Time: _____ <small>(must not be later than 90 days after the certificate is filed)</small>
3. Class or series of stock: (Certificate of Designation only)	The class or series of stock being designated within this filing: _____
4. Information for amendment of class or series of stock:	The original class or series of stock being amended within this filing: <u>Series A Preferred Stock</u>
5. Amendment of class or series of stock:	<input type="checkbox"/> Certificate of Amendment to Designation- Before Issuance of Class or Series As of the date of this certificate no shares of the class or series of stock have been issued.
	<input checked="" type="checkbox"/> Certificate of Amendment to Designation- After Issuance of Class or Series The amendment has been approved by the vote of stockholders holding shares in the corporation entitling them to exercise a majority of the voting power, or such greater proportion of the voting power as may be required by the articles of incorporation or the certificate of designation.
6. Resolution: <small>Certificate of Designation and Amendment to Designation only)</small>	By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes OR amends the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.* <u>The second paragraph of the Certificate of Designation of Series A Preferred Stock is hereby amended in its entirety and replaced with the following</u>
7. Withdrawal:	Designation being _____ Date of _____ Withdrawn: _____ Designation: _____ No shares of the class or series of stock being withdrawn are outstanding. The resolution of the board of directors authorizing the withdrawal of the certificate of designation establishing the class or series of stock: * _____
8. Signature: (Required)	<input checked="" type="checkbox"/> _____ Date: <u>07/05/2023</u> Signature of Officer <i>[Signature]</i>

* Attach additional page(s) if necessary
This form must be accompanied by appropriate fees. Page 1 of 1
Revised: 12/12/2022

**CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF DESIGNATION
OF
NORTHANN CORP.**

Northann Corp., a Nevada corporation (the "Corporation"), does hereby certify that:

FIRST: This Certificate of Amendment amends the provisions of the Corporation's, certificate of designation of series A preferred stock as amended (the "Certificate of Designation of Series A Preferred Stock").

SECOND: The terms and provisions of this Certificate of Amendment have been duly adopted in accordance with Section 78.390 of the Nevada Revised Statutes and shall become effective upon filing of this Certificate of Amendment to Certificate of Designation with the Secretary of State of Nevada (the "Effective Time").

THIRD: the second paragraph of the Certificate of Designation of Series A Preferred Stock is hereby amended in its entirety and replaced with the following:

"RESOLVED, that, pursuant to Article 3 of the Articles, the Board hereby authorizes the issuance of, and fixes the designation and preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions, of a series of preferred stock of the Corporation consisting of TWENTY MILLION (20,000,000) shares, par value \$0.001 per share, to be designated "Series A Preferred Stock" (each such share, a "Series A Preferred Share").

At the Effective Time, every two (2) outstanding Series A Preferred Shares shall without further action by the Corporation or the holder thereof be combined into and automatically become one Series A Preferred Share (the "Reverse Split"); provided, however, no fractional Series A Preferred Share shall be issued in connection with the Reverse Split, and instead, the Corporation shall issue one full share of post-Reverse Split Series A Preferred Share to any stockholder who would have been entitled to receive a fractional Series A Preferred Share as a result of the Reverse Split."

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its officers thereunto duly authorized this 5th day of July 2023.

By: _____
Name: Lin Li 
Title: Chief Executive Officer, President,
Chairman of the Board and Director



BARBARA K. CEGAVSKE
 Secretary of State
 202 North Carson Street
 Carson City, Nevada 89701-4201
 (775) 684-5708
 Website: www.nvsos.gov

Filed in the Office of <i>Barbara K. Cegavske</i>	Business Number E22088812022-7
Secretary of State State Of Nevada	Filing Number 20222215061
	Filed On 3/30/2022 12:25:00 PM
	Number of Pages 4

Certificate, Amendment or Withdrawal of Designation

NRS 78.1955, 78.1955(6)

- Certificate of Designation
- Certificate of Amendment to Designation - Before Issuance of Class or Series
- Certificate of Amendment to Designation - After Issuance of Class or Series
- Certificate of Withdrawal of Certificate of Designation

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

1. Entity information:	Name of entity: <input style="width: 80%;" type="text" value="Northann Corp."/>
	Entity or Nevada Business Identification Number (NVID): <input style="width: 80%;" type="text" value="NV20222410777"/>
2. Effective date and time:	For Certificate of Designation or Amendment to Designation Only (Optional): Date: <input style="width: 20%;" type="text"/> Time: <input style="width: 20%;" type="text"/> <small>(must not be later than 90 days after the certificate is filed)</small>
3. Class or series of stock: (Certificate of Designation only)	The class or series of stock being designated within this filing: <input style="width: 80%;" type="text" value="Series A Preferred Stock"/>
4. Information for amendment of class or series of stock:	The original class or series of stock being amended within this filing: <input style="width: 80%;" type="text"/>
5. Amendment of class or series of stock:	<input type="checkbox"/> Certificate of Amendment to Designation- Before Issuance of Class or Series As of the date of this certificate no shares of the class or series of stock have been issued.
	<input type="checkbox"/> Certificate of Amendment to Designation- After Issuance of Class or Series The amendment has been approved by the vote of stockholders holding shares in the corporation entitling them to exercise a majority of the voting power, or such greater proportion of the voting power as may be required by the articles of incorporation or the certificate of designation.
6. Resolution: Certificate of Designation and Amendment to Designation only)	By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes OR amends the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.* <input style="width: 80%;" type="text" value="a series of preferred stock consisting of TWENTY MILLION shares, par value \$0.001 per share, to be designated 'Series A Preferred Stock' see attached"/>
7. Withdrawal:	Designation being Withdrawn: <input style="width: 20%;" type="text"/> Date of Designation: <input style="width: 20%;" type="text"/> No shares of the class or series of stock being withdrawn are outstanding. The resolution of the board of directors authorizing the withdrawal of the certificate of designation establishing the class or series of stock: * <input style="width: 80%;" type="text"/>
8. Signature: (Required)	<input checked="" type="checkbox"/> <input style="width: 40%;" type="text" value="_____
Signature of Officer"/> Date: <input style="width: 20%;" type="text" value="03/25/2022"/>

* Attach additional page(s) if necessary
 This form must be accompanied by appropriate fees.

**CERTIFICATE OF DESIGNATIONS, POWERS, PREFERENCES
AND OTHER RIGHTS OF PREFERRED STOCK AND QUALIFICATIONS,
LIMITATIONS AND RESTRICTIONS THEREOF**
of
SERIES A PREFERRED STOCK
of
NORTHANN CORP.

(Pursuant to Section 78.1955 of the
Nevada Revised Statutes)

NORTHANN CORP., a Nevada corporation (the "Corporation"), pursuant to the provisions of Section 78.1955 of the Nevada Revised Statutes, does hereby make this Certificate of Designations, Powers, Preferences and Other Rights of Preferred Stock and Qualifications, Limitations and Restrictions (the "Certificate of Designations") and does hereby state and certify that pursuant to the authority expressly vested in the Board of Directors of the Corporation (the "Board") by the Articles of Incorporation of the Corporation (as amended, the "Articles"), which authorizes the issuance of 100,000,000 shares of preferred stock, par value \$0.001 per share, in one or more series, the Board duly adopted the following resolutions, which resolutions remain in full force and effect as of the date hereof:

RESOLVED, that, pursuant to Article 3 of the Articles, the Board hereby authorizes the issuance of, and fixes the designation and preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions, of a series of preferred stock of the Corporation consisting of TWENTY MILLION (20,000,000) shares, par value \$0.001 per share, to be designated "Series A Preferred Stock" (each such share, a "Series A Preferred Share"): and be it

RESOLVED, that each Series A Preferred Share shall rank equally in all respects and shall be subject to the following terms and provisions:

1. Dividends. The holders of the Series A Preferred Shares shall not be entitled to receive dividends of any kind.
2. Conversion Rights. The Series A Preferred Shares shall not be subject to conversion into common stock, par value \$0.001 per share (the "Common Stock") or other equity authorized to be issued by the Corporation.
3. Voting Rights. The holders of the Series A Preferred Shares are entitled to vote on all matters on which the holders of shares of Common Stock are entitled to vote and, except as otherwise provided herein or by law, the holders of the Series A Preferred Shares shall vote together with the holders of shares of Common Stock as a single class. As of any record date or other determination date, each holder of the Series A Preferred Shares shall be entitled to the TEN (10) votes per Series A Preferred Share.
4. Recapitalization or Reclassification. If the Corporation shall at any time effect a recapitalization, reclassification or other similar transaction of such character that the shares of Common Stock shall be changed into or become exchangeable for a larger or smaller number of shares, then upon the effective date thereof, the voting rights of each Series A Preferred Share, as set forth in paragraph 3 above, shall be increased or decreased, as applicable, in direct proportion to the increase or decrease in the number of shares of Common Stock by reason of such recapitalization, reclassification or similar transaction.

5. Exclusion of Other Rights. Except as may otherwise be required by law, the Series A Preferred Shares shall not have any preferences or relative, participating, optional or special rights, other than those specifically set forth in this resolution (as such resolution may be amended from time to time) and in the Articles.

6. Heading and Subdivision. The heading of the various subdivisions hereof is for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

7. Severability of Provisions. If any right, preference or limitation of the Series A Preferred Shares set forth in this resolution (as such resolution may be amended from time to time) is valid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other rights, preferences and limitations set forth in this resolution (as so amended) which can be given effect without the invalid, unlawful or unenforceable right, preference or limitation shall, nevertheless, remain in full force and effect, and no right, preference or limitation herein set forth shall be deemed dependent upon any other such right, preference or limitation unless so expressed herein.

8. Status of Cancelled Shares. Series A Preferred Shares which have been issued and cancelled in any manner shall (upon compliance with any applicable provisions of the laws of the State of Nevada) have the status of authorized and unissued Series A Preferred Shares issuable in series undesignated and may be re-designated and reissued

[signature page follows]

THIS NOTE HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS NOTE AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS NOTE MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES.

NORTHANN CORP.

Form of 7% Secured Convertible Promissory Note

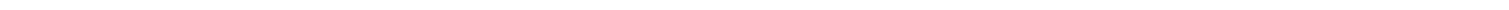
Note due May 16, 2024

Note No. \$
Dated: May 16, 2022 (the "Issuance Date")

For value received, Northann Corp., a Nevada corporation (the "Maker" or the "Company"), hereby promises to pay to the order of [____], a [____] (together with its successors and representatives, the "Holder"), in accordance with the terms hereinafter provided, the principal amount of [____] DOLLARS (\$[____]) (the "Principal Amount").

All payments under or pursuant to this 7% Secured Convertible Promissory Note (this "Note") shall be made in United States Dollars in immediately available funds to the Holder at the address of the Holder set forth in the Purchase Agreement (as hereinafter defined) or at such other place as the Holder may designate from time to time in writing to the Maker or by wire transfer of funds to the Holder's account, instructions for which are attached hereto as Exhibit A. The outstanding principal balance of this Note and any interest on the aggregate unconverted and then outstanding principal amount hereof shall be due and payable on the date that is the 24-month anniversary of the Issuance Date, or May [], 2024 (the "Maturity Date") or at such earlier time as provided herein. In the event that the Maturity Date shall fall on Saturday or Sunday, such Maturity Date shall be the next succeeding Business Day. All calculations made pursuant to this Note shall be rounded down to three decimal places.

This Note is one of a series of Notes of the Company in the aggregate principal amount of up to a maximum of Three Million and Five Hundred Thousand Dollars (\$3,500,000) (collectively, the "Notes").



ARTICLE 1

1.1 Purchase Agreement. This Note has been executed and delivered pursuant to the Securities Purchase Agreement, dated as of May [], 2022 (as the same may be amended from time to time, the “Purchase Agreement”), by and between the Maker and the Holder. Capitalized terms used and not otherwise defined herein shall have the meanings set forth for such terms in the Purchase Agreement.

1.2 Interest.

(a) Payment of Interest and Calculations. Interest shall accrue to the Holder on the aggregate unconverted and then outstanding principal amount of this Note at the rate of seven percent (7 per annum, calculated on the basis of a 360-day year and shall accrue daily commencing on the Issuance Date until payment in full of the Outstanding Principal Amount (or conversion to the extent applicable), together with all accrued and unpaid interest, liquidated damages, Late Fees and other amounts which may become due hereunder, has been made.

(b) Late Fees. All overdue accrued and unpaid interest to be paid hereunder shall entail a late fee at an interest rate equal to the lesser of 10% per annum or the maximum rate permitted by applicable law (the “Late Fees”) that shall accrue daily from the date such interest is due hereunder through and including the date of actual payment in full.

1.3 Prepayment. The Company may, at its election, prepay the principal amount of this Note in the amount equal to 125% of the Outstanding Principal Amount plus applicable interest.

1.4 Future Listing on a Trading Market. The Company intends to list its Common Stock on a Trading Market within 12 month from the date hereof. After an initial 12 month from the date hereof, if the Common Stock is not able or ceases, as applicable, to be eligible for quotation or listed on a Trading Market, (i) the Holder may deliver a demand for payment to the Company and, if such a demand is delivered, the Company shall, within ten (10) Business Days following receipt of the demand for payment from the Holder, pay all of the Outstanding Principal Amount or (ii) the Holder may, at its election, after the six-month anniversary of the Issuance Date or earlier if a Registration Statement covering the Conversion Shares has been declared effective, upon notice to the Company in accordance with Section 6.1, convert all or a portion of the Outstanding Principal Amount and the Conversion Price shall be adjusted to the then-current Conversion Price.

1.5 Payment on Non-Business Days. Whenever any payment to be made shall be due on a day which is not a Business Day, such payment may be due on the next succeeding Business Day.

1.6 Replacement. Upon receipt of a duly executed and notarized written statement from the Holder with respect to the loss, theft or destruction of this Note (or any replacement hereof), or, in the case of a mutilation of this Note, upon surrender and cancellation of such Note, the Maker shall issue a new Note, of like tenor and amount, in lieu of such lost, stolen, destroyed or mutilated Note.

1.7 Use of Proceeds. The Maker shall use the proceeds of this Note as set forth in the Purchase Agreement.

1.8 Status of Note and Security Interest. The obligations of the Maker under this Note shall be senior to all other existing Indebtedness and equity of the Company, except as otherwise set forth in Section 2.5 of the Purchase Agreement. Upon any Liquidation Event (as hereinafter defined), the Holder will be entitled to receive, before any distribution or payment is made upon, or set apart with respect to, any Indebtedness of the Maker or any class of capital stock of the Maker, an amount equal to the Outstanding Principal Amount. For purposes of this Note, "Liquidation Event" means a liquidation pursuant to a filing of a petition for bankruptcy under applicable law or any other insolvency or debtor's relief, an assignment for the benefit of creditors, or a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Maker.

1.9 Secured Note. The full amount of this Note plus any other fees and expenses due hereunder or under any other Transaction Document is secured by the Collateral (as defined in the Security Agreement) identified and described as security therefor in the Security Agreement, the Company Patent Security Agreement and the Company Trademark Security Agreement. In addition, the obligations are also guaranteed by the Company's Subsidiaries, pursuant to the Subsidiary Guaranty, and all of Subsidiaries' obligations under the Subsidiary Guaranty are secured by the "Collateral" (as defined in the Subsidiary Security Agreement) identified and described as security therefor in the Subsidiary Security Agreement.

ARTICLE 2

2.1 Events of Default. An "Event of Default" under this Note shall mean the occurrence of any of the events defined in the Purchase Agreement, and any of the additional events described below:

(a) any default in the payment of (i) the Principal Amount hereunder when due; or (ii) liquidated damages in respect of this Note as and when the same shall become due and payable (whether on the Maturity Date or by acceleration or otherwise);

(b) the Maker shall fail to observe or perform any other covenant, condition or agreement contained in this Note or the Maker or any Subsidiary, as applicable, shall fail to observe or perform any other covenant, condition or agreement contained in any Transaction Document;

(c) the Maker's notice to the Holder, including by way of public announcement, at any time, of its inability to comply (including for any of the reasons described in Section 4.5(a) hereof) or its intention not to comply with proper requests for conversion of this Note into shares of Common Stock;

(d) the Maker shall fail to (i) timely deliver the shares of Common Stock as and when required in Section 4.2; or (ii) make the payment of any fees and/or liquidated damages under this Note, the Purchase Agreement or the other Transaction Documents;

(e) default shall be made in the performance or observance of any material covenant, condition or agreement contained in the Purchase Agreement or any other Transaction Document that is not covered by any other provisions of this Section 2.1;

(f) at any time the Maker shall fail to have a sufficient number of shares of Common Stock authorized, reserved and available for issuance to satisfy the potential conversion in full (disregarding for this purpose any and all limitations of any kind on such conversion) of this Note or upon exercise of the Warrants (as such term is defined in the Purchase Agreement);

(g) any representation or warranty made by the Maker or any of its Subsidiaries herein or in the Purchase Agreement, this Note, the Warrants or any other Transaction Document shall prove to have been false or incorrect or breached in a material respect on the date as of which made;

(h) unless otherwise approved in writing in advance by the Holder, the Maker shall, or shall announce an intention to pursue or consummate a Change of Control, or a Change of Control shall be consummated, or the Maker shall negotiate, propose or enter into any agreement, understanding or arrangement with respect to any Change of Control;

(i) the Maker or any of its Subsidiaries shall (A) default in any payment of any amount or amounts of principal of or interest (if any) on any Indebtedness (other than the Indebtedness hereunder), the aggregate principal amount of which Indebtedness is in excess of \$100,000 or (B) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders or beneficiary or beneficiaries of such Indebtedness to cause with the giving of notice if required, such Indebtedness to become due prior to its stated maturity;

(j) the Maker or any of its Subsidiaries shall: (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property or assets; (ii) make a general assignment for the benefit of its creditors; (iii) commence a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction (foreign or domestic); (iv) file a petition seeking to take advantage of any bankruptcy, insolvency, moratorium, reorganization or other similar law affecting the enforcement of creditors' rights generally; (v) acquiesce in writing to any petition filed against it in an involuntary case under United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction (foreign or domestic); (vi) issue a notice of bankruptcy or winding down of its operations or issue a press release regarding same; or (vii) take any action under the laws of any jurisdiction (foreign or domestic) analogous to any of the foregoing;

(k) a proceeding or case shall be commenced in respect of the Maker, or any of its Subsidiaries, without its application or consent, in any court of competent jurisdiction, seeking: (i) the liquidation, reorganization, moratorium, dissolution, winding up, or composition or readjustment of its debts; (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets in connection with the liquidation or dissolution of the Maker or any of its Subsidiaries; or (iii) similar relief in respect of it under any law providing for the relief of debtors, and such proceeding or case described in clause (i), (ii) or (iii) shall continue undismitted, or unstayed and in effect, for a period of forty-five (45) days or any order for relief shall be entered in an involuntary case under United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction (foreign or domestic) against the Maker or any of its Subsidiaries or action under the laws of any jurisdiction (foreign or domestic) analogous to any of the foregoing shall be taken with respect to the Maker or any of its Subsidiaries and shall continue undismitted, or unstayed and in effect for a period of forty-five (45) days;

(l) one or more final judgments or orders for the payment of money aggregating in excess of \$100,000 (or its equivalent in the relevant currency of payment) are rendered against one or more of the Company and its Subsidiaries;

(m) the failure of the Maker to instruct its transfer agent to remove any legends from shares of Common Stock and issue such unlegended certificates to the Holder within three (3) Trading Days of the Holder's request so long as the Holder has provided reasonable assurances to the Maker that such shares of Common Stock can be sold pursuant to Rule 144 or any other applicable exemption;

(n) the occurrence of a Material Adverse Effect in respect of the Maker, or the Maker and its Subsidiaries taken as a whole.

For the avoidance of doubt, any default pursuant to clause (i) above shall not be subject to any cure periods pursuant to the instrument governing such Indebtedness or this Note.

2.2 Remedies Upon an Event of Default.

(a) Upon the occurrence of any Event of Default that has not been remedied within (i) two (2) Business Days for an Event of Default occurring by the Company's failure to comply with Section 7.1(c) of the Purchase Agreement or Section 4.2 of this Note, or (ii) ten (10) Business Days for all other Events of Default, *provided, however*, that there shall be no cure period for an Event of Default described in Section 2.1(i), 2.1(j) or 2.1(k), the Maker shall be obligated to pay to the Holder the Mandatory Default Amount, which Mandatory Default Amount shall be earned by the Holder on the date the Event of Default giving rise thereto occurs and shall be due and payable on the earlier to occur of the Maturity Date, upon conversion, redemption or prepayment of this Note or the date on which all amounts owing hereunder have been accelerated in accordance with the terms hereof.

(b) Upon the occurrence of any Event of Default, if any Investor alleges in writing a claim of breach, the Maker shall, as promptly as possible but in any event within one (1) Business Day of receipt of such claim, furnish a copy of such claim to the Holder and notify the Holder the Maker's response thereto. Thereafter, if the Requisite Holders join with the initiating noteholder, then the Requisite Holders shall select a noteholder representative (the "Representative") to represent their interests hereunder and under the other Transaction Documents. The Representative shall thereafter be able to act on behalf of the holders of the Notes and pursue remedies under the Notes and the other Transaction Documents, amend or waive the Notes and the other Transaction Documents or otherwise act on behalf of the holders of the Notes hereunder and thereunder.

(c) If an Event of Default shall have occurred and shall not have been remedied within (i) two (2) Business Days for an Event of Default occurring by the Company's failure to comply with Section 7.1(c) of the Purchase Agreement or Section 4.2 of this Note, or (ii) ten (10) Business Days for all other Events of Default, *provided, however*, that there shall be no cure period for an Event of Default described in Section 2.1(i), 2.1(j) or 2.1(k), the Holder may at any time at its option declare the Mandatory Default Amount due and payable, and thereupon, the same shall be accelerated and so due and payable, without presentment, demand, protest, or notice, all of which are hereby expressly unconditionally and irrevocably waived by the Maker; *provided, further, however*, that (x) upon the occurrence of an Event of Default described above, the Holder, in its sole and absolute discretion, may: (a) from time-to-time demand that all or a portion of the Outstanding Principal Amount be converted into shares of Common Stock at the then-current Conversion Price; or (b) exercise or otherwise enforce any one or more of the Holder's rights, powers, privileges, remedies and interests under this Note, the Purchase Agreement, the other Transaction Documents or applicable law and (y) upon the occurrence of an Event of Default described in clauses (k) or (l) above, the Mandatory Default Amount shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Maker. No course of delay on the part of the Holder shall operate as a waiver thereof or otherwise prejudice the rights of the Holder. No remedy conferred hereby shall be exclusive of any other remedy referred to herein or now or hereafter available at law, in equity, by statute or otherwise.

ARTICLE 3

3.1 Registration under Registration Statement. The Holder's registration rights are set forth in the Registration Rights Agreement.

3.2 Different Denominations. This Note is exchangeable for an equal aggregate principal amount of Note of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.

3.3 Investment Representations. This Note has been issued subject to certain investment representations of the Holder and may be transferred or exchanged, subject to the provisions of Section 6.8 of this Note, only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.

3.4 Reliance on Note Register. Prior to due presentment for transfer to the Company of this Note, the Company and any agent of the Company may treat the Person in whose name this Note is duly registered on the Note Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

ARTICLE 4

4.1 Conversion.

(a) Voluntary Conversion. At any time after the six-month anniversary of the Issuance Date or earlier if a Registration Statement covering the Conversion Shares has been declared effective until this Note is no longer outstanding, subject to Section 4.3, this Note shall be convertible (in whole or in part), at the option of the Holder, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing (x) that portion of the Outstanding Principal Amount that the Holder elects to convert (the "Conversion Amount") by (y) the Conversion Price then in effect on the date on which the Holder delivers a notice of conversion, in substantially the form attached hereto as Exhibit B (the "Conversion Notice"), in accordance with Section 6.1 to the Maker. The Holder shall deliver this Note to the Maker at the address designated in the Purchase Agreement at such time that this Note is fully converted. With respect to partial conversions of this Note, the Maker shall keep written records of the amount of this Note converted as of the date of such conversion (each, a "Conversion Date", and such record, the "Note Register"). No ink-original Conversion Notice shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Conversion Notice form be required. To effect conversions hereunder, the Holder shall not be required to physically surrender this Note to the Company unless the entire principal amount of this Note, plus all accrued and unpaid interest thereon, has been so converted. Conversions hereunder shall have the effect of lowering the Outstanding Principal Amount in an amount equal to the applicable conversion. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. **The Holder, and any assignee by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note may be less than the amount stated on the face hereof.**

(b) Conversion Price. The “Conversion Price” shall be equal to \$3.50 (the “Base Conversion Price”), as such amount may be adjusted, from time to time, pursuant to the provisions of Section 4.4 hereafter. All such foregoing determinations will be appropriately adjusted for any stock dividend, stock split, stock combination, recapitalization or similar transaction that proportionately decreases or increases the shares of Common Stock during such measuring period. In addition to the foregoing adjustments, if, at any time while this Note is outstanding, the Company consummates an equity financing pursuant to which it sells Additional Shares of Common Stock or Common Stock Equivalents (collectively, “Next Round Securities”), with a gross aggregate amount of securities sold of not less than \$5,000,000, excluding any and all indebtedness under this Note that is converted into Next Round Securities, and with the principal purpose of raising capital; provided, that the Company is listed on a Trading Market that is a senior exchange such as The NASDAQ Global Market, The NASDAQ Global Select Market, The NASDAQ Capital Market, or the New York Stock Exchange (a “Qualified Financing”), then the Base Conversion Price, shall automatically adjusted to the lesser of (i) 30% discount to the cash price per share paid by the other purchasers of Next Round Securities in the Qualified Financing (the “Automatic Conversion Price”) and (ii) the Base Conversion Price, subject to Customary Adjustments. Notwithstanding the foregoing, the Conversion Price shall not be adjusted below the lower of the Automatic Conversion Price or the Base Conversion Price other than as the result of the adjustments or readjustments pursuant to Section 4.4 hereof. Nothing herein shall limit a Holder’s right to pursue actual damages or declare an Event of Default pursuant to Article 2 hereof and the Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law,

(c) Company Conversion. If at any time following the six months’ anniversary of the final Closing Date or termination of the Offering and if there is an effective registration statement permitting the issuance of the Conversion Shares to or resale of the Conversion Shares by the Holder, (A) the Company’s Common Stock is listed on a senior national securities exchange set forth above, (B) the daily VWAP for the prior twenty (20) consecutive Trading Days is \$8.00 or more (adjusted for splits and similar distributions) and (C) the daily trading volume is at least \$1,000,000 during such twenty (20)-day period (the events set forth in clauses (A) through (C) above, collectively, the “Conditions”), then the Company shall have the right to require the Holder to convert all or any portion of the principal and accrued interest then remaining under this Note into validly issued, fully paid and non-assessable shares of Common Stock in accordance with this Section 4.1 at the Conversion Price in effect on the Mandatory Conversion Date (as defined below) (a “Mandatory Conversion”). The Company may exercise its right to require conversion under this Section 4.1(c) by delivering a written notice thereof by facsimile and overnight courier to the Holder stating (i) the Trading Day selected for the Mandatory Conversion in accordance with this Section 4.1(c), which Trading Day shall be no sooner than five (5) Trading Days nor later than ten (10) Trading Days following the date of notice, (ii) the twenty (20) Trading Day period over which the VWAP was calculated, (iii) the portion of the conversion amount subject to the Mandatory Conversion pursuant to this Section 4.1(c), and (iv) the number of shares of Common Stock to be issued to the Holder (subject to adjustment for any downward adjustments to the Conversion Price occurring under this Note after the execution of the Mandatory Conversion notice by the Company).

4.2 Delivery of Conversion Shares. As soon as practicable after any conversion in accordance with this Note and in any event within two (2) Trading Days thereafter (such date, the “Share Delivery Date”), the Maker shall, at its expense, cause to be issued in the name of and delivered to the Holder, or as the Holder may direct, a certificate or certificates evidencing the number of fully paid and non-assessable shares of Common Stock to which the Holder shall be entitled on such conversion (the “Conversion Shares”), in such denominations as may be requested by the Holder, which certificate or certificates shall be free of restrictive and trading legends (except for any such legends as may be required under the Securities Act). In lieu of delivering physical certificates for the shares of Common Stock issuable upon any conversion of this Note, provided the Company’s transfer agent is participating in the Depository Trust Company (“DTC”) Fast Automated Securities Transfer program or a similar program, upon request of the Holder, the Company shall cause its transfer agent to electronically transmit such shares of Common Stock issuable upon conversion of this Note to the Holder (or its designee), by crediting the account of the Holder’s (or such designee’s) broker with DTC through its Deposit Withdrawal Agent Commission system (provided that the same time periods herein as for stock certificates shall apply) as instructed by the Holder (or its designee).

4.3 Ownership Cap. Notwithstanding anything to the contrary contained herein, the Holder shall not be entitled to receive shares representing Equity Interests upon conversion of this Note to the extent (but only to the extent) that such exercise or receipt would cause the Holder Group (as defined below) to become, directly or indirectly, a “beneficial owner” (within the meaning of Section 13(d) of the 1934 Act and the rules and regulations promulgated thereunder) of a number of Equity Interests of a class that is registered under the 1934 Act which exceeds the Maximum Percentage (as defined below) of the Equity Interests of such class that are outstanding at such time. Any purported delivery of Equity Interests in connection with the conversion of this Note prior to the termination of this restriction in accordance herewith shall be void and have no effect to the extent (but only to the extent) that such delivery would result in the Holder Group becoming the beneficial owner of more than the Maximum Percentage of the Equity Interests of a class that is registered under the 1934 Act that is outstanding at such time. If any delivery of Equity Interests owed to the Holder following conversion of this Note is not made, in whole or in part, as a result of this limitation, the Company’s obligation to make such delivery shall not be extinguished and the Company shall deliver such Equity Interests as promptly as practicable after the Holder gives notice to the Company that such delivery would not result in such limitation being triggered or upon termination of the restriction in accordance with the terms hereof. To the extent limitations contained in this Section 4.3 apply, the determination of whether this Note is convertible and of which portion of this Note is convertible shall be the sole responsibility and in the sole determination of the Holder, and the submission of a notice of conversion shall be deemed to constitute the Holder’s determination that the issuance of the full number of Conversion Shares requested in the notice of conversion is permitted hereunder, and the Company shall not have any obligation to verify or confirm the accuracy of such determination. For purposes of this Section 4.3, (i) the term “Maximum Percentage” shall mean 4.99%; provided, that if at any time after the date hereof the Holder Group beneficially owns in excess of 4.99% of any class of Equity Interests in the Company that is registered under the 1934 Act, then the Maximum Percentage shall automatically increase to 9.99% so long as the Holder Group owns in excess of 4.99% of such class of Equity Interests (and shall, for the avoidance of doubt, automatically decrease to 4.99% upon the Holder Group ceasing to own in excess of 4.99% of such class of Equity Interests); and (ii) the term “Holder Group” shall mean the Holder plus any other Person with which the Holder is considered to be part of a group under Section 13 of the 1934 Act or with which the Holder otherwise files reports under Sections 13 and/or 16 of the 1934 Act. In determining the number of Equity Interests of a particular class outstanding at any point in time, the Holder may rely on the number of outstanding Equity Interests of such class as reflected in (x) the Company’s most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission, as the case may be, (y) a more recent public announcement by the Company or (z) a more recent notice by the Company or its transfer agent to the Holder setting forth the number of Equity Interests of such class then outstanding. For any reason at any time, upon written or oral request of the Holder, the Company shall, within one (1) Business Day of such request, confirm orally and in writing to the Holder the number of Equity Interests of any class then outstanding. Anything herein to the contrary, any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this Section 4.3 shall be construed, corrected and implemented in a manner so as to effectuate the intended beneficial ownership limitation herein contained.

4.4 Adjustment of Base Conversion Price.

(a) Until the Note has been paid in full or converted in full, the Base Conversion Price shall be subject to adjustment from time to time as follows (but shall not be increased, other than pursuant to Section 4.4(a)(i) hereof):

(i) Adjustments for Stock Splits and Combinations. If the Maker shall at any time or from time to time after the Closing Date (but whether before or after the Issuance Date) effect a split of the outstanding Common Stock, the applicable Base Conversion Price in effect immediately prior to the stock split shall be proportionately decreased. If the Maker shall at any time or from time to time after the Closing Date (but whether before or after the Issuance Date), combine the outstanding shares of Common Stock, the applicable Base Conversion Price in effect immediately prior to the combination shall be proportionately increased. Any adjustments under this Section 4.4(a)(i) shall be effective at the close of business on the date the stock split or combination occurs.

(ii) Adjustments for Certain Dividends and Distributions. If the Maker shall at any time or from time to time after the Closing Date (but whether before or after the Issuance Date) make or issue or set a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in shares of Common Stock, then, and in each event, the applicable Base Conversion Price in effect immediately prior to such event shall be decreased as of the time of such issuance or, in the event such record date shall have been fixed, as of the close of business on such record date, by multiplying the applicable Base Conversion Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date; and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

(iii) Adjustment for Other Dividends and Distributions. If the Maker shall at any time or from time to time after the Closing Date (but whether before or after the Issuance Date) make or issue or set a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in other than shares of Common Stock, then, and in each event, an appropriate revision to the applicable Base Conversion Price shall be made and provision shall be made (by adjustments of the Base Conversion Price or otherwise) so that the Holder of this Note shall receive upon conversions thereof, in addition to the number of shares of Common Stock receivable thereon, the number of securities of the Maker or other issuer (as applicable) or other property that it would have received had this Note been converted into Common Stock in full (without regard to any conversion limitations herein) on the date of such event and had thereafter, during the period from the date of such event to and including the Conversion Date, retained such securities (together with any distributions payable thereon during such period) or assets, giving application to all adjustments called for during such period under this Section 4.4(a)(iii) with respect to the rights of the holders of this Note; *provided, however*, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Base Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions.

(iv) Adjustments for Reclassification, Exchange or Substitution. If the Common Stock at any time or from time to time after the Closing Date (but whether before or after the Issuance Date) shall be changed to the same or different number of shares or other securities of any class or classes of stock or other property, whether by reclassification, exchange, substitution or otherwise (other than by way of a stock split or combination of shares or stock dividends provided for in Sections 4.4(a)(i), (ii) and (iii) hereof, or a reorganization, merger, consolidation, or sale of assets provided for in Section 4.4(a)(v) hereof), then, and in each event, an appropriate revision to the Base Conversion Price shall be made and provisions shall be made (by adjustments of the Base Conversion Price or otherwise) so that the Holder shall have the right thereafter to convert this Note into the kind and amount of shares of stock or other securities or other property receivable upon reclassification, exchange, substitution or other change, by holders of the number of shares of Common Stock into which such Note might have been converted immediately prior to such reclassification, exchange, substitution or other change, all subject to further adjustment as provided herein.

(v) Adjustments for Issuance of Additional Shares of Common Stock. In the event the Maker or any Subsidiary shall at any time or from time to time after the Closing Date (but whether before or after the Issuance Date) issue or sell any additional shares of Common Stock or Common Stock Equivalents (“Additional Shares of Common Stock”), other than (A) as provided in this Note (including the foregoing subsections (i) through (iv) of this Section 4.4(a)), pursuant to any Equity Plan (including pursuant to Common Stock Equivalents granted or issued under any Equity Plan), (B) pursuant to Common Stock Equivalents granted or issued prior to the Closing Date, (C) Exempted Securities (as such term is defined in the Purchase Agreement), or (D) pursuant to a Qualified Financing, in any case, at an effective price per share that is **less** than the Base Conversion Price then in effect or without consideration, (such lower price, the “Base Share Price” and such issuances collectively, a “Dilutive Issuance”) (it being understood and agreed that if the holder of the Common Stock or Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive Common Stock at an effective price per share that is less than the Base Conversion Price, such issuance shall be deemed to have occurred for less than the Base Conversion Price on such date of the Dilutive Issuance at such effective price), then simultaneously with the consummation of each Dilutive Issuance the Base Conversion Price shall be reduced and only reduced to equal the Base Share Price. Such adjustment shall be made whenever such Common Stock or Stock Equivalents are issued. The Company shall notify the Holder, in writing, no later than the Trading Day before the issuance or deemed issuance of any Common Stock or Stock Equivalents subject to this Section 4.4(a)(v), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the “Dilutive Issuance Notice”). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 4.4(a)(v), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Conversion Shares based upon the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Notice of Conversion. If the Company enters into a Variable Rate Transaction, despite the prohibition thereon in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Stock Equivalents at the lowest possible conversion or exercise price at which such Securities may be converted or exercised.

(vi) Issuance, Amendment or Adjustment of Common Stock Equivalents. Except for Exempted Securities, if other than pursuant to a Qualified Financing, (x) the Maker, at any time after the Closing Date (but whether before or after the Issuance Date), shall issue any securities convertible into or exercisable or exchangeable for, directly or indirectly, Common Stock (“Convertible Securities”), or any rights or warrants or options to purchase any such Common Stock or Convertible Securities, other than Common Stock Equivalents granted or issued under any Equity Plan (collectively with the Convertible Securities, the “Common Stock Equivalents”) and the price per share for which shares of Common Stock may be issuable pursuant to any such Common Stock Equivalent shall be **less** than the applicable Base Conversion Price then in effect, or (y) the price per share for which shares of Common Stock may be issuable under any Common Stock Equivalents is amended or adjusted, pursuant to the terms of such Common Stock Equivalents or otherwise, and such price as so amended or adjusted shall be less than the applicable Base Conversion Price in effect at the time of such amendment or adjustment, then, in each such case (x) or (y), the applicable Base Conversion Price upon each such issuance or amendment or adjustment shall be adjusted as provided in subsection (v) of this Section 4.4(a) as if the maximum number of shares of Common Stock issuable upon conversion, exercise or exchange of such Common Stock Equivalents had been issued on the date of such issuance or amendment or adjustment.

(vii) Consideration for Stock. In case any shares of Common Stock or any Common Stock Equivalents shall be issued or sold:

(1) in connection with any merger or consolidation in which the Maker is the surviving corporation (other than any consolidation or merger in which the previously outstanding shares of Common Stock of the Maker shall be changed to or exchanged for the stock or other securities of another corporation), the amount of consideration therefor shall be, deemed to be the fair value, as determined reasonably and in good faith by the Board of Directors of the Maker and approved by the Holder, of such portion of the assets and business of the nonsurviving corporation as such Board of Directors may determine to be attributable to such shares of Common Stock, Convertible Securities, rights or warrants or options, as the case may be; or

(2) in the event of any consolidation or merger of the Maker in which the Maker is not the surviving corporation or in which the previously outstanding shares of Common Stock of the Maker shall be changed into or exchanged for the stock or other securities of another corporation or other property, or in the event of any sale of all or substantially all of the assets of the Maker for stock or other securities or other property of any corporation, the Maker shall be deemed to have issued shares of its Common Stock, at a price per share equal to the valuation of the Maker's Common Stock based on the actual exchange ratio on which the transaction was predicated, as applicable, and the fair market value on the date of such transaction of all such stock or securities or other property of the other corporation. If any such calculation results in adjustment of the applicable Base Conversion Price, or the number of shares of Common Stock issuable upon conversion of the Note, the determination of the applicable Base Conversion Price or the number of shares of Common Stock issuable upon conversion of the Note immediately prior to such merger, consolidation or sale, shall be made after giving effect to such adjustment of the number of shares of Common Stock issuable upon conversion of the Note. In the event Common Stock is issued with other shares or securities or other assets of the Maker for consideration which covers both, the consideration computed as provided in this Section 4.4(a)(vii) shall be allocated among such securities and assets as determined in good faith by the Board of Directors of the Maker, and approved by the Holder.

(viii) Record Date. In case the Maker shall take record of the holders of its Common Stock for the purpose of entitling them to subscribe for or purchase Common Stock or Convertible Securities, then the date of the issue or sale of the shares of Common Stock shall be deemed to be such record date.

(b) No Impairment. The Maker shall not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Maker, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4.4 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the Holder against impairment. In the event the Holder shall elect to convert this Note as provided herein, the Maker cannot refuse conversion based on any claim that the Holder or anyone associated or affiliated with the Holder has been engaged in any violation of law, violation of an agreement to which the Holder is a party or for any reason whatsoever, unless, an injunction from a court, or notice, restraining and or adjoining conversion of this Note shall have issued and the Maker posts a surety bond for the benefit of the Holder in an amount equal to one-hundred-fifty percent (150%) of the Principal Amount of the Note the Holder has elected to convert, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to the Holder (as liquidated damages) in the event it obtains judgment.

(c) Certificates as to Adjustments. Upon occurrence of each adjustment or readjustment of the Base Conversion Price or number of shares of Common Stock issuable upon conversion of this Note pursuant to this Section 4.4, the Maker at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Holder a certificate setting forth such adjustment and readjustment, showing in detail the facts upon which such adjustment or readjustment is based. The Maker shall, upon written request of the Holder, at any time, furnish or cause to be furnished to the Holder a like certificate setting forth such adjustments and readjustments, the applicable Base Conversion Price in effect at the time, and the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon the conversion of this Note.

(d) Issue Taxes. The Maker shall pay any and all issue and other taxes, excluding federal, state or local income taxes, that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of this Note pursuant thereto; *provided, however*, that the Maker shall not be obligated to pay any transfer taxes resulting from any transfer requested by the Holder in connection with any such conversion.

(e) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of this Note. In lieu of any fractional shares to which the Holder would otherwise be entitled, the Maker shall pay cash equal such fractional shares multiplied by the Conversion Price then in effect.

(f) Reservation of Common Stock. The Maker shall at all times while this Note shall be outstanding, reserve and keep available out of its authorized but unissued Common Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of this Note (disregarding for this purpose any and all limitations of any kind on such conversion). The Maker shall, from time to time, increase the authorized number of shares of Common Stock or take other effective action if at any time the unissued number of authorized shares shall not be sufficient to satisfy the Maker's obligations under this Section 4.4(f).

(g) Regulatory Compliance. If any shares of Common Stock to be reserved for the purpose of conversion of this Note require registration or listing with or approval of any governmental authority, stock exchange or other regulatory body under any federal or state law or regulation or otherwise (including pursuant to Section 3.1 hereof) before such shares may be validly issued or delivered upon conversion, the Maker shall, at its sole cost and expense, in good faith and as expeditiously as possible, secure such registration, listing or approval, as the case may be.

(h) Effect of Events Prior to the Issuance Date. If the Issuance Date of this Note is after the Closing Date, then, if the Base Conversion Price or any other right of the Holder of this Note would have been adjusted or modified by operation of any provision of this Note had this Note been issued on the Closing Date, such adjustment or modification shall be deemed to apply to this Note as of the Issuance Date as if this Note had been issued on the Closing Date.

4.5 Inability to Fully Convert.

(a) Holder's Option if Maker Cannot Fully Convert. If, upon the Maker's receipt of a Conversion Notice or as otherwise required under this Note, the Maker cannot issue shares of Common Stock for any reason, including, without limitation, because the Maker (x) does not have a sufficient number of shares of Common Stock authorized and available or (y) is otherwise prohibited by applicable law or by the rules or regulations of any stock exchange, interdealer quotation system or other self-regulatory organization with jurisdiction over the Maker or any of its securities from issuing all of the Common Stock which is to be issued to the Holder pursuant to this Note, then the Maker shall issue as many shares of Common Stock as it is able to issue and, with respect to the unconverted portion of this Note or with respect to any shares of Common Stock not timely issued in accordance with this Note, the Holder, solely at Holder's option, can elect to:

(i) void its Conversion Notice and retain or have returned, as the case may be, this Note that was to be converted pursuant to the Conversion Notice (provided that the Holder's voiding its Conversion Notice shall not affect the Maker's obligations to make any payments which have accrued prior to the date of such notice); or

(ii) defer issuance of the applicable Conversion Shares until such time as the Maker can legally issue such shares; provided, that the Principal Amount underlying such Conversion Shares shall remain outstanding until the delivery of such Conversion Shares; provided, further, that if the Holder elects to defer the issuance of the Conversion Shares, it may exercise its rights under either clause (i) or (ii) above at any time prior to the issuance of the Conversion Shares upon two (2) Business Days' notice to the Maker.

(b) Mechanics of Fulfilling Holder's Election. The Maker shall immediately send to the Holder, upon receipt of a Conversion Notice from the Holder, which cannot be fully satisfied as described in Section 4.5(a) above, a notice of the Maker's inability to fully satisfy the Conversion Notice (the "Inability to Fully Convert Notice"). Such Inability to Fully Convert Notice shall indicate (i) the reason why the Maker is unable to fully satisfy the Holder's Conversion Notice; and (ii) the amount of this Note which cannot be converted. The Holder shall notify the Maker of its election pursuant to Section 4.5(a) above by delivering written notice to the Maker ("Notice in Response to Inability to Convert").

4.6 Not Deemed as Stockholder. Except as otherwise specifically provided herein, the Holder, solely in its capacity as a holder of this Note, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Note be construed to confer upon the Holder, solely in its capacity as the Holder of this Note, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Conversion Shares which it is then entitled to receive upon the due conversion of this Note. In addition, nothing contained in this Note shall be construed as imposing any liabilities on the Holder to purchase any securities (upon conversion of this Note or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

ARTICLE 5

5.1 Covenants. For so long as any Note is outstanding, without the prior written consent of the Holder:

(a) Compliance with Transaction Documents. The Maker shall, and shall cause its Subsidiaries to, comply with its obligations under this Note and the other Transaction Documents.

(b) Payment of Taxes, Etc. The Maker shall, and shall cause each of its Subsidiaries to, promptly pay and discharge, or cause to be paid and discharged, when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon the income, profits, property or business of the Maker and the Subsidiaries, except for such failures to pay that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect; *provided, however*, that any such tax, assessment, charge or levy need not be paid if the validity thereof shall currently be contested in good faith by appropriate proceedings and if the Maker or such Subsidiaries shall have set aside on its books adequate reserves with respect thereto, and *provided, further*, that the Maker and such Subsidiaries will pay all such taxes, assessments, charges or levies forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

(c) Corporate Existence. The Maker shall, and shall cause each of its Subsidiaries to, maintain in full force and effect its corporate existence, rights and franchises and all licenses and other rights to use property owned or possessed by it and reasonably deemed to be necessary to the conduct of its business.

(d) Investment Company Act. The Maker shall conduct its businesses in a manner so that it will not become subject to, or required to be registered under, the Investment Company Act of 1940, as amended.

(e) Sale of Collateral; Liens. From the date hereof until the full release of the security interest in the Collateral and the “Collateral” (as such term is defined in the Subsidiary Security Agreement) (the “Subsidiary Collateral”), without the prior written consent of a Majority in Interest of the Investors (as such term is defined in the Purchase Agreement), (i) the Maker shall not, and shall not permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of any of the Collateral, or attempt or contract to do so or permit any of its Subsidiaries to attempt or contract to do so, other than sales of inventory in the ordinary course of business consistent with past practices; and (ii) the Maker shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, permit or suffer to exist, and shall defend, and cause its Subsidiaries to defend, the Collateral against and take such other action, as is necessary to remove, any lien, security interest or other encumbrance on the Collateral and the Subsidiary Collateral (except for the pledge, assignment and security interest created under the Security Agreement, the Subsidiary Security Agreement, any Permitted Liens (as defined in the Security Agreement) or any “Permitted Lien” (as defined in the Subsidiary Security Agreement)).

(f) Prohibited Transactions. The Company hereby covenants and agrees not to enter into any Prohibited Transactions as set forth in the Purchase Agreement ..

5.2 Set-Off. This Note shall be subject to the set-off provisions set forth in the Purchase Agreement.

ARTICLE 6

6.1 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via email at the email address specified in this Section prior to 5:00 p.m. (New York time) on a Business Day, (b) the next Business Day after the date of transmission, if such notice or communication is delivered via email at the email address specified in this Section on a day that is not a Business Day or later than 5:00 p.m. (New York time) on any date and earlier than 11:59 p.m. (New York time) on such date, (c) the Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The addresses for notice shall be as set forth in the Purchase Agreement.

6.2 Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of New York, without reference to principles of conflict of laws or choice of laws. This Note shall not be interpreted or construed with any presumption against the party causing this Note to be drafted.

6.3 Headings. Article and section headings in this Note are included herein for purposes of convenience of reference only and shall not constitute a part of this Note for any other purpose.

6.4 Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note, at law or in equity (including, without limitation, a decree of specific performance and/or other injunctive relief), no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit the Holder’s right to pursue actual damages for any failure by the Maker to comply with the terms of this Note. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the holder thereof and shall not, except as expressly provided herein, be subject to any other obligation of the Maker (or the performance thereof). The Maker acknowledges that a breach by it of its obligations hereunder will cause irreparable and material harm to the Holder and that the remedy at law for any such breach would be inadequate. Therefore, the Maker agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available rights and remedies, at law or in equity, to equitable relief, including but not limited to an injunction restraining any such breach or threatened breach, without the necessity of showing economic loss and without any bond or other security being required.

6.5 Enforcement Expenses. The Maker agrees to pay all costs and expenses of enforcement of this Note, including, without limitation, reasonable attorneys' fees and expenses.

6.6 Binding Effect. The obligations of the Maker and the Holder set forth herein shall be binding upon the successors and assigns of each such party, whether or not such successors or assigns are permitted by the terms herein.

6.7 Amendments; Waivers. No provision of this Note may be waived or amended except in a written instrument signed by the Company and the Holder. No waiver of any default with respect to any provision, condition or requirement of this Note shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right.

6.8 Compliance with Securities Laws. The Holder of this Note acknowledges that this Note is being acquired solely for the Holder's own account and not as a nominee for any other party, and for investment, and that the Holder shall not offer, sell or otherwise dispose of this Note in violation of securities laws. This Note and any Note issued in substitution or replacement therefor shall be stamped or imprinted with a legend in substantially the following form:

“THIS NOTE AND THE SECURITIES INTO WHICH THIS NOTE IS CONVERTIBLE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.”

6.9 Jurisdiction; Venue. Any action, proceeding or claim arising out of, or relating in any way to this Agreement shall be brought and enforced in the New York State Court or in the United States District Court sitting in New York County, New York. The Company and the Holder irrevocably submit to the jurisdiction of such courts, which jurisdiction shall be exclusive, and hereby waive any objection to such exclusive jurisdiction or that such courts represent an inconvenient forum. The prevailing party in any such action shall be entitled to recover its reasonable and documented attorneys' fees and out-of-pocket expenses relating to such action or proceeding.

6.10 Parties in Interest. This Note shall be binding upon, inure to the benefit of and be enforceable by the Maker, the Holder and their respective successors and permitted assigns.

6.11 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

6.12 Maker Waivers. Except as otherwise specifically provided herein, the Maker and all others that may become liable for all or any part of the obligations evidenced by this Note, hereby waive presentment, demand, notice of nonpayment, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note, and do hereby consent to any number of renewals or extensions of the time or payment hereof and agree that any such renewals or extensions may be made without notice to any such persons and without affecting their liability herein and do further consent to the release of any person liable hereon, all without affecting the liability of the other persons, firms or Maker liable for the payment of this Note, AND DO HEREBY WAIVE TRIAL BY JURY.

(a) No delay or omission on the part of the Holder in exercising its rights under this Note, or course of conduct relating hereto, shall operate as a waiver of such rights or any other right of the Holder, nor shall any waiver by the Holder of any such right or rights on any one occasion be deemed a waiver of the same right or rights on any future occasion.

(b) THE MAKER ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS NOTE IS A PART IS A COMMERCIAL TRANSACTION, AND TO THE EXTENT ALLOWED BY APPLICABLE LAW, HEREBY WAIVES ITS RIGHT TO NOTICE AND HEARING WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE HOLDER OR ITS SUCCESSORS OR ASSIGNS MAY DESIRE TO USE.

6.13 Disclosure. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Note, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries, the Company shall within two (2) Business Days after such receipt or delivery publicly disclose such material, nonpublic information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, non-public information relating to the Company or its Subsidiaries, the Company so shall indicate to the Holder contemporaneously with delivery of such notice, and in the absence of any such indication, upon the passage of two (2) Business Days, the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries.

6.14 Definitions. Capitalized terms used herein and not defined shall have the meanings set forth in the Purchase Agreement. For the purposes hereof, the following terms shall have the following meanings:

(a) “Customary Antidilution Adjustments” means customary anti-dilution protection for stock splits, stock dividends, stock combinations, recapitalizations and similar transactions.

(b) “Indebtedness” means: (a) all obligations for borrowed money; (b) all obligations evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptances, current swap agreements, interest rate hedging agreements, interest rate swaps, or other financial products; (c) all capital lease obligations that exceed \$100,000 in the aggregate in any fiscal year; (d) all obligations or liabilities secured by a lien or encumbrance on any asset of the Maker, irrespective of whether such obligation or liability is assumed; (e) all obligations for the deferred purchase price of assets, together with trade debt and other accounts payable that exceed \$100,000 in the aggregate in any fiscal year; (f) all synthetic leases; (g) any obligation guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse) any of the foregoing obligations of any other person; (h) trade debt; and (i) endorsements for collection or deposit.

(c) “Mandatory Default Amount” means an amount equal to one hundred and thirty-five percent (135%) of the Outstanding Principal Amount of this Note on the date on which the first Event of Default has occurred hereunder.

(d) “Market Capitalization” means, as of any date of determination, the product of (a) the number of issued and outstanding shares of Common Stock as of such date (exclusive of any shares of common stock issuable upon the exercise of options or warrants or conversion of any convertible securities), multiplied by (b) the closing price of the Common Stock on the Trading Market on the date of determination.

(e) “Outstanding Principal Amount” means, at the time of determination, the Principal Amount outstanding after giving effect to any conversions or prepayments pursuant to the terms hereof.

(f) “Registration Rights Agreement” means the Registration Rights Agreement, dated as of March , 2022 (as the same may be amended from time to time), by and between the Company and the Holder.

(g) “Trading Market” means any of the following markets or exchanges on which the Common Stock (or any other common stock of any other Person that references the Trading Market for its common stock) is listed or quoted for trading on the date in question: the OTC Bulletin Board, The NASDAQ Global Market, The NASDAQ Global Select Market, The NASDAQ Capital Market, the New York Stock Exchange, NYSE Arca, the NYSE MKT, or the OTCQX Marketplace, the OTCQB Marketplace, the OTC Pink Marketplace or any other tier operated by OTC Markets Group Inc. (or any successor to any of the foregoing).

(h) “Trading Day” means a day on which the Common Stock is traded on a Trading Market.

(i) “VWAP” means, for or as of any date, the dollar volume-weighted average price for such security on the Trading Market (or, if the Trading Market is not the principal trading market for such security, then on the principal securities exchange or securities market on which such security is then traded) during the period beginning at 9:30 a.m., New York time, and ending at 4:02 p.m., New York time, as reported by Bloomberg through its “HP” function (set to weighted average) or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30 a.m., New York time, and ending at 4:02 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination, recapitalization or other similar transaction during such period.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Maker has caused this Note to be duly executed by its duly authorized officer as of the date first above indicated.

Northann Corp.

By: _____

Name: Lin Li

Title: Chief Executive Officer

EXHIBIT A
WIRE INSTRUCTIONS

EXHIBIT B

FORM OF CONVERSION NOTICE

(To be Executed by the Registered Holder in order to Convert the Note)

The undersigned hereby irrevocably elects to convert \$ _____ of the principal amount of the above Note No. ____ into shares of Common Stock of Northann Corp. (the "Maker") according to the conditions hereof, as of the date written below.

Date of Conversion:

Conversion Price:

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the Conversion Date:

[HOLDER]

By: _____

Name:

Title:

Address:

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), FROM REPUTABLE COUNSEL, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

NORTHANN CORP.

WARRANT TO PURCHASE
COMMON STOCK

Date of Issuance: May 16, 2022 (“**Issuance Date**”)

Northann Corp., a Nevada corporation (the “**Company**”), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, [], the registered holder hereof or its permitted assigns (the “**Holder**”), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon exercise of this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, the “**Warrant**”), at any time or times on or after the Issuance Date, but not after 11:59 p.m., New York time, on the Expiration Date (as defined below), [] (subject to adjustment as provided herein) fully paid and non-assessable shares of Common Stock (as defined below) (the “**Warrant Shares**”). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 16. This Warrant is one of the Warrants to purchase Common Stock (the “**SPA Warrants**”) issued to Holder pursuant to that certain Securities Purchase Agreement, effective as of May []. 2022, by and between the Company and the Holder (the “**Securities Purchase Agreement**”).

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on any day on or after the Issuance Date in whole or in part, by delivery (whether via facsimile or otherwise) of a written notice, in the form attached hereto as **Exhibit A** (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant. Within one (1) Trading Day following an exercise of this Warrant as aforesaid, the Holder shall deliver payment to the Company of an amount equal to the Exercise Price in effect on the date of such exercise multiplied by the number of Warrant Shares as to which this Warrant was so exercised (in respect of such specific exercise, the “**Aggregate Exercise Price**”) in cash or via wire transfer of immediately available funds if the Holder did not notify the Company in such Exercise Notice that such exercise was made pursuant to a Cashless Exercise (as defined in Section 1(d)). The Holder shall not be required to deliver the original of this Warrant in order to effect an exercise hereunder. Execution and delivery of an Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original of this Warrant certificate and issuance of a new Warrant certificate evidencing the right to purchase the remaining number of Warrant Shares. Execution and delivery of an Exercise Notice for all of the then-remaining Warrant Shares shall have the same effect as cancellation of the original of this Warrant certificate after delivery of the Warrant Shares in accordance with the terms hereof. On or before the first (1st) Trading Day following the date on which the Company has received an Exercise Notice, the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of such Exercise Notice, in the form attached hereto as **Exhibit B**, to the Holder and the Company’s transfer agent (the “**Transfer Agent**”). On or before the second (2nd) Trading Day following the date on which the Company has received such Exercise Notice (the “**Required Delivery Date**”), the Company shall (i) provided that the Transfer Agent is participating in The Depository Trust Company (“**DTC**”) Fast Automated Securities Transfer Program (which the Company shall cause the Transfer Agent to do at Holder’s request) and provided the legends would be eligible to be removed from such shares of Common Stock pursuant to Section 5(d) of the Securities Purchase Agreement, upon the request of the Holder, credit such aggregate number of shares of Common Stock to which the Holder is entitled pursuant to such exercise to the Holder’s or its designee’s balance account with DTC through its Deposit/ Withdrawal at Custodian system, or (ii) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program or the legends would not be eligible to be removed from such shares of Common Stock pursuant to Section 5(d) of the Securities Purchase Agreement, issue and deliver to the Holder or, at the Holder’s instruction pursuant to the Exercise Notice, the Holder’s agent or designee, in each case, sent by reputable overnight courier to the address as specified in the applicable Exercise Notice, a certificate, registered in the Company’s share register in the name of the Holder or its designee (as indicated in the applicable Exercise Notice), for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of an Exercise Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder’s DTC account or the date of delivery of the certificates evidencing such Warrant Shares (as the case may be). If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant is greater than the number of Warrant Shares being acquired upon an exercise, then, at the request of the Holder and upon surrender hereof by the Holder at the principal office of the Company, the Company shall as soon as practicable and in no event later than three (3) Business Days after any exercise and at its own expense, issue and deliver to the Holder (or its designee) a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock to be issued shall be rounded up to the nearest whole number. The Company shall pay any and all taxes and fees which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant.

(b) Exercise Price. For purposes of this Warrant, “**Exercise Price**” means \$3.50, subject to adjustment as provided herein.

(c) Company’s Failure to Timely Deliver Securities. If the Company fails to issue and deliver (or cause to be delivered) to the Holder by the Required Delivery Date a certificate representing the Warrant Shares that is free from all restrictive and other legends or credit the balance account of Holder or Holder’s nominee with DTC for such number of Warrant Shares so delivered to the Company, then, in addition to all other remedies available to Holder, at the sole discretion of Holder, the Company shall:

(i) pay in cash to Holder on each Trading Day after the Required Delivery Date that the issuance or credit of such Warrant Shares is not timely effected an amount equal to 1% of the product of (A) the number of shares of Common Stock not so delivered or credited (as the case may be) to Holder or Holder’s nominee multiplied by (B) the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the Required Delivery Date; or

(ii) if on or after the Required Delivery Date, Holder (or any other Person in respect, or on behalf, of Holder) purchases (in an open market transaction or otherwise) Common Stock (“**Replacement Shares**”) to deliver in satisfaction of a sale by Holder of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock, that Holder so anticipated receiving from the Company without any restrictive legend, then, within five (5) Trading Days after Holder’s request and in Holder’s sole discretion, either (A) pay cash to Holder in an amount equal to Holder’s total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the Replacement Shares (the “**Buy-In Price**”), at which point the Company’s obligation to so deliver such certificate or credit Holder’s balance account shall terminate and such shares shall be cancelled, or (B) promptly honor its obligation to so deliver to Holder a certificate or certificates or credit Holder’s DTC account representing such number of shares of Common Stock that would have been so delivered if the Company timely complied with its obligations hereunder and pay cash to Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (1) such number of shares of Common Stock that the Company was required to deliver to Holder by the Required Delivery Date multiplied by (2) the lowest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date Holder purchased Replacement Shares and ending on the date of such delivery and payment under this clause (ii). To the extent permitted by law, the Company’s obligations to issue and deliver the Common Stock upon exercise of the Warrant in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other person, and irrespective of any other circumstance that might otherwise limit such obligation of the Company to the Holder in connection with the issuance of the Common Stock. Nothing herein shall limit the Holder’s right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company’s failure to timely deliver the Common Stock issuable upon exercise of this Warrant as required pursuant to the terms hereof.

(d) Cashless Exercise. Notwithstanding anything contained herein to the contrary (other than Section 1(f) below) at any time commencing sixty (60) days after the Common Stock is listed on a Trading Market, the Holder may in its sole discretion (and without limiting the Holder's rights and remedies contained herein or in any of the other Transaction Documents (as defined in the Securities Purchase Agreement)), exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a "**Cashless Exercise**"):

$$\text{Net Number} = (A \times B) / C$$

For purposes of the foregoing formulas:

A= The total number of shares with respect to which this Warrant is then being exercised.

B= The Black Scholes Value (as defined in Section 16 herein).

C= The Closing Bid Price of the Common Stock as of two (2) Trading Days prior to the time of such exercise (as such Closing Bid Price is defined in Section 16 herein), but in any event not less than \$0.01(as may be adjusted for stock dividends, subdivisions, or combinations in the manner described in Section 2(a) herein).

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the number of Warrant Shares to be issued pursuant to the terms hereof (including, without limitation, the Net Number), the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed, provided that following such issuance to Holder such dispute shall be resolved in accordance with Section 13.

(f) Limitations on Exercises and Exchanges. Notwithstanding anything to the contrary contained in this Warrant, this Warrant shall not be exercisable or exchangeable by the Holder hereof to the extent (but only to the extent) that the Holder or any of its affiliates would beneficially own in excess of 9.9% of the number of shares of Common Stock outstanding after giving effect to the issuance of Common Stock issuable upon exercise of the Warrants calculated in accordance with Section 13(d) of the Exchange Act (the “**Maximum Percentage**”). To the extent the above limitation applies, the determination of whether this Warrant shall be exercisable or exchangeable (vis-à-vis other convertible, exercisable or exchangeable securities owned by the Holder or any of its affiliates) and of which such securities shall be exercisable or exchangeable (as among all such securities owned by the Holder) shall, subject to such Maximum Percentage limitation, be determined on the basis of the first submission to the Company for conversion, exercise or exchange (as the case may be). No prior inability to exercise or exchange this Warrant pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of exercisability or exchangeability. For the purposes of this paragraph, beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(d) of the 1934 Act (as defined in the Securities Purchase Agreement) and the rules and regulations promulgated thereunder. The provisions of this paragraph shall be implemented in a manner otherwise than in strict conformity with the terms of this paragraph to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. The limitations contained in this paragraph shall apply to a successor Holder of this Warrant. The holders of Common Stock shall be third party beneficiaries of this paragraph and the Company may not waive this paragraph without the consent of holders of a majority of its Common Stock. For any reason at any time, upon the written or oral request of the Holder, the Company shall within two (2) Business Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding, including by virtue of any prior conversion or exercise or exchange of convertible or exercisable or exchangeable securities into shares of Common Stock, including, without limitation, pursuant to this Warrant or securities issued pursuant to the Securities Purchase Agreement.

(g) Reservation of Shares; Insufficient Authorized Shares. The Company shall initially reserve out of its authorized and unissued shares of Common Stock a number of shares of Common Stock equal to 200% of the maximum number of Warrant Shares issuable to satisfy the Company's obligations to issue shares of Common Stock hereunder, and the Company shall at all times keep reserved for issuance under this Warrant a number of shares of Common Stock equal to 200% of the maximum number of Warrant Shares issuable to satisfy the Company's obligation to issue shares of Common Stock hereunder.

(h) Activity Restrictions. For so long as Holder holds this Warrant or any Warrant Shares, Holder will not: (i) engage or participate in any actions, plans or proposals which relate to or would result in (a) acquiring additional securities of the Company, alone or together with any other Person, which would result in beneficially owning or controlling, or being deemed to beneficially own or control, more than 9.9% of the total outstanding shares of Common Stock or other voting securities of the Company, (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving Company, (c) a sale or transfer of a material amount of assets of the Company, (d) any change in the present board of directors or management of the Company, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board, (e) any material change in the present capitalization or dividend policy of the Company, (f) any other material change in the Company's business or corporate structure, including but not limited to, if the Company is a registered closed-end investment company, any plans or proposals to make any changes in its investment policy for which a vote is required by Section 13 of the Investment Company Act of 1940, (g) changes in the Company's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Company by any Person, (h) causing a class of securities of the Company to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association, (i) a class of equity securities of the Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Act, or (j) any action, intention, plan or arrangement similar to any of those enumerated above, or (ii) request the Company or its directors, officers, employees, agents or representatives to amend or waive any provision of this Section 1(h); provided, however, that notwithstanding anything to the contrary contain in clauses (i) and (ii) above, Holder may vote any shares of Common Stock owned or controlled by it, solicit any proxies, or seek to advise or influence any Person with respect to any voting securities of the Company. Holder may only exercise this Warrant for a cash exercise price if the trading price at the time of exercise is greater than the then applicable Exercise Price.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 2.

(a) Stock Dividends and Splits. Without limiting any provision of Section 4, if the Company, at any time on or after the date of the Securities Purchase Agreement, (i) pays a stock dividend on one or more classes of its then outstanding shares of Common Stock or otherwise makes a distribution on any class of capital stock that is payable in Common Stock, (ii) subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its then outstanding shares of Common Stock into a larger number of shares or (iii) combines (by combination, reverse stock split or otherwise) one or more classes of its then outstanding shares of Common Stock into a smaller number of shares, then in each such case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this paragraph occurs during the period that an Exercise Price is calculated hereunder, then the calculation of such Exercise Price shall be adjusted appropriately to reflect such event.

(b) Adjustment Upon Issuance of Common Stock. Except as otherwise stated in Section 2(b)(i) below, so long as any of the SPA Warrants are outstanding, if the Company effects an Subsequent Financing (as defined in the Securities Purchase Agreement), or in accordance with this Section 2 is deemed to have effected an Subsequent Financing, any Common Stock (including the issuance or sale of Common Stock owned or held by or for the account of the Company) issued or sold or deemed to have been issued or sold) for a consideration per share (the “**New Issuance Price**”) less than a price equal to the Exercise Price in effect immediately prior to such issue or sale or deemed issuance or sale (such Exercise Price then in effect is referred to as the “**Applicable Price**”) (the foregoing a “**Dilutive Issuance**”), then immediately after such Dilutive Issuance, the Exercise Price then in effect shall be reduced (and in no event increased) to the price per share as determined in accordance with the following formula:

$$EP2 = EP1 \times (A + B) / (A + C)$$

For purposes of the foregoing formula:

- A= The total number of Warrant Shares with respect to which this Warrant may be exercised.
- B= The total number of shares of Common Stock that would be issued or issuable under the Dilutive Issuance if issued at a per share equal to EP1.
- C= The total number of shares of Common Stock actually issued or issuable under the Dilutive Issuance.
- EP1= The Exercise Price in effect immediately prior to a Dilutive Issuance.
- EP2= The Exercise Price immediately after such Dilutive Issuance; provided, however, that such price shall in no event be less than \$0.01 per share of Common Stock (as may be adjusted for stock dividends, subdivisions, or combinations in the manner described in Section 2(a) herein, the “**Floor Price**”);

provided, that if such issuance or sale (or deemed issuance or sale) was without consideration, then the Company shall be deemed to have received the Floor Price for each such share so issued or deemed to be issued. For all purposes of the foregoing (including, without limitation, determining the adjusted Exercise Price and consideration per share under this Section 2(c)), the following shall be applicable:

(i) Issuance of Securities in a Qualified Financing. If, so long as any of the SPA Warrants are outstanding, the Company consummates a Subsequent Financing pursuant to which it sells additional shares of Common Stock or Common Stock Equivalents (collectively, “Next Round Securities”), with a gross aggregate amount of securities sold of not less than \$5,000,000, excluding any and all indebtedness under the Notes (as defined in the Securities Purchase Agreement) that is converted into Next Round Securities, and with the principal purpose of raising capital; provided, that the Company is listed on a Trading Market (a “Qualified Financing”), then the Exercise Price, shall automatically adjusted to the lesser of (i) 30% discount to the cash price per share paid by the other purchasers of Next Round Securities in the Qualified Financing (the “Automatic Exercise Price”) and (ii) the Conversion Price, subject to Customary Adjustments.

(ii) Issuance of Options. If, so long as any of the SPA Warrants are outstanding, the Company in any manner grants or sells any Options and the lowest price per share for which one share of Common Stock is issuable upon the exercise of any such Option or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option is less than the Applicable Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such Option for such price per share. For purposes of this Section 2(c)(i), the “lowest price per share for which one share of Common Stock is issuable upon the exercise of any such Options or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option” shall be equal to (A) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one share of Common Stock upon the granting or sale of such Option, upon exercise of such Option and upon conversion, exercise or exchange of any Convertible Security issuable upon exercise of such Option minus (B) the sum of all amounts paid or payable to the holder of such Option (or any other Person) upon the granting or sale of such Option, upon exercise of such Option and upon conversion, exercise or exchange of any Convertible Security issuable upon exercise of such Option plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Option (or any other Person). Except as contemplated below, no further adjustment of the Exercise Price shall be made upon the actual issuance of such Common Stock or of such Convertible Securities upon the exercise of such Options or upon the actual issuance of such Common Stock upon conversion, exercise or exchange of such Convertible Securities.

(iii) Issuance of Convertible Securities. If, so long as any of the SPA Warrants are outstanding, the Company in any manner issues or sells any Convertible Securities and the lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof is less than the Applicable Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this Section 2(c)(ii), the “lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof” shall be equal to (A) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one share of Common Stock upon the issuance or sale of the Convertible Security and upon conversion, exercise or exchange of such Convertible Security minus (B) the sum of all amounts paid or payable to the holder of such Convertible Security (or any other Person) upon the issuance or sale of such Convertible Security plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Convertible Security (or any other Person). Except as contemplated below, no further adjustment of the Exercise Price shall be made upon the actual issuance of such Common Stock upon conversion, exercise or exchange of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustment of this Warrant has been or is to be made pursuant to other provisions of this Section 2(c), except as contemplated below, no further adjustment of the Exercise Price shall be made by reason of such issue or sale.

(iv) Change in Option Price or Rate of Conversion. If, so long as any of the SPA Warrants are outstanding, the purchase or exercise price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exercisable or exchangeable for Common Stock increases or decreases at any time, the Exercise Price in effect at the time of such increase or decrease shall be adjusted to the Exercise Price which would have been in effect at such time had such Options or Convertible Securities provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this Section 2(c)(iii), if the terms of any Option or Convertible Security that was outstanding as of the date of issuance of this Warrant are increased or decreased in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such increase or decrease. No adjustment pursuant to this Section 2(c) shall be made if such adjustment would result in an increase of the Exercise Price then in effect.

(v) Calculation of Consideration Received. If, so long as any of the SPA Warrants are outstanding, any Option or Convertible Security is issued in connection with the issuance or sale or deemed issuance or sale of any other securities of the Company, together comprising one integrated transaction, (A) such Option or Convertible Security (as applicable) will be deemed to have been issued for consideration equal to the Black Scholes Value – Consideration thereof and (B) the other securities issued or sold or deemed to have been issued or sold in such integrated transaction shall be deemed to have been issued for consideration equal to the difference of (1) the aggregate consideration received by the Company, minus (2) the Black Scholes Value – Consideration of each such Option or Convertible Security (as applicable). If any Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor will be deemed to be the net amount of consideration received by the Company therefor. If any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of such consideration received by the Company will be the fair value of such consideration, except where such consideration consists of publicly traded securities, in which case the amount of consideration received by the Company for such securities will be the arithmetic average of the VWAPs of such security for each of the five (5) Trading Days immediately preceding the date of receipt. If any Common Stock, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash or publicly traded securities will be determined jointly by the Company and the Holder. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the “**Valuation Event**”), the fair value of such consideration will be determined within five (5) Trading Days after the tenth (10th) day following such Valuation Event by an independent, reputable appraiser jointly selected by the Company and the Holder. The determination of such appraiser shall be final and binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Company.

(vi) Record Date. If, so long as any of the SPA Warrants are outstanding, the Company takes a record of the holders of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase (as the case may be).

(c) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to paragraph (a), (b) or (c) of this Section 2, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the adjusted number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment (without regard to any limitations on exercise contained herein). In addition, and notwithstanding anything to the contrary contained herein, upon a Cashless Exercise as set forth in Section 1(d) hereof, the number of Warrant Shares for which this Warrant is exercisable immediately following such Cashless Exercise shall be equal to (i) the number of Warrant Shares for which this Warrant was exercisable immediately prior to such Cashless Exercise less (ii) the number of Warrant Shares as to which such Cashless Exercise was exercised (such number of Warrant Shares in this clause (ii) in respect of such Cashless Exercise being equal to "A" in such Cashless Exercise formula in respect of such Cashless Exercise) and the number of such Warrant Shares issuable hereunder shall automatically be adjusted, as necessary, to enable to the Company to comply with its obligations to issue the Net Number of shares of Common Stock under Section 1(d)(i) hereof upon any Cashless Exercise thereunder.

(d) Calculations. All calculations under this Section 2 shall be made by rounding to the nearest 1/10000th of cent and the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(e) Other Events. In the event that the Company shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect the Holder from dilution or if any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's board of directors shall in good faith determine and implement an appropriate adjustment in the Exercise Price and the number of Warrant Shares (if applicable) so as to protect the rights of the Holder, provided that no such adjustment pursuant to this Section 2(f) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2, provided further that if the Holder does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then the Company's board of directors and the Holder shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding and whose fees and expenses shall be borne by the Company.

3. RIGHTS UPON DISTRIBUTION OF ASSETS. In addition to any adjustments pursuant to Section 2 above, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, indebtedness, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction, other than a distribution of Common Stock covered by Section 2(b)) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case, provision shall be made so that upon exercise of this Warrant, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distributions would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Distribution to such extent (or the beneficial ownership of any such Common Stock as a result of such Distribution to such extent) and such Distribution to such extent shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

4. PURCHASE RIGHTS; FUNDAMENTAL TRANSACTIONS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 2 above, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the “**Purchase Rights**”), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder’s right to participate in any such Purchase Right would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

(b) Fundamental Transactions. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes in writing all of the obligations of the Company under this Warrant and the other Transaction Documents related to this Warrant in accordance with the provisions of this Section 4(b) pursuant to written agreements in form and substance reasonably satisfactory to the Holder, including agreements confirming the obligations of the Successor Entity as set forth in this paragraph (b) and (c) and elsewhere in this Warrant and an obligation to deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, which is exercisable for a corresponding number of shares of capital stock equivalent to the Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such adjustments to the number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction). Notwithstanding the foregoing, at the election of the Holder upon exercise of this Warrant following a Fundamental Transaction, the Successor Entity shall deliver to the Holder, in lieu of the Common Stock (or other securities, cash, assets or other property (except such items still issuable under Sections 3 and 4(a) above, which shall continue to be receivable thereafter)) issuable upon the exercise of this Warrant prior to the applicable Fundamental Transaction, such shares of common stock (or its equivalent) of the Successor Entity (including its Parent Entity), or other securities, cash, assets or other property, which the Holder would have been entitled to receive upon the happening of the applicable Fundamental Transaction had this Warrant been exercised immediately prior to the applicable Fundamental Transaction; provided, however, that such amount of reserved shares of Common Stock shall be limited by the Maximum Percentage of Common Stock as set forth in Section 1(f).

(c) Black Scholes Value – FT. Notwithstanding the foregoing and the provisions of Section 4(b) above, at the request of the Holder delivered at any time commencing on the earliest to occur of (i) the public disclosure of any Fundamental Transaction, (ii) the consummation of any Fundamental Transaction and (iii) the Holder first becoming aware of any Fundamental Transaction through the date that is ninety (90) days after the public disclosure of the consummation of such Fundamental Transaction, the Company or the Successor Entity, at the election of the Holder, shall purchase this Warrant from the Holder on the date of the consummation of such Fundamental Transaction by paying to the Holder cash in an amount equal to the Black Scholes Value – FT.

(d) Application. The provisions of this Section 4 shall apply similarly and equally to successive Fundamental Transactions and shall be applied as if this Warrant (and any such subsequent warrants issued hereunder) were fully exercisable and without regard to any limitations on the exercise of this Warrant (provided that the Holder shall continue to be entitled to the benefit of the Maximum Percentage, applied however with respect to shares of capital stock registered under the 1934 Act and thereafter receivable upon exercise of this Warrant (or any such other warrant)).

5. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its certificate of incorporation, bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as any of the SPA Warrants are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the SPA Warrants, the maximum number of shares of Common Stock as shall from time to time be necessary to effect the exercise of the SPA Warrants then outstanding; provided, however, that such amount of reserved Common Stock shall be limited by the Maximum Percentage of Common Stock as set forth in Section 1(f).

6. WARRANT HOLDER NOT DEEMED A SHAREHOLDER. Except as otherwise specifically provided herein, the Holder, solely in its capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in its capacity as the Holder of this Warrant, any of the rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which it is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the shareholders of the Company generally, contemporaneously with the giving thereof to the shareholders.

7. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, provide to the Company an opinion of counsel selected by the Holder and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred securities under the Securities Act.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, no warrants for fractional share of Common Stock shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

8. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section 10(f) of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) as soon as practicable upon each adjustment of the Exercise Price and the number of Warrant Shares, setting forth in reasonable detail, and certifying, the calculation of such adjustment(s) and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities, indebtedness, or other property pro rata to holders of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information (to the extent it constitutes, or contains, material, non-public information regarding the Company shall be made known to the public prior to or in conjunction with such notice being provided to the Holder and (iii) at least ten (10) Trading Days prior to the consummation of any Fundamental Transaction. It is expressly understood and agreed that the time of execution specified by the Holder in each Exercise Notice shall be definitive and may not be disputed or challenged by the Company.

9. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant (other than Section 1(f)) may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder. The Holder shall be entitled, at its option, to the benefit of any amendment of any other similar warrant issued under the Securities Purchase Agreement. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

10. SEVERABILITY. If any provision of this Warrant is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Warrant so long as this Warrant as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

11. **GOVERNING LAW.** This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder or to enforce a judgment or other court ruling in favor of the Holder. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS WARRANT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

12. **CONSTRUCTION; HEADINGS.** This Warrant shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant. Terms used in this Warrant but defined in the other Transaction Documents shall have the meanings ascribed to such terms on the Closing Date (as defined in the Securities Purchase Agreement) in such other Transaction Documents unless otherwise consented to in writing by the Holder.

13. **DISPUTE RESOLUTION.** In the case of a dispute as to the determination of the Exercise Price, the Closing Sale Price, the Closing Bid Price, the Bid Price or fair market value or the arithmetic calculation of the Warrant Shares (as the case may be), the Company or the Holder (as the case may be) shall submit the disputed determinations or arithmetic calculations (as the case may be) via facsimile (i) within two (2) Business Days after receipt of the applicable notice giving rise to such dispute to the Company or the Holder (as the case may be) or (ii) if no notice gave rise to such dispute, at any time after the Holder or the Company (as the case may be) learned of the circumstances giving rise to such dispute. If the Holder and the Company are unable to agree upon such determination or calculation (as the case may be) of the Exercise Price, the Closing Sale Price, the Closing Bid Price, the Bid Price or fair market value or the number of Warrant Shares (as the case may be) within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Company or the Holder (as the case may be), then the Company shall, within two (2) Business Days submit via facsimile (a) the disputed arithmetic calculation of the Warrant Shares, the disputed determination of the Exercise Price, the Closing Sale Price, the Closing Bid Price, the Bid Price or fair market value (as the case may be) to an independent, reputable investment bank selected by the Holder, with the consent of the Company (which may not be unreasonably withheld, conditioned or delayed), or (b) if acceptable to the Holder, the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant (as the case may be) to perform the determinations or calculations (as the case may be) and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives such disputed determinations or calculations (as the case may be). Such investment bank's or accountant's determination or calculation (as the case may be) shall be binding upon all parties absent demonstrable error. The fees and expenses of such investment bank or accountant shall be borne by the parties in the same proportion as the respective amounts by which the investment bank's or accountant's determination differs from such party's calculation.

14. REMEDIES, CHARACTERIZATION, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, exercises and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Warrant (including, without limitation, compliance with Section 2 hereof). The issuance of shares and certificates for shares as contemplated hereby upon the exercise of this Warrant shall be made without charge to the Holder or such shares for any issuance tax or other costs in respect thereof, provided that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than the Holder or its agent on its behalf.

15. TRANSFER. This Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company.

16. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) **“Bid Price”** means, for any security as of the particular time of determination, the bid price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg as of such time of determination, or if the foregoing does not apply, the bid price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg as of such time of determination, or, if no bid price is reported for such security by Bloomberg as of such time of determination, the average of the bid prices of all of the market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC) as of such time of determination. If the Bid Price cannot be calculated for a security as of the particular time of determination on any of the foregoing bases, the Bid Price of such security as of such time of determination shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 13. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(b) **“Black Scholes Value”** means the Black Scholes value of an option for one share of Common Stock at the date of the applicable Cashless Exercise, as such Black Scholes value is determined, calculated using the Black Scholes Option Pricing Model obtained from the “OV” function on Bloomberg utilizing (i) an underlying price per share equal to the Exercise Price, as adjusted, (ii) a risk-free interest rate corresponding to the U.S. Treasury rate, (iii) a strike price equal to the Exercise Price in effect at the time of the applicable Cashless Exercise, (iv) an expected volatility equal to 135%, and (v) a deemed remaining term of the Warrant of five (5) years (regardless of the actual remaining term of the Warrant).

(c) **“Black Scholes Value – Consideration”** means the value of the applicable Option or Convertible Security (as the case may be) as of the date of issuance thereof calculated using the Black Scholes Option Pricing Model obtained from the “OV” function on Bloomberg utilizing (i) an underlying price per share equal to the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the public announcement of the execution of definitive documents with respect to the issuance of such Option or Convertible Security (as the case may be), (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of such Option or Convertible Security (as the case may be) as of the date of issuance of such Option or Convertible Security (as the case may be) and (iii) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg (determined utilizing a 365 day annualization factor) as of the Trading Day immediately following the date of issuance of such Option or Convertible Security (as the case may be).

(d) **“Black Scholes Value – FT”** means the value of the unexercised portion of this Warrant remaining on the date of the Holder’s request pursuant to Section 4(c), which value is calculated using the Black Scholes Option Pricing Model obtained from the “OV” function on Bloomberg utilizing (i) an underlying price per share equal to the greater of (A) the highest Closing Sale Price of the Common Stock during the period beginning on the Trading Day immediately preceding the earliest to occur of (1) the public disclosure of the applicable Fundamental Transaction, (2) the consummation of the applicable Fundamental Transaction and (3) the date on which the Holder first became aware of the applicable Fundamental Transaction and ending on the Trading Day of the Holder’s request pursuant to Section 4(c) and (B) the sum of the price per share being offered in cash in the applicable Fundamental Transaction (if any) plus the value of the non- cash consideration being offered in the applicable Fundamental Transaction (if any), (ii) a strike price equal to the Exercise Price in effect on the date of the Holder’s request pursuant to Section 4(c), (iii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the greater of (A) the remaining term of this Warrant as of the date of the Holder’s request pursuant to Section 4(c) and (B) the remaining term of this Warrant as of the date of consummation of the applicable Fundamental Transaction or as of the date of the Holder’s request pursuant to Section 4(c) if such request is prior to the date of the consummation of the applicable Fundamental Transaction and (iv) an expected volatility equal to the greater of 135% and the 100 day volatility obtained from the HVT function on Bloomberg (determined utilizing a 365 day annualization factor) as of the Trading Day immediately following the earliest to occur of (A) the public disclosure of the applicable Fundamental Transaction, (B) the consummation of the applicable Fundamental Transaction and (C) the date on which the Holder first became aware of the applicable Fundamental Transaction.

(e) **“Bloomberg”** means Bloomberg, L.P.

(f) **“Business Day”** means any day other than Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to remain closed.

(g) **“Closing Bid Price”** and **“Closing Sale Price”** means, for any security as of any date, the last closing bid price and the last closing trade price, respectively, for such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the average of the bid prices, or the ask prices, respectively, of all of the market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price (as the case may be) of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 13. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(h) **“Common Stock”** means the common stock, par value \$0.001, of the Company and any other shares of stock issued or issuable with respect thereto (whether by way of a stock dividend or stock split or in exchange for or upon conversion of such shares or otherwise in connection with a combination of shares, distribution, recapitalization, merger, consolidation, other corporate reorganization or other similar event with respect to the Common Stock).

(i) **“Convertible Securities”** means any capital stock or other security of the Company that is at any time and under any circumstances directly or indirectly convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any capital stock or other security of the Company (including, without limitation, Common Stock).

(j) **“Trading Market”** means the New York Stock Exchange, the NYSE Amex, the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market.

(k) **“Expiration Date”** means the date that is [], 202[] or, if such date falls on a day other than a Business Day or on which trading does not take place on the principal securities exchange or trading market where the Common Stock is listed (a **“Holiday”**), the next date that is not a Holiday.

(l) **“Fundamental Transaction”** means that (i) the Company shall, directly or indirectly, in one or more related transactions, (1) consolidate or merge with or into (whether or not the Company is the surviving entity) any other Person unless the shareholders of the Company immediately prior to such consolidation or merger continue to hold more than 50% of the outstanding shares of Voting Stock after such consolidation or merger, or (2) sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of its properties or assets to any other Person, in connection with which the Company is dissolved, or (3) allow any other Person to make a purchase, tender or exchange offer that is accepted by the holders of more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (4) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with any other Person whereby such other Person acquires more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), or (ii) any “person” or “group” (as these terms are used for purposes of Sections 13(d) and 14(d) of the 1934 Act and the rules and regulations promulgated thereunder) is or shall become the “beneficial owner” (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Voting Stock of the Company; provide however that a Fundamental Transaction shall not include the Merger.

(m) **“Options”** means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

(n) **“Parent Entity”** of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Trading Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(o) “**Person**” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(p) “**Successor Entity**” means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(q) “**Trading Day**” means, as applicable, (x) with respect to all price determinations relating to the Common Stock, any day on which the Common Stock is traded on the principal securities exchange or securities market on which the Common Stock is then traded, provided that “Trading Day” shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Holder or (y) with respect to all determinations other than price determinations relating to the Common Stock, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities.

(r) “**Voting Stock**” of a Person means capital stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power to elect, or the general power to appoint, at least a majority of the board of directors, managers or trustees of such Person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

(s) “**VWAP**” means, for any security as of any date, the dollar volume-weighted average price for such security on the principal securities exchange or securities market on which such security is then traded during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg through its “Volume at Price” function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the three highest closing bid prices and the three lowest closing ask prices of all of the market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC). If VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 13. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

[signature page follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Issuance Date set out above.

NORTHANN CORP.

By: _____
Name: Lin Li
Title: Chief Executive Officer

EXERCISE NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS WARRANT TO PURCHASE COMMON STOCK

NORTHANN CORP.

The undersigned holder hereby exercises the right to purchase _____ shares of the Common Stock ("Warrant Shares") of Northann Corp., a Nevada corporation (the "Company"), evidenced by Warrant to Purchase Common Stock No. _____ (the "Warrant"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

_____ a "Cash Exercise" with respect to _____ Warrant Shares; and/or

_____ a "Cashless Exercise" with respect to _____ Warrant Shares.

In the event that the Holder has elected a Cashless Exercise with respect to some or all of the Warrant Shares, the Holder represents and warrants that _____ Common Stock are to be delivered pursuant to such Cashless Exercise, as further specified in Annex A to this Exercise Notice.

2. Payment of Exercise Price. In the event that the Holder has elected a Cash Exercise with respect to some or all of the Warrant Shares, the Holder shall pay the Aggregate Exercise Price in the sum of \$_____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares and Net Number of Common Stock. The Company shall deliver to Holder, or its designee or agent as specified below, _____ Common Stock in respect of the exercise contemplated hereby. Delivery shall be made to Holder, or for its benefit, to the following address:

Date: _____, _____

Name of Registered Holder

By: _____

Name:

Title:

Account Number: _____
(if electronic book entry transfer)

Transaction Code Number: _____
(if electronic book entry transfer)

CASHLESS EXERCISE EXCHANGE CALCULATION

TO BE FILLED IN BY THE REGISTERED HOLDER TO EXCHANGE THE WARRANT TO PURCHASE COMMON STOCK IN A CASHLESS EXERCISE PURSUANT TO SECTION 1(d) OF THE WARRANT

Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

Net Number = $(A \times B) / C$ = _____ shares of Common Stock

OR

Net Number = $(C - D) \times A / C$

For purposes of the foregoing formula:

A= the total number of shares with respect to which the Warrant is then being exercised = _____.

B= Black Scholes Value (as defined in Section 16 of the Warrant) = _____.

C= the Closing Bid Price of the Common Stock as of two (2) Trading Days prior to the time of such exercise (as such Closing Bid Price is defined in Section 16 of the Warrant) = _____.

Date: _____, _____

Name of Registered Holder

By: _____

Name:

Title:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs _____ to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20____, from the Company and acknowledged and agreed to by _____.

NORTHANN CORP.

By: _____
Name:
Title:

AMENDMENT AGREEMENT

This Amendment Agreement (the "Agreement"), dated as of _____, 2023, is entered into by and between Northann Corp., a Nevada corporation (the "Company"), and _____ (the "Investor"), amends a convertible debenture issued by the Company to the Investor on May 16, 2022 (the "Note") pursuant to a Securities Purchase Agreement entered into between the Company and the Investor on May 12, 2022 (the "Securities Purchase Agreement").

BACKGROUND

- (A) On May 12, 2022, pursuant the Securities Purchase Agreement, the Company issued and sold to the Investor, and the Investor purchased from the Company, the Note in an aggregate principal amount of \$_____, on the terms and conditions set forth in the Securities Purchase Agreement.
- (B) Pursuant to section 6.7 of the Note, any amendment to the Note shall be in a written instrument signed by the Company and the Holder.
- (C) The parties now wish to enter into this Agreement in order to amend the preamble of the Note.

AGREED TERMS**1. Definitions and interpretation**

Capitalized terms not otherwise defined herein shall have the meanings set forth in Note.

2. Amendment to the Note

The second paragraph of the preamble of the Note shall be removed and replaced with the following:

"All payments under or pursuant to this 7% Secured Convertible Promissory Note (this "Note") shall be made in United States Dollars in immediately available funds to the Holder at the address of the Holder set forth in the Purchase Agreement (as hereinafter defined) or at such other place as the Holder may designate from time to time in writing to the Maker or by wire transfer of funds to the Holder's account, instructions for which are attached hereto as Exhibit A. The outstanding principal balance of this Note and any interest on the aggregate unconverted and then outstanding principal amount hereof shall be due and payable on the date that is the earlier of (i) July 12, 2023 or (ii) the three months' anniversary of the completion of the Company's initial public offering (the "Maturity Date") or at such earlier time as provided herein. In the event that the Maturity Date shall fall on Saturday or Sunday, such Maturity Date shall be the next succeeding Business Day. All calculations made pursuant to this Note shall be rounded down to three decimal places."

3. **Covenants**

- 3.1 The Company agrees to pay the outstanding principal and accrued interest of the Note in cash by wire transfer to the Holder, instructions for which are attached hereto as Exhibit A, on or prior to the Maturity Date.
- 3.2 The Holder agrees not to convert any of the Note prior to the Maturity Date.

4. **Representations and warranties**

- 4.1 The Company represents and warrants to the Holder as of the date of this Agreement that:
- (a) it has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement;
 - (b) it has taken all necessary corporate actions to authorize the execution, delivery and performance of this Agreement and no further action is required by it, its Board of Directors or managers or its stockholders or members in connection therewith; and
 - (c) the obligations assumed by it in this Agreement are legal, valid, and enforceable obligations binding on it in accordance with its terms.
- 4.2 The Holder represents and warrants to the Company as of the date of this Agreement that the obligations assumed by it in this Agreement are legal, valid, and enforceable obligations binding on it in accordance with its terms.

5. **Counterparts and delivery**

This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof.

6. **Governing law**

This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective affiliates, directors, officers, stockholder, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under the Securities Purchase Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company and the Investor have caused this Amendment Agreement to be signed by their duly authorized officers.

NORTHANN CORP.

By: _____
Name: Lin Li
Title: CEO

[]

By: _____
Name: _____

Exhibit A

Wire Instructions

July 14, 2023

Northann Corp.
9820 Dino Drive, Suite 110
Elk Grove, CA 95624

Re: Form S-1 Registration Statement

Ladies and Gentlemen:

We are acting as special counsel for Northann Corp., a Nevada corporation (the “Company”), in connection with the registration statement on Form S-1 (the “Registration Statement”), as initially filed with the Company with the U.S. Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Securities Act”), on July 14, 2023, as amended from time to time, for the proposed sale (the “Offering”) of:

- (i) shares (the “Initial Shares”) of the Company’s Common Stock, par value \$0.001 per share (the “Common Stock”),
- (ii) additional shares of Common Stock in an amount of up to 15% of the Initial Shares sold (together with the Initial Shares, the “Offered Shares”),
- (iii) warrants to purchase shares of Common Stock in an amount equal to 6% of the Offered Shares to be issued to Craft Capital Management LLC (the “Representative”), the representative of the underwriters in connection with the Offering (the “Representative’s Warrants”), and
- (iv) the shares of the Company’s Common Stock issuable upon exercise of the Representative’s Warrants (the “Representative’s Warrant Shares”).

The Offered Shares, the Representative’s Warrants and the Representative’s Warrant Shares are hereby referred to as the “Securities”. This opinion is being furnished in connection with the requirements of Item 601(b)(5) of Regulation S-K under the Act, and no opinion is expressed herein as to any matter pertaining to the contents of the Registration Statement or related prospectus, other than as expressly stated herein with respect to the issuance of the Securities.

In connection with this opinion, we have examined and relied upon the originals or copies certified or otherwise identified to our satisfaction of (i) the Company’s articles of incorporation (as amended, the “Articles of Incorporation”), (ii) the Company’s bylaws (the “Bylaws”), (iii) the Registration Statement and the prospectus which forms a part of a Registration Statement, including all exhibits filed therewith, (iv) the form of the Underwriting Agreement to be executed in connection with the Offering by and between the Company and the Representative (the “Underwriting Agreement”), and (v) the form of Representative’s Warrants, and we have also examined and relied upon minutes of meetings and/or resolutions of the board of directors of the Company as provided to us by the Company, and such other documents as we have deemed necessary for purposes of rendering the opinion hereinafter set forth.

In addition to the foregoing, we have relied as to matters of fact upon the representations made by the Company and its representatives. In our examination of the foregoing documents, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, the authenticity of the originals of such latter documents, the legal competence of all signatories to such documents and that each signatory to such document has or will have sufficient legal capacity to execute such document. Other than our examination of the documents indicated above, we have made no other examination in connection with this opinion.

We are members of the Bar of the State of New York. We do not hold ourselves out as being conversant with, or expressing any opinion with respect to, the laws of any jurisdiction other than the laws of the State of New York and the corporate laws of the State of Nevada. Accordingly, the opinions expressed herein are expressly limited to the laws of the State of New York and the corporate laws of the State of Nevada. Our opinion is based on these laws as in effect on the date hereof. We express no opinion as to whether the laws of any other jurisdiction are applicable to the subject matter hereof. We are not rendering any opinion as to compliance with any federal or state law, rule or regulation relating to securities, or to the sale or issuance thereof.

July 14, 2023

On the basis of the foregoing and in reliance thereon, and subject to the qualifications herein stated, we are of the opinion that:

1. Issuance of the Offered Shares has been duly authorized by the Company and, when issued and paid for in accordance with the terms of the Registration Statement, the Underwriting Agreement and the necessary corporate actions, the Offered Shares will be validly issued, fully paid and nonassessable.
2. Issuance of the Representative's Warrants has been duly authorized by the Company and, when issued and paid for in accordance with the terms of the Registration Statement, the Underwriting Agreement and the necessary corporate actions, the Representative's Warrants will constitute valid and binding obligations of the Company in accordance with their terms under the laws of the State of New York.
3. Issuance of the Representative's Warrant Shares has been duly authorized by the Company and, when issued and paid for in accordance with the terms of the respective Representative's Warrant, the Representative's Warrant Shares will be validly issued, fully paid and nonassessable.

This opinion letter speaks only as of the date hereof, and we assume no obligation to update or supplement this opinion letter if any applicable laws change after the date of this opinion letter or if we become aware after the date of this opinion letter of any facts, whether existing before or arising after the date hereof, that might change the opinions expressed above.

This opinion is furnished in connection with the filing of the Registration Statement and the prospectus and may not be relied upon for any other purpose without our prior written consent in each instance. Further, no portion of this opinion may be quoted, circulated or referred to in any other document for any other purpose without our prior written consent.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the caption "United States Federal Income Tax Considerations" and "Legal Matters" in the prospectus. In giving such consent, we do not admit that we are an "expert" within the meaning of the Securities Act or in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/s/ Ortoli Rosenstadt LLP

Ortoli Rosenstadt LLP

July 14, 2023

Northann Corp.

c/o Northann Distribution Center Inc.
9820 Dino Drive, Suite 110
Elk Grove, CA 95624

Ladies and Gentlemen:

We are acting as United States counsel to Northann Corp., a company incorporated in the Nevada (the "Company"), in connection with the registration statement on Form S-1 (the "Registration Statement") and the related prospectus (the "Prospectus") with respect to the Company's public offering of its common stock of par value US\$0.001 per share (the "Common Stock"). The Company is filing the Registration Statement with the Securities and Exchange Commission under the Securities Act of 1933, as amended.

This opinion is being furnished to you in connection with the Registration Statement.

In connection with this opinion, we have examined the Registration Statement and such other documents and corporate records as we have deemed necessary or appropriate in order to enable us to render the opinion below. For purposes of this opinion, we have assumed (i) the validity and accuracy of the documents and corporate records that we have examined, (ii) the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents and (iii) that all relevant documents have been, or will be, validly authorized, executed, delivered and performed by all of the relevant parties. As to any facts material to the opinion expressed herein that we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Company and have assumed that such statements and representations are true, correct and complete without regard to any qualification as to knowledge or belief. Our opinion is conditioned upon, among other things, the initial and continuing truth, accuracy, and completeness of the items described above on which we are relying.

In rendering the opinion, we have considered the applicable provisions of the Internal Revenue Code of 1986, as amended, regulations of the United States Department of the Treasury promulgated thereunder, pertinent judicial authorities, interpretive rulings and other administrative guidance of the Internal Revenue Service (the "Service"), and such other authorities as we have considered relevant, all as of the date hereof. It should be noted that statutes, regulations, judicial decisions and administrative guidance are subject to change at any time and that any such changes may be effective retroactively. A change in the authorities or in the truth, accuracy or completeness of any of the facts, information, documents, corporate records, covenants, statements, representations or assumptions on which our opinion is based could affect our conclusions.

Subject to the foregoing and the qualifications set forth in the Registration Statement, the discussion set forth in the Registration Statement under the caption "United States Federal Income Tax Considerations-U.S. Holders" insofar as such discussion sets forth legal conclusions on United States federal income tax law, constitutes our opinion as to the material United States federal income tax consequences to U.S. Investors (as such term is defined in the Registration Statement) of the ownership and sale, exchange or other disposition of the Company's Common Stock.

July 14, 2023

Our opinion is limited to the application of the federal income tax laws of the United States only and we express no opinion with respect to the applicability of other federal laws, the laws of other countries, the laws of any state of the United States or any other jurisdiction, or as to any matters of municipal law or the laws of any other local agencies within any state. No opinion is expressed as to any federal income tax laws except as specifically set forth herein. Our opinion represents only our interpretation of the law and has no binding, legal effect on, without limitation, the service or any court. It is possible that contrary positions may be asserted by the service and that one or more courts may sustain such contrary positions. Our opinion is expressed as of the date hereof, and we are under no obligation to supplement or revise this opinion to reflect any changes, including changes which have retroactive effect (i) in applicable law, or (ii) in any fact, information, document, corporate record, covenant, statement, representation, or assumption stated herein that becomes untrue, incorrect or incomplete.

This letter is furnished to you for use in connection with the Registration Statement and is not to be used, circulated, quoted, or otherwise referred to for any other purpose without our express written permission. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name in the Registration Statement wherever it appears. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the SEC thereunder.

Very truly yours,

/s/ Ortoli Rosenstadt LLP

Ortoli Rosenstadt LLP



Non-exclusive License Agreement

This License Agreement (this “Agreement”) is entered into as of this 10th day of September, 2021 (the “Effective Date”), by and between Interglobal Forest LLC , an existing under the laws of United States, having a place of business at (“Licensee”) and Benchwick Construction

Products Ltd/Northann Building Solutions LLC, an existing under the laws of Hongkong/United States, having a place of business at Hongkong, China (“Licensor”).

WHEREAS, the technology claimed in the Patent Rights (as defined below) was developed in research conducted by Licensor;

WHEREAS, Licensee wishes to obtain a license and Licensor agrees to authorize a license under the Patent Rights;

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

Whenever used in this Agreement with an initial capital letter, the terms defined in this Article 1, whether used in the singular or the plural, shall have the meanings specified below.

1.1 “Affiliate” means, a person or entity controlling, controlled by or under common control with either Party.

1.2 “Agreement” means this Non-exclusive License Agreement, any appendix thereto, and any modification or amendment thereto that is made in the manner provided herein.

1.3 “Patent Rights” means, in each case to the extent owned and controlled by Licensor: (a) the patents and patents applications listed in Exhibit 1 (as amended from time to time by the Parties in joint agreement); (b) any patent or patent application that claims priority to and is a divisional, continuation, reissue, renewal, reexamination, substitution or extension of any patent application identified in (a).

1.4 “Licensed Product” means any product, the making, using, selling, offering for sale, importing or exporting in question would (without the license granted hereunder) infringe directly, indirectly by inducement of infringement, or indirectly by contributory infringement.

1.5 “Licensor” means BW as owner or authorized licensor of Patent Rights.

1.6 “Licensee” means IGF as authorized licensee of Patent Rights under this Agreement.

1.7 “Party” means Northann or Benchwick , individually and collectively, as applicable.

1.8 “Service” means any technical support, explanation, and other responses fulfilled by Licensor in order to help Licensee to understand and master Licensor’s patents, and develop, use, produce Licensed Product under this Agreement.

2. License Grant

2.1 License. Subject to the terms and conditions set forth in this Agreement, Licensor hereby grants to Licensee a non-exclusive, worldwide, non-transferable, royalty-bearing license under the Patent Rights solely to make, have made, use, market, offer for sale, sell and import Licensed Products.

2.2 Service. Licensor will provide Service which required reasonably by Licensee in order to help Licensee to understand and master Licensor’s patents, and develop, use, produce Licensed Product under this Agreement.

2.3 No Other Grant of Rights. Except as expressly provided in this Agreement, nothing in this Agreement shall be construed to confer any ownership interest, license or other rights upon Licensee by implication, estoppel or otherwise as to any technology, intellectual property rights, products or biological materials of Licensor, regardless of whether such technology, intellectual property rights, products or biological materials are dominant, subordinate or otherwise related to any Patent Rights.

2.3 Affiliates. The licenses granted to Licensee under Section 2.1 shall include the right to have some or all of Licensee’s rights or obligations under this Agreement exercised or performed by Licensee’s Affiliates. Any act or omission taken or made by an Affiliate of Licensee under this Agreement shall be deemed an act or omission by Licensee under this Agreement.

3. Consideration for Grant of License.

3.1 Technology Fee. Licensee agrees to pay Licensor a non-refundable technology support fee of one million U.S. Dollars (\$1,000,000), due and payable within 30 days after the Effective Date.

3.2 Expense Fee. Licensee agrees to pay Licensor an expense fee of U.S. Dollars (\$60,000), due and payable within 30 days after the Effective Date.

3.3 Late Payment. Any payments by Licensee that are not paid on or before the date such payments are due under this Agreement will bear annual interest at five percent (5%). Interest will accrue beginning on the first day following the due date for payment.

3.4 Payment Method. Any payment due to Licensor under this Agreement shall be paid by wire transfer of funds to Licensor's account in accordance with written instructions provided by Licensor.

3.5 Withholding and Similar Taxes. All amounts to be paid to Licensor pursuant to this Agreement shall be without deduction of exchange, collection, or other charges, except as deduction of withholding or similar taxes or other government imposed fees or taxes.

4. Reports. Licensee shall deliver to Licensor an annual report containing the number of units of Licensed Products sold by Licensee and its Affiliates for the applicable calendar year.

5. Intellectual Property.

5.1 Responsibility. Licensor shall have sole responsibility for and control over the preparation, filing, prosecution, protection and maintenance of all Patent Rights, and all decision-making authority with regard to Patent Rights shall vest in Licensor. Licensor shall keep Licensee informed with respect to the course and conduct of patent applications and prosecution matters.

5.2 Patent Expenses. Licensor shall burden all expenses incurred with respect to the preparation, filing, prosecution, protection and maintenance of the Patent Rights.

5.3 Enforcement. Licensor shall have the right, acting in its sole discretion, to prosecute in its own name and at its own expense any possible or actual infringement of patents related to the Patent Rights. Licensee agrees to notify Licensor of each suspected or confirmed infringement of such patents of which it is or become aware. Licensee agrees to cooperate fully in any action under this Section 5.3.

5.4 Marking. Licensee and its Affiliates shall mark all Licensed Products sold or otherwise disposed of by it in the United States with the word "Patent" and the number of all patents included within the Patent Rights shall cover such Licensed Products.

6. Warranties; Limitation of Liability.

6.1 Compliance with Law. Licensee represents and warrants that it will comply, and will ensure that its Affiliates comply, with all local, state, federal and international laws and regulations relating to the development, manufacture, use, sale and importation of Licensed Products.

6.2 Limitation of Liability.

6.2.1 Except with respect to matters for which Licensee is obligated to indemnify Licensor under Article 7, neither party will be liable to the other with respect to any subject matter of this Agreement under any contract, negligence, strict liability or other legal or equitable theory for (a) any indirect, incidental, consequential or punitive damages or lost profits or (b) cost of procurement of substitute goods, technology or services.

6.2.2 Licensor's aggregate liability for all damages of any kind arising out of or relating to this Agreement or its subject matter under any contract, negligence, strict liability or other legal or equitable theory shall not exceed the amounts paid to Licensor under this Agreement.

7. Indemnification and Insurance.

7.1 Indemnification. Licensee shall indemnify, defend and hold harmless Licensor and its current and former directors, officers, employees, agents, and their respective successors, heirs and assigns (the "Indemnitees") from and against any claim, liability, cost, expense, damage, deficiency, loss or obligation of any kind or nature (including reasonable attorneys' fees and other costs and expenses of litigation) based upon, arising out of otherwise relating to this Agreement, including any cause of action relating to product liability concerning any product, process or service made, used, sold or performed pursuant to any right or license granted under this Agreement (collectively "Claims").

7.2 Insurance. Licensee shall, at its sole cost and expense, procure and maintain commercial general liability insurance in reasonable amounts. Licensee shall provide Licensor with written evidence of such insurance upon request of Licensor.

8. Term and Termination.

8.1 Term. The term of this Agreement shall commence on the Effective Date and, unless earlier terminated as provided in this Article 8, shall continue in full force and effect until the expiration.

8.2 Termination.

8.2.1 Termination Without Cause. This Agreement shall be valid for 10 years from the Effective Date and, shall be terminated on September, 2031.

8.2.2 Termination for Default. In the event that either Party commits a material breach of its obligations under this Agreement and fails to cure that breach within thirty (30) days after receiving written notice thereof, the other Party may terminate this Agreement immediately upon written notice to the Party in breach.

8.3 Effect of Termination or Expiration.

8.3.1 Termination of Rights. Upon expiration or termination of this Agreement by either party pursuant to any of the provisions of Section 8.2 the rights and licenses granted to Licensee under Article 2 shall terminate, all rights in and to and under the Patent Rights will revert to Licensor and neither Licensee nor its Affiliates may make any further use of exploitation of the Patent Rights.

8.3.2 Accruing Obligations. Termination or expiration of this Agreement shall not relieve the Parties of obligations accruing prior to such termination or expiration, including obligations to pay amounts accruing hereunder up to the date of termination or expiration. After the date of termination or expiration, Licensee and its Affiliates (a) may sell Licensed Products then in stock and (b) may complete the production of Licensed Products then in the process of production and sell the same; provided in the case of both (a) and (b) Licensee shall pay the applicable royalties and payments to Licensor in accordance with Article 3, provided reports and audit rights to Licensor pursuant to Article 4 and maintain insurance in accordance with the requirements of Section 7.1.

8.4 Survival. The Parties' respective rights, obligations and duties under Article 7, 8 and 9 and Section 6.2, as well as any rights, obligations and duties which by their nature extend beyond the expiration of this Agreement.

9. Miscellaneous.

9.1 No Security Interest. Licensee shall not enter into any agreement under which Licensee grants to or otherwise creates in any third party a security interest in this Agreement or any of the rights granted to Licensee herein. Any grant or creation of a security interest purported or attempted to be made in violation of the terms of this Section 9.1 shall be null and void and of legal effect.

9.2 Entire Agreement. This Agreement is the sole agreement with respect to the subject matter hereof and, except as expressly set forth herein, supersedes all other agreements and understandings between the parties with respect to the same.

9.3 Notices. Unless otherwise specifically provided, all notices required or permitted by this Agreement shall be in writing and may be delivered personally, or may be sent by e-mail, expedited delivery or certified mail, return receipt requested, to the following addresses, unless the parties are subsequently notified of any change of address in accordance with this Section 9.3:

If to Licensee:

If to Licensor:

Any notice shall be deemed to have been received as follows: (a) by personal delivery or expedited delivery, upon receipt; (b) by e-mail, one business day after transmission; (c) by certified mail, as evidenced by the return receipt.

9.4 Governing Law and Jurisdiction. This Agreement will be governed by, and construed in accordance with, the substantive laws of Delaware, without giving effect to any choice or conflict of law provision, except the questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent shall have been granted. Except as provide herein, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be determined by final and binding arbitration, administrated by Judicial Arbitration Mediation Service ("JAMS") as set forth below. The seat or place of arbitration shall be the City of Seattle, State of Washington, USA. There will be one arbitrator selected by the parties within 10 days of the notice of the arbitration demand of, if not, by JAMS, from its list of approved arbitrators, who must be an attorney with at least 15 years commercial las experience in handling or deciding large complex cases. The award rendered by the arbitrator shall be final, non-reviewable, and non-appealable.

9.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, successors and permitted assigns.

9.6 Headings. Section and subsection headings are inserted for convenience of reference only and do not form a part of this Agreement.

9.7 Counterparts. The parties may execute this Agreement in two or more counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. E- mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart. If by e-mail, the executed Agreement must be delivered in a .pdf format.

9.8 Amendment; Waiver. This Agreement may be amended, modified, superseded or canceled, and any of the terms may be waived, only by a written instrument executed by each party or, in the case of waiver, by the party waiving compliance. The delay or failure of either party at any time or times to require performance of any provisions hereof shall in no manner affect the rights at a later time to enforce the same. No waiver by either party of any condition or of the breach of any term contained in this Agreement, whether by conduct, or otherwise, in any one or more instances, shall be deemed to be, or considered as, a further or continuing waiver of any such condition or of the breach of such term or any other term of this Agreement.

9.9 No Agency or Partnership. Nothing contained in this Agreement shall give either party the right to bind the other, or be deemed to constitute either party as agent for or partner of the other or any third party.

9.10 Assignment and Successors. This Agreement may not be assigned by either party without the consent of the other, which consent shall not be unreasonably withheld.

9.11 Force Majeure. Except for monetary obligations hereunder, neither party will be responsible for delays resulting from causes beyond the reasonable control of such party, including fire, explosion, flood, war, strike, or riot, provided that the nonperforming party uses commercially reasonable efforts to avoid or remove such causes of nonperformance and continues performance under this Agreement with reasonable dispatch whenever such causes are removed.

9.12 Severability. If any provision of this Agreement is or becomes invalid or is ruled invalid by any court of competent jurisdiction or is deemed unenforceable, it is the intention of the parties that remainder of this Agreement shall not be affected.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

Licensor:

By: /s/ Lin Li

Lin Li

2021.09.10

By: /s/ Deb Petrochko

Deb Petrochko

2021.09.11

Employment Agreement

This Employment Agreement (the "**Agreement**") is made and entered into as of July 1, 2022, by and between Lin Li (the "**Executive**") and Northann Corp., a Nevada Corporation (the "**Company**").

WHEREAS, the Company desires to employ the Executive on the terms and conditions set forth herein; and

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and obligations set forth herein, the parties agree as follows:

1. Term. The Executive's employment hereunder shall be effective as of July 1, 2022 (the "**Effective Date**") and shall continue until the third anniversary thereof, unless terminated earlier pursuant to Section 4 of this Agreement; provided that, on such third anniversary of the Effective Date and each annual anniversary thereafter (such date and each annual anniversary thereof, a "**Renewal Date**"), the Agreement shall be deemed to be automatically extended, upon the same terms and conditions, for successive periods of one year, unless either party provides written notice of its intention not to extend the term of the Agreement at least 60 days' prior to the applicable Renewal Date. The period during which the Executive is employed by the Company hereunder is hereinafter referred to as the "**Employment Term**."

2. Position and Duties.

2.1 Position. During the Employment Term, the Executive shall serve as the Chairman of the Board, Chief Executive Officer, President, Treasurer and Secretary of the Company. In such position, the Executive shall have such duties, authority, and responsibilities as shall be determined from time to time by the board of directors (the "**Board**"), which duties, authority, and responsibilities are consistent with the Executive's position. The Executive shall, if requested, also serve as a member of the board of directors of the Company or as an officer or director of any affiliate of the Company for no additional compensation.

2.2 Duties. During the Employment Term, the Executive shall devote substantially all of the Executive's business time and attention to the performance of the Executive's duties hereunder and will not engage in any other business, profession, or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Board. Notwithstanding the foregoing, the Executive will be permitted to (a) with the prior written consent of the Board (which consent can be withheld by the Board in its discretion) act or serve as a director, trustee, committee member, or principal of any type of business, civic, or charitable organization, and (b) purchase or own less than five percent (5%) of the publicly traded securities of any corporation; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation; provided further that, the activities described in clauses (a) and (b) do not interfere with the performance of the Executive's duties and responsibilities to the Company as provided hereunder, including, but not limited to, the obligations set forth in Section 2 hereof.

3. Compensation.

3.1 Base Salary. The Company shall pay the Executive an annual base salary of \$120,000 in periodic installments in accordance with the Company's customary payroll practices and applicable wage payment laws, but no less frequently than monthly. The Executive's base salary shall be reviewed at least annually by the Board and/or the Compensation Committee of the Board (the "**Compensation Committee**") and the Board and/or the Compensation Committee may, but shall not be required to, increase the base salary during the Employment Term. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

3.2 Annual Bonus. For each calendar year of the Employment Term, the Executive shall be eligible to receive an annual bonus (the "**Annual Bonus**"). However, the decision to provide any Annual Bonus and the amount and terms of any Annual Bonus shall be in the sole and absolute discretion of the Board and/or the Compensation Committee.

3.3 Equity Awards. During the Employment Term, the Executive shall be eligible to participate in any equity plan the Company may implement from time to time.

3.4 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment, and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with the Company's expense reimbursement policies and procedures.

3.5 Indemnification.

(a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "**Proceeding**"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee, or agent of another corporation or a partnership, joint venture, trust, or other enterprise, the Executive shall be indemnified and held harmless by the Company to the maximum extent permitted under applicable law and the Company's bylaws from and against any liabilities, costs, claims, and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees). Costs and expenses incurred by the Executive in defense of such Proceeding (including attorneys' fees) shall be paid by the Company in advance of the final disposition of such litigation upon receipt by the Company of: (i) a written request for payment; (ii) appropriate documentation evidencing the incurrence, amount, and nature of the costs and expenses for which payment is being sought; and (iii) an undertaking adequate under applicable law made by or on behalf of the Executive to repay the amounts so paid if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Company under this Agreement.

(b) During the Employment Term, the Company or any successor to the Company shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and similarly situated executives of the Company or any successor.

4. Termination of Employment. The Employment Term and the Executive's employment hereunder may be terminated by either the Company or the Executive at any time and for any reason; provided that, unless otherwise provided herein, either party shall be required to give the other party at least 30 days advance written notice of any termination of the Executive's employment. On termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this Section 4 and shall have no further rights to any compensation or any other benefits from the Company or any of its affiliates.

4.1 Expiration of the Term, For Cause, or Without Good Reason.

(a) The Executive's employment hereunder may be terminated upon either party's failure to renew the Agreement in accordance with Section 1, by the Company for Cause, or by the Executive without Good Reason. If the Executive's employment is terminated upon either party's failure to renew the Agreement, by the Company for Cause, or by the Executive without Good Reason, the Executive shall be entitled to receive:

(i) any accrued but unpaid Base Salary and accrued but unused vacation which shall be paid on the Termination Date (as defined below)/within one (1) week following the Termination Date (as defined below)/on the pay date immediately following the Termination Date (as defined below) in accordance with the Company's customary payroll procedures;

(ii) any earned but unpaid Annual Bonus with respect to any completed calendar immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date; provided that, if the Executive's employment is terminated by the Company for Cause, then any such accrued but unpaid Annual Bonus shall be forfeited;

(iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy; and

(iv) such employee benefits (including equity compensation), if any, to which the Executive may be entitled under the Company's employee benefit plans as of the Termination Date; provided that, in no event shall the Executive be entitled to any payments in the nature of severance or termination payments except as specifically provided herein.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "**Accrued Amounts**".

(b) For purposes of this Agreement, "**Cause**" shall mean:

(i) the Executive's failure to perform Executive's duties (other than any such failure resulting from incapacity due to physical or mental illness);

(ii) the Executive's engagement in dishonesty, illegal conduct, or misconduct, which is, in each case, materially injurious to the Company or its affiliates;

(iii) the Executive's embezzlement, misappropriation, or fraud, whether or not related to the Executive's employment with the Company;

(iv) the Executive's conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude;

(v) the Executive's material violation of the Company's written policies or codes of conduct, including written policies related to discrimination, harassment, performance of illegal or unethical activities, and ethical misconduct;

(vi) the Executive's willful unauthorized disclosure of Confidential Information (as defined below); or

(vii) the Executive's material breach of any material obligation under this Agreement or any other written agreement between the Executive and the Company.

(c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:

(i) a material reduction in the Executive's Base Salary other than a general reduction in Base Salary that affects all similarly situated executives in substantially the same proportions;

(ii) any material breach by the Company of any material provision of this Agreement; or

(iii) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law.

The Executive cannot terminate employment for Good Reason unless the Executive has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within 5 days of the initial existence of such grounds and the Company has had at least 30 days from the date on which such notice is provided to cure such circumstances. If the Executive does not terminate employment for Good Reason within 5 days after the first occurrence of the applicable grounds, then the Executive will be deemed to have waived the right to terminate for Good Reason with respect to such grounds.

4.2 Non-Renewal by the Company, Without Cause, or for Good Reason. The Employment Term and the Executive's employment hereunder may be terminated by the Executive for Good Reason or by the Company without Cause or on account of the Company's failure to renew the Agreement in accordance with Section 1. In the event of such termination, the Executive shall be entitled to receive the Accrued Amounts.

4.3 Death or Disability.

(a) The Executive's employment hereunder shall terminate automatically on the Executive's death during the Employment Term, and the Company may terminate the Executive's employment on account of the Executive's Disability.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the Accrued Amounts.

(c) For purposes of this Agreement, "**Disability**" shall mean the Executive's inability, due to physical or mental incapacity, to perform the essential functions of the Executive's job, for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days.

4.4 Change in Control Termination.

(a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated because of a Change in Control (as defined below), the Executive shall be entitled to receive the Accrued Amounts.

(b) For purposes of this Agreement, "**Change in Control**" shall mean the occurrence of any of the following after the Effective Date:

(i) one person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of such corporation; provided that, a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than 50% of the total fair market value or total voting power of the Company's stock and acquires additional stock;

(ii) one person (or more than one person acting as a group) acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition) ownership of the Company's stock possessing 30% or more of the total voting power of the Company's stock;

(iii) a majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; or

(iv) the sale of all or substantially all of the Company's assets.

4.5 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term (other than termination pursuant to Section 4.3(a) on account of the Executive's death) shall be communicated by written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with Section 15. The Notice of Termination shall specify:

(a) The termination provision of this Agreement relied upon;

(b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and

(c) The applicable Termination Date.

4.6 Termination Date. The Executive's "**Termination Date**" shall be:

(a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;

(b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;

(c) If the Company terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;

(d) If the Company terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination;

(e) If the Executive terminates the Executive's employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination; and

(f) If the Executive's employment hereunder terminates because either party provides notice of non-renewal pursuant to Section 1, the Renewal Date immediately following the date on which the applicable party delivers notice of non-renewal.

4.7 Resignation of All Other Positions. On termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the Board (or a committee thereof) of the Company or any of its affiliates.

5. Confidential Information. The Executive understands and acknowledges that during the Employment Term, the Executive will have access to and learn about Confidential Information, as defined below.

5.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, practices, methods, policies, plans, publications, documents, research, operations, services, strategies, techniques, agreements, contracts, terms of agreements, transactions, potential transactions, negotiations, pending negotiations, know-how, trade secrets, technologies, manuals, supplier information, financial information, results, accounting information, accounting records, legal information, marketing information, advertising information, pricing information, credit information, design information, supplier lists, vendor lists, product designs, inventions, unpublished patent applications, customer information, manufacturing information, of the Company and its direct and indirect subsidiaries (the "**Company Group**") or the Company Group's businesses, or of any other person or entity that has entrusted information to the Company Group in confidence.

The Executive understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

The Executive understands and agrees that Confidential Information includes information developed by Executive in the course of employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate, or make available Confidential Information, or allow it to be disclosed, published, communicated, or made available, in whole or part, to any entity or person whatsoever (including other employees of the Company Group) not having a need to know and authority to know and use the Confidential Information in connection with the business of the Company Group and, in any event, not to anyone outside of the direct employ of the Company Group except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Board acting on behalf of the Company Group in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media, or other resources containing any Confidential Information, or remove any such documents, records, files, media, or other resources from the premises or control of the Company Group, except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Board acting on behalf of the Company Group in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent).

(c) Permitted disclosures. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order.

6. Restrictive Covenants.

6.1 Non-Solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company Group, or attempt to do so, during 12 months, to run consecutively, beginning on the last day of the Executive's employment with the Company.

6.2 Non-Solicitation of Customers. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the Company Group, the Executive will have access to and learn about much or all of the Company Group's customer information. "**Customer Information**" includes, but is not limited to, names, phone numbers, addresses, email addresses, order history, order preferences, chain of command, decisionmakers, pricing information, and other information identifying facts and circumstances specific to the customer and relevant to sales and services.

The Executive understands and acknowledges that loss of this customer relationship and/or goodwill will cause significant and irreparable harm.

The Executive agrees and covenants, during 12 months, to run consecutively, beginning on the last day of the Executive's employment with the Company, not to directly or indirectly solicit, contact (including but not limited to email, regular mail, express mail, telephone, fax, instant message, or social media), attempt to contact, or meet with the Company's current, former or prospective customers for purposes of offering or accepting goods or services similar to or competitive with those offered by the Company.

This restriction shall only apply to:

- (a) Customers or prospective customers the Executive contacted in any way during the past 12 months;
- (b) Customers about whom the Executive has trade secret or confidential information;
- (c) Customers who became customers during the Executive's employment with the Company; and
- (d) Customers about whom the Executive has information that is not available publicly.

7. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by the Executive to the Company are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Company's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Company Group.

The Executive further acknowledges that the benefits provided to the Executive under this Agreement, including the amount of the Executive's compensation, reflects, in part, the Executive's obligations and the Company's rights under Section 5 and Section 6 of this Agreement; that the Executive has no expectation of any additional compensation, royalties, or other payment of any kind not otherwise referenced herein in connection herewith; and that the Executive will not suffer undue hardship by reason of full compliance with the terms and conditions of Section 5 and Section 6 of this Agreement or the Company's enforcement thereof.

8. Governing Law. This agreement shall be construed, interpreted and governed in accordance with the laws of the state of New York, without reference to rules relating to conflicts of law.

9. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

10. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power, or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power, or privilege.

11. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement, or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions had not been set forth herein.

12. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

13. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

14. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

15. Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by electronic mail, registered or certified mail, return receipt requested, or by overnight carrier to the parties.

16. Representations of the Executive. The Executive represents and warrants to the Company that:

(a) The Executive's acceptance of employment with the Company and the performance of duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement, or understanding to which the Executive is a party or is otherwise bound.

(b) The Executive's acceptance of employment with the Company and the performance of duties hereunder will not violate any non-solicitation, non-competition, or other similar covenant or agreement of a prior employer.

17. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state, and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

18. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

19. Acknowledgement of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THE EXECUTIVE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THE EXECUTIVE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF THE EXECUTIVE'S CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

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

Northann Corp.

By: /s/ Lin Li
Name: Lin Li
Title: Chief Executive Officer

EXECUTIVE

Signature: /s/ Lin Li
Print Name: Lin Li

Employment Agreement

This Employment Agreement (the "**Agreement**") is made and entered into as of April 18, 2023, by and between David M. Kratochvil (the "**Executive**") and Northann Corp., a Nevada Corporation (the "**Company**").

WHEREAS, the Company desires to employ the Executive on the terms and conditions set forth herein; and

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and obligations set forth herein, the parties agree as follows:

1. Term. The Executive's employment hereunder shall be effective immediately before the Company publicly file its registration statement on Form S-1 with the Securities and Exchange Commission in connection with the Company's initial public offering (the "**Effective Date**") and shall continue until the first anniversary thereof, unless terminated earlier pursuant to Section 4 of this Agreement; provided that, on such first anniversary of the Effective Date and each annual anniversary thereafter (such date and each annual anniversary thereof, a "**Renewal Date**"), the Agreement shall be deemed to be automatically extended, upon the same terms and conditions, for successive periods of one year, unless either party provides written notice of its intention not to extend the term of the Agreement at least 60 days' prior to the applicable Renewal Date. The period during which the Executive is employed by the Company hereunder is hereinafter referred to as the "**Employment Term**."

2. Position and Duties.

2.1 Position. During the Employment Term, the Executive shall serve as the Chief Financial Officer of the Company. In such position, the Executive shall have such duties, authority, and responsibilities as shall be determined from time to time by the board of directors (the "**Board**"), which duties, authority, and responsibilities are consistent with the Executive's position. The Executive shall, if requested, also serve as a member of the board of directors of the Company or as an officer or director of any affiliate of the Company for no additional compensation.

2.2 Duties. During the Employment Term, the Executive shall devote the Executive's business time and attention to the performance of the Executive's duties.

3. Compensation.

3.1 Cash Compensation. The Company will pay the Executive an initial retainer of \$10,000 due on signing of this Agreement and a base salary in the amount of \$10,000 per month. Payments will be due and payable via electronic payment directly into the Executive's bank account at the end of every month.

3.2 Equity Compensation. Company shall also offer the Executive equity-based compensation in the amount of \$50,000 per annum, payable by issuance of the common stock of the Company, vested in four equal installments on a quarterly basis. The price per share of common stock shall be the average closing price of the Company's common stock of the last five business days of such quarter. For avoidance of doubt, the first quarterly installment shall be due and vested pro rata on the last business day of the quarter of which the Effective Date is part of.

3.3 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment, and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with the Company's expense reimbursement policies and procedures.

3.4 If this Agreement is terminated prior to the completion of the term of this Agreement, all fees and expense reimbursement will become due and payable immediately.

3.5 Indemnification.

(a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "**Proceeding**"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee, or agent of another corporation or a partnership, joint venture, trust, or other enterprise, the Executive shall be indemnified and held harmless by the Company to the maximum extent permitted under applicable law and the Company's bylaws from and against any liabilities, costs, claims, and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees). Costs and expenses incurred by the Executive in defense of such Proceeding (including attorneys' fees) shall be paid by the Company in advance of the final disposition of such litigation upon receipt by the Company of: (i) a written request for payment; (ii) appropriate documentation evidencing the incurrence, amount, and nature of the costs and expenses for which payment is being sought; and (iii) an undertaking adequate under applicable law made by or on behalf of the Executive to repay the amounts so paid if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Company under this Agreement.

(b) During the Employment Term and for a period of three years thereafter, the Company or any successor to the Company shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and similarly situated executives of the Company or any successor.

4. Termination of Employment. The Employment Term and the Executive's employment hereunder may be terminated by either the Company or the Executive at any time and for any reason; provided that, unless otherwise provided herein, either party shall be required to give the other party at least 60 days advance written notice of any termination of the Executive's employment. On termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this Section 4 and shall have no further rights to any compensation or any other benefits from the Company or any of its affiliates.

4.1 Expiration of the Term, For Cause, or Without Good Reason.

(a) The Executive's employment hereunder may be terminated upon either party's failure to renew the Agreement in accordance with Section 1, by the Company for Cause, or by the Executive without Good Reason. If the Executive's employment is terminated upon either party's failure to renew the Agreement, by the Company for Cause, or by the Executive without Good Reason, the Executive shall be entitled to receive:

(i) any accrued but unpaid Base Salary and accrued but unused vacation which shall be paid on the Termination Date (as defined below)/within one (1) week following the Termination Date (as defined below)/on the pay date immediately following the Termination Date (as defined below) in accordance with the Company's customary payroll procedures;

(ii) any earned but unpaid Annual Bonus with respect to any completed calendar immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date; provided that, if the Executive's employment is terminated by the Company for Cause, then any such accrued but unpaid Annual Bonus shall be forfeited;

(iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy; and

(iv) such employee benefits (including equity compensation), if any, to which the Executive may be entitled under the Company's employee benefit plans as of the Termination Date; provided that, in no event shall the Executive be entitled to any payments in the nature of severance or termination payments except as specifically provided herein.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "**Accrued Amounts**".

(b) For purposes of this Agreement, "**Cause**" shall mean:

(i) the Executive's failure to perform Executive's duties (other than any such failure resulting from incapacity due to physical or mental illness);

(ii) the Executive's engagement in dishonesty, illegal conduct, or misconduct, which is, in each case, materially injurious to the Company or its affiliates;

(iii) the Executive's embezzlement, misappropriation, or fraud, whether or not related to the Executive's employment with the Company;

(iv) the Executive's conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude;

(v) the Executive's material violation of the Company's written policies or codes of conduct, including written policies related to discrimination, harassment, performance of illegal or unethical activities, and ethical misconduct;

(vi) the Executive's willful unauthorized disclosure of Confidential Information (as defined below); or

(vii) the Executive's material breach of any material obligation under this Agreement or any other written agreement between the Executive and the Company.

(c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:

(i) a material reduction in the Executive's Base Salary other than a general reduction in Base Salary that affects all similarly situated executives in substantially the same proportions;

(ii) any material breach by the Company of any material provision of this Agreement; or

(iii) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law.

The Executive cannot terminate employment for Good Reason unless the Executive has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within 5 days of the initial existence of such grounds and the Company has had at least 30 days from the date on which such notice is provided to cure such circumstances. If the Executive does not terminate employment for Good Reason within 5 days after the first occurrence of the applicable grounds, then the Executive will be deemed to have waived the right to terminate for Good Reason with respect to such grounds.

4.2 Non-Renewal by the Company, Without Cause, or for Good Reason. The Employment Term and the Executive's employment hereunder may be terminated by the Executive for Good Reason or by the Company without Cause or on account of the Company's failure to renew the Agreement in accordance with Section 1. In the event of such termination, the Executive shall be entitled to receive the Accrued Amounts.

4.3 Death or Disability.

(a) The Executive's employment hereunder shall terminate automatically on the Executive's death during the Employment Term, and the Company may terminate the Executive's employment on account of the Executive's Disability.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the Accrued Amounts.

(c) For purposes of this Agreement, "**Disability**" shall mean the Executive's inability, due to physical or mental incapacity, to perform the essential functions of the Executive's job, for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days.

4.4 Change in Control Termination.

(a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated because of a Change in Control (as defined below), the Executive shall be entitled to receive the Accrued Amounts.

(b) For purposes of this Agreement, "**Change in Control**" shall mean the occurrence of any of the following after the Effective Date:

(i) one person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of such corporation; provided that, a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than 50% of the total fair market value or total voting power of the Company's stock and acquires additional stock;

(ii) one person (or more than one person acting as a group) acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition) ownership of the Company's stock possessing 30% or more of the total voting power of the Company's stock;

(iii) a majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; or

(iv) the sale of all or substantially all of the Company's assets.

4.5 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term (other than termination pursuant to Section 4.3(a) on account of the Executive's death) shall be communicated by written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with Section 15. The Notice of Termination shall specify:

- (a) The termination provision of this Agreement relied upon;
- (b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and
- (c) The applicable Termination Date.

4.6 Termination Date. The Executive's "**Termination Date**" shall be:

- (a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;
- (b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;
- (c) If the Company terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;
- (d) If the Company terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination;
- (e) If the Executive terminates the Executive's employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination,; and
- (f) If the Executive's employment hereunder terminates because either party provides notice of non-renewal pursuant to Section 1, the Renewal Date immediately following the date on which the applicable party delivers notice of non-renewal.

4.7 Resignation of All Other Positions. On termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the Board (or a committee thereof) of the Company or any of its affiliates.

5. Confidential Information. The Executive understands and acknowledges that during the Employment Term, the Executive will have access to and learn about Confidential Information, as defined below.

5.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, practices, methods, policies, plans, publications, documents, research, operations, services, strategies, techniques, agreements, contracts, terms of agreements, transactions, potential transactions, negotiations, pending negotiations, know-how, trade secrets, technologies, manuals, supplier information, financial information, results, accounting information, accounting records, legal information, marketing information, advertising information, pricing information, credit information, design information, supplier lists, vendor lists, product designs, inventions, unpublished patent applications, customer information, manufacturing information, of the Company and its direct and indirect subsidiaries (the "**Company Group**") or the Company Group's businesses, or of any other person or entity that has entrusted information to the Company Group in confidence.

The Executive understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

The Executive understands and agrees that Confidential Information includes information developed by Executive in the course of employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate, or make available Confidential Information, or allow it to be disclosed, published, communicated, or made available, in whole or part, to any entity or person whatsoever (including other employees of the Company Group) not having a need to know and authority to know and use the Confidential Information in connection with the business of the Company Group and, in any event, not to anyone outside of the direct employ of the Company Group except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Board acting on behalf of the Company Group in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media, or other resources containing any Confidential Information, or remove any such documents, records, files, media, or other resources from the premises or control of the Company Group, except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Board acting on behalf of the Company Group in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent).

(c) Permitted disclosures. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order.

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The Executive agrees and covenants, during 12 months, to run consecutively, beginning on the last day of the Executive's employment with the Company, not to directly or indirectly solicit, contact (including but not limited to email, regular mail, express mail, telephone, fax, instant message, or social media), attempt to contact, or meet with the Company's current, former or prospective customers for purposes of offering or accepting goods or services similar to or competitive with those offered by the Company.

This restriction shall only apply to:

- (a) Customers or prospective customers the Executive contacted in any way during the past 12 months;
 - (b) Customers about whom the Executive has trade secret or confidential information;
 - (c) Customers who became customers during the Executive's employment with the Company; and
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7. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by the Executive to the Company are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Company's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Company Group.

The Executive further acknowledges that the benefits provided to the Executive under this Agreement, including the amount of the Executive's compensation, reflects, in part, the Executive's obligations and the Company's rights under Section 5 and Section 6 of this Agreement; that the Executive has no expectation of any additional compensation, royalties, or other payment of any kind not otherwise referenced herein in connection herewith; and that the Executive will not suffer undue hardship by reason of full compliance with the terms and conditions of Section 5 and Section 6 of this Agreement or the Company's enforcement thereof.

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9. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

10. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power, or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power, or privilege.

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The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement, or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions had not been set forth herein.

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15. Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by electronic mail, registered or certified mail, return receipt requested, or by overnight carrier to the parties.

16. Representations of the Executive. The Executive represents and warrants to the Company that:

(a) The Executive's acceptance of employment with the Company and the performance of duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement, or understanding to which the Executive is a party or is otherwise bound.

(b) The Executive's acceptance of employment with the Company and the performance of duties hereunder will not violate any non-solicitation, non-competition, or other similar covenant or agreement of a prior employer.

17. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state, and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

18. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

19. Acknowledgement of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THE EXECUTIVE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THE EXECUTIVE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF THE EXECUTIVE'S CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

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

Northann Corp.

By /s/ Lin Li

Name: Lin Li

Title: Chief Executive Officer

EXECUTIVE

Signature: /s/ David M. Kratochvil

Print Name: David M. Kratochvil

Employment Agreement

This Employment Agreement (the "**Agreement**") is made and entered into as of July 1, 2022, by and between Kurtis W. Winn (the "**Executive**") and Northann Corp., a Nevada Corporation (the "**Company**").

WHEREAS, the Company desires to employ the Executive on the terms and conditions set forth herein; and

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and obligations set forth herein, the parties agree as follows:

1. **Term.** The Executive's employment hereunder shall be effective as of July 1, 2022 (the "**Effective Date**") and shall continue until the third anniversary thereof, unless terminated earlier pursuant to Section 4 of this Agreement; provided that, on such third anniversary of the Effective Date and each annual anniversary thereafter (such date and each annual anniversary thereof, a "**Renewal Date**"), the Agreement shall be deemed to be automatically extended, upon the same terms and conditions, for successive periods of one year, unless either party provides written notice of its intention not to extend the term of the Agreement at least 60 days' prior to the applicable Renewal Date. The period during which the Executive is employed by the Company hereunder is hereinafter referred to as the "**Employment Term**."

2. **Position and Duties.**

2.1 **Position.** During the Employment Term, the Executive shall serve as a director of the Company. In such position, the Executive shall have such duties, authority, and responsibilities as shall be determined from time to time by the board of directors (the "**Board**"), which duties, authority, and responsibilities are consistent with the Executive's position. The Executive shall, if requested, also serve as a member of the board of directors of the Company or as an officer or director of any affiliate of the Company for no additional compensation.

2.2 **Duties.** During the Employment Term, the Executive shall devote substantially all of the Executive's business time and attention to the performance of the Executive's duties hereunder and will not engage in any other business, profession, or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Board. Notwithstanding the foregoing, the Executive will be permitted to (a) with the prior written consent of the Board (which consent can be withheld by the Board in its discretion) act or serve as a director, trustee, committee member, or principal of any type of business, civic, or charitable organization, and (b) purchase or own less than five percent (5%) of the publicly traded securities of any corporation; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation; provided further that, the activities described in clauses (a) and (b) do not interfere with the performance of the Executive's duties and responsibilities to the Company as provided hereunder, including, but not limited to, the obligations set forth in Section 2 hereof.

3. Compensation.

3.1 Base Salary. The Company shall pay the Executive an annual base salary of \$100,000 in periodic installments in accordance with the Company's customary payroll practices and applicable wage payment laws, but no less frequently than monthly. The Executive's base salary shall be reviewed at least annually by the Board and/or the Compensation Committee of the Board (the "**Compensation Committee**") and the Board and/or the Compensation Committee may, but shall not be required to, increase the base salary during the Employment Term. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

3.2 Annual Bonus. For each calendar year of the Employment Term, the Executive shall be eligible to receive an annual bonus (the "**Annual Bonus**"). However, the decision to provide any Annual Bonus and the amount and terms of any Annual Bonus shall be in the sole and absolute discretion of the Board and/or the Compensation Committee.

3.3 Equity Awards. During the Employment Term, the Executive shall be eligible to participate in any equity plan the Company may implement from time to time.

3.4 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment, and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with the Company's expense reimbursement policies and procedures.

3.5 Indemnification.

(a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "**Proceeding**"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee, or agent of another corporation or a partnership, joint venture, trust, or other enterprise, the Executive shall be indemnified and held harmless by the Company to the maximum extent permitted under applicable law and the Company's bylaws from and against any liabilities, costs, claims, and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees). Costs and expenses incurred by the Executive in defense of such Proceeding (including attorneys' fees) shall be paid by the Company in advance of the final disposition of such litigation upon receipt by the Company of: (i) a written request for payment; (ii) appropriate documentation evidencing the incurrence, amount, and nature of the costs and expenses for which payment is being sought; and (iii) an undertaking adequate under applicable law made by or on behalf of the Executive to repay the amounts so paid if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Company under this Agreement.

(b) During the Employment Term, the Company or any successor to the Company shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and similarly situated executives of the Company or any successor.

4. Termination of Employment. The Employment Term and the Executive's employment hereunder may be terminated by either the Company or the Executive at any time and for any reason; provided that, unless otherwise provided herein, either party shall be required to give the other party at least 30 days advance written notice of any termination of the Executive's employment. On termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this Section 4 and shall have no further rights to any compensation or any other benefits from the Company or any of its affiliates.

4.1 Expiration of the Term, For Cause, or Without Good Reason.

(a) The Executive's employment hereunder may be terminated upon either party's failure to renew the Agreement in accordance with Section 1, by the Company for Cause, or by the Executive without Good Reason. If the Executive's employment is terminated upon either party's failure to renew the Agreement, by the Company for Cause, or by the Executive without Good Reason, the Executive shall be entitled to receive:

(i) any accrued but unpaid Base Salary and accrued but unused vacation which shall be paid on the Termination Date (as defined below)/within one (1) week following the Termination Date (as defined below)/on the pay date immediately following the Termination Date (as defined below) in accordance with the Company's customary payroll procedures;

(ii) any earned but unpaid Annual Bonus with respect to any completed calendar immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date; provided that, if the Executive's employment is terminated by the Company for Cause, then any such accrued but unpaid Annual Bonus shall be forfeited;

(iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy; and

(iv) such employee benefits (including equity compensation), if any, to which the Executive may be entitled under the Company's employee benefit plans as of the Termination Date; provided that, in no event shall the Executive be entitled to any payments in the nature of severance or termination payments except as specifically provided herein.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "**Accrued Amounts**".

(b) For purposes of this Agreement, "**Cause**" shall mean:

(i) the Executive's failure to perform Executive's duties (other than any such failure resulting from incapacity due to physical or mental illness);

(ii) the Executive's engagement in dishonesty, illegal conduct, or misconduct, which is, in each case, materially injurious to the Company or its affiliates;

(iii) the Executive's embezzlement, misappropriation, or fraud, whether or not related to the Executive's employment with the Company;

(iv) the Executive's conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude;

(v) the Executive's material violation of the Company's written policies or codes of conduct, including written policies related to discrimination, harassment, performance of illegal or unethical activities, and ethical misconduct;

(vi) the Executive's willful unauthorized disclosure of Confidential Information (as defined below); or

(vii) the Executive's material breach of any material obligation under this Agreement or any other written agreement between the Executive and the Company.

(c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:

(i) a material reduction in the Executive's Base Salary other than a general reduction in Base Salary that affects all similarly situated executives in substantially the same proportions;

(ii) any material breach by the Company of any material provision of this Agreement; or

(iii) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law.

The Executive cannot terminate employment for Good Reason unless the Executive has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within 5 days of the initial existence of such grounds and the Company has had at least 30 days from the date on which such notice is provided to cure such circumstances. If the Executive does not terminate employment for Good Reason within 5 days after the first occurrence of the applicable grounds, then the Executive will be deemed to have waived the right to terminate for Good Reason with respect to such grounds.

4.2 Non-Renewal by the Company, Without Cause, or for Good Reason. The Employment Term and the Executive's employment hereunder may be terminated by the Executive for Good Reason or by the Company without Cause or on account of the Company's failure to renew the Agreement in accordance with Section 1. In the event of such termination, the Executive shall be entitled to receive the Accrued Amounts.

4.3 Death or Disability.

(a) The Executive's employment hereunder shall terminate automatically on the Executive's death during the Employment Term, and the Company may terminate the Executive's employment on account of the Executive's Disability.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the Accrued Amounts.

(c) For purposes of this Agreement, "**Disability**" shall mean the Executive's inability, due to physical or mental incapacity, to perform the essential functions of the Executive's job, for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days.

4.4 Change in Control Termination.

(a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated because of a Change in Control (as defined below), the Executive shall be entitled to receive the Accrued Amounts.

(b) For purposes of this Agreement, "**Change in Control**" shall mean the occurrence of any of the following after the Effective Date:

(i) one person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of such corporation; provided that, a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than 50% of the total fair market value or total voting power of the Company's stock and acquires additional stock;

(ii) one person (or more than one person acting as a group) acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition) ownership of the Company's stock possessing 30% or more of the total voting power of the Company's stock;

(iii) a majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; or

(iv) the sale of all or substantially all of the Company's assets.

4.5 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term (other than termination pursuant to Section 4.3(a) on account of the Executive's death) shall be communicated by written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with Section 15. The Notice of Termination shall specify:

(a) The termination provision of this Agreement relied upon;

(b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and

(c) The applicable Termination Date.

4.6 Termination Date. The Executive's "**Termination Date**" shall be:

(a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;

(b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;

(c) If the Company terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;

(d) If the Company terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination;

(e) If the Executive terminates the Executive's employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination; and

(f) If the Executive's employment hereunder terminates because either party provides notice of non-renewal pursuant to Section 1, the Renewal Date immediately following the date on which the applicable party delivers notice of non-renewal.

4.7 Resignation of All Other Positions. On termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the Board (or a committee thereof) of the Company or any of its affiliates.

5. Confidential Information. The Executive understands and acknowledges that during the Employment Term, the Executive will have access to and learn about Confidential Information, as defined below.

5.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, practices, methods, policies, plans, publications, documents, research, operations, services, strategies, techniques, agreements, contracts, terms of agreements, transactions, potential transactions, negotiations, pending negotiations, know-how, trade secrets, technologies, manuals, supplier information, financial information, results, accounting information, accounting records, legal information, marketing information, advertising information, pricing information, credit information, design information, supplier lists, vendor lists, product designs, inventions, unpublished patent applications, customer information, manufacturing information, of the Company and its direct and indirect subsidiaries (the "**Company Group**") or the Company Group's businesses, or of any other person or entity that has entrusted information to the Company Group in confidence.

The Executive understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

The Executive understands and agrees that Confidential Information includes information developed by Executive in the course of employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate, or make available Confidential Information, or allow it to be disclosed, published, communicated, or made available, in whole or part, to any entity or person whatsoever (including other employees of the Company Group) not having a need to know and authority to know and use the Confidential Information in connection with the business of the Company Group and, in any event, not to anyone outside of the direct employ of the Company Group except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Board acting on behalf of the Company Group in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media, or other resources containing any Confidential Information, or remove any such documents, records, files, media, or other resources from the premises or control of the Company Group, except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Board acting on behalf of the Company Group in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent).

(c) Permitted disclosures. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order.

6. Restrictive Covenants.

6.1 Non-Solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company Group, or attempt to do so, during 12 months, to run consecutively, beginning on the last day of the Executive's employment with the Company.

6.2 Non-Solicitation of Customers. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the Company Group, the Executive will have access to and learn about much or all of the Company Group's customer information. "**Customer Information**" includes, but is not limited to, names, phone numbers, addresses, email addresses, order history, order preferences, chain of command, decisionmakers, pricing information, and other information identifying facts and circumstances specific to the customer and relevant to sales and services.

The Executive understands and acknowledges that loss of this customer relationship and/or goodwill will cause significant and irreparable harm.

The Executive agrees and covenants, during 12 months, to run consecutively, beginning on the last day of the Executive's employment with the Company, not to directly or indirectly solicit, contact (including but not limited to email, regular mail, express mail, telephone, fax, instant message, or social media), attempt to contact, or meet with the Company's current, former or prospective customers for purposes of offering or accepting goods or services similar to or competitive with those offered by the Company.

This restriction shall only apply to:

- (a) Customers or prospective customers the Executive contacted in any way during the past 12 months;
- (b) Customers about whom the Executive has trade secret or confidential information;
- (c) Customers who became customers during the Executive's employment with the Company; and
- (d) Customers about whom the Executive has information that is not available publicly.

7. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by the Executive to the Company are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Company's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Company Group.

The Executive further acknowledges that the benefits provided to the Executive under this Agreement, including the amount of the Executive's compensation, reflects, in part, the Executive's obligations and the Company's rights under Section 5 and Section 6 of this Agreement; that the Executive has no expectation of any additional compensation, royalties, or other payment of any kind not otherwise referenced herein in connection herewith; and that the Executive will not suffer undue hardship by reason of full compliance with the terms and conditions of Section 5 and Section 6 of this Agreement or the Company's enforcement thereof.

8. Governing Law. This agreement shall be construed, interpreted and governed in accordance with the laws of the state of New York, without reference to rules relating to conflicts of law.

9. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

10. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power, or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power, or privilege.

11. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement, or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions had not been set forth herein.

12. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

13. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

14. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

15. Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by electronic mail, registered or certified mail, return receipt requested, or by overnight carrier to the parties.

16. Representations of the Executive. The Executive represents and warrants to the Company that:

(a) The Executive's acceptance of employment with the Company and the performance of duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement, or understanding to which the Executive is a party or is otherwise bound.

(b) The Executive's acceptance of employment with the Company and the performance of duties hereunder will not violate any non-solicitation, non-competition, or other similar covenant or agreement of a prior employer.

17. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state, and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

18. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

19. Acknowledgement of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THE EXECUTIVE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THE EXECUTIVE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF THE EXECUTIVE'S CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

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

Northann Corp.

By: /s/ Lin Li

Name: Lin Li

Title: Chief Executive Officer

EXECUTIVE

Signature: /s/ Kurtis W. Winn

Print Name: Kurtis W. Winn

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (as amended, supplemented, restated and/or modified from time to time, this “**Agreement**”) is entered into as of _____, 2022 (the “**Execution Date**”), by and among Northann Corp., a Nevada corporation (the “**Company**”), and each investor identified on **Appendix A** hereto (each, including its successors and assigns, an “**Investor**” and collectively, the “**Investors**”).

BACKGROUND

WHEREAS, pursuant to the authorization of the Company’s Board of Directors, the Company is offering (the “**Offering**”) 7% secured convertible promissory note(s) (the “**Notes**”) with a total principal amount of up to \$3,500,000, convertible into the common stock, \$0.001 par value per share, of the Company (the “**Common Stock**”) at an initial conversion price per share of \$3.50 and warrants (the “**Warrants**”) to purchase up to 1,000,000 shares of Common Stock at an initial exercise price per share of \$3.50. The Notes, the Warrants and the Investor Shares (as defined below) are collectively referred to as the “**Securities**”. The total purchase price of the securities is up to \$3,500,000.

WHEREAS, the Securities are being offered on a “*reasonable best efforts*” basis with respect to a maximum of \$3,500,000 (the “**Maximum Offering Amount**”) and without any minimum, to a limited number of “accredited investors” (as that term is defined by Rule 501(a) of Regulation D (“**Regulation D**”) promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the “**Securities Act**”));

WHEREAS, the Company and each Investor is executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D promulgated by the SEC under the Securities Act;

WHEREAS, the Company has retained Univest Securities, LLC to act as its exclusive placement agent in connection with the sale of the Notes and accompanying Warrants pursuant to this Agreement (the “**Placement Agent**”);

WHEREAS, the minimum investment amount that may be purchased by an Investor is an aggregate minimum purchase price of \$35,000, unless the Company and the Placement Agent waive such requirement in their sole discretion; and

WHEREAS, the Company desires to issue and sell the Notes and accompanying Warrants to the Investors at one or more Closing (as defined below) as set forth herein.

NOW THEREFORE, in consideration of the foregoing recitals and the covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each Investor hereby agree as follows:

1. **DEFINITIONS.** As used in this Agreement, the following terms shall have the following meanings specified or indicated below, and such meanings shall be equally applicable to the singular and plural forms of such defined terms:

“**1934 Act**” means the Securities Exchange Act of 1934, as amended.

“**Acquisition**” means the acquisition by the Company or any direct or indirect Subsidiary of the Company of a majority of the Equity Interests or substantially all of the assets and business of any Person, whether by direct purchase of Equity Interests, asset purchase, merger, consolidation or like combination.

“**Affiliate**” means a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified, as such terms are used in and construed under Rule 405 under the Securities Act.

“**Agreement**” has the meaning set forth in the preamble.

“**Blank Check Preferred Stock**” has the meaning set forth in Section 3.4(a).

“**Board of Directors**” has the meaning set forth in the Background section.

“**Business Day**” means any day other than a Saturday, Sunday or any other day on which the Federal Reserve Bank of New York is closed in New York City.

“**Capital Stock**” means the Common Stock, Blank Check Preferred Stock, Series A Preferred Stock and any other classes of capital stock of the Company.

“**Change of Control**” means, with respect to the Company:

- (a) a change in the composition of the Board of Directors of the Company at a single shareholder meeting where a majority of the individuals that were directors of the Company immediately prior to the start of such shareholder meeting are no longer directors at the conclusion of such meeting;
- (b) a change in composition of the Board of Directors of the Company prior to the termination of this Agreement where a majority of the individuals that were directors as of the date of this Agreement cease to be directors of the Company prior to the termination of this Agreement;
- (c) unless their replacements shall be approved by an Investor in an Investor’s sole discretion, any two of the individuals who are the Chief Executive Officer, President or Chairman of the Board of Directors as of the date of this Agreement cease to hold such position at any time prior to the termination of this Agreement;
- (d) other than a shareholder that holds such a position at the date of this Agreement, if a Person comes to have beneficial ownership, control or direction over more than forty percent (40%) of the voting rights attached to any class of voting securities of the Company; or

(e) the sale or other disposition by the Company or any of its Subsidiaries in a single transaction, or in a series of transactions, of all or substantially all of their respective assets.

“**Closing**” has the meaning set forth in Section 2.1.

“**Closing Date**” has the meaning set forth in Section 2.2.

“**Code**” has the meaning set forth in Section 2.1.

“**Common Stock**” means the common stock of the Company, par value \$0.001 per share.

“**Common Stock Equivalents**” means any securities of the Company which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred share, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“**Company**” has the meaning set forth in the preamble.

“**Company Patent Security Agreement**” means a patent security agreement, substantially in the form attached hereto as **Exhibit B**.

“**Company Trademark Security Agreement**” means a trademark security agreement, substantially in the form attached hereto as **Exhibit C**.

“**Conversion Shares**” means the shares of Common Stock issuable upon the full or any partial conversion of the Note.

“**Equity Interests**” means and includes capital stock, membership interests and other similar equity securities, and shall also include warrants or options to purchase capital stock, membership interests or other equity interests.

“**Escrow Agent**” means Ortolí Rosenstadt LLP, with offices at 366 Madison Avenue, 3rd Floor, New York, NY 10017.

“**Escrow Agreement**” means the escrow agreement entered into, by and among the Company, the Escrow Agent pursuant to which the Purchasers shall deposit Subscription Amounts with the Escrow Agent to be applied to the transactions contemplated hereunder.

“**Event**” means any event, change, development, effect, condition, circumstance, matter, occurrence or state of facts.

“**Event of Default**” has the meaning set forth in Section 7.1.

“Exempted Securities” means (a) shares of Common Stock or rights, warrants or options to purchase Common Stock issued in connection with any Acquisition, (b) equity securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock, (c) shares of Common Stock or rights, warrants or options to purchase Common Stock issued to employees or directors of, or consultants or advisors to, the Company or any of its Subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors (**“Equity Plans”**), or (d) shares of Common Stock actually issued upon the exercise of options or shares of Common Stock actually issued upon the conversion or exchange of any securities convertible into Common Stock, in each case provided that such issuance is pursuant to the terms of the applicable option or convertible security.

“Holder Representative” means the representative selected by a Majority in Interest of the Investors to represent their interests upon the occurrence and continuance of an Event of Default. To this end, the Representative shall thereafter be able to act on behalf of the Investors and pursue remedies under any Transaction, amend or waive any provision under any of the Transaction Documents or otherwise act on behalf of the Investors.

“HSR Act” has the meaning set forth in [Section 5.16](#).

“Investor” and **“Investors”** have their respective meanings set forth in the preamble.

“Investor Group” shall mean an Investor plus any other Person with which an Investor is considered to be part of a group under Section 13 of the 1934 Act or with which an Investor otherwise files reports under Sections 13 and/or 16 of the 1934 Act.

“Investor Party” has the meaning set forth in [Section 5.12\(a\)](#).

“Investor Shares” means the Conversion Shares, the Warrant Shares and any other shares issued or issuable to an Investor pursuant to this Agreement or any of the Securities.

“IP Rights” has the meaning set forth in [Section 3.10](#).

“Law” means any law, rule, regulation, order, judgment or decree, including, without limitation, any federal and state securities Laws.

“Losses” has the meaning set forth in [Section 5.12\(a\)](#).

“Majority in Interest of the Investors” means those Investors holding fifty-one percent (51%) of the aggregate subscription amounts of the Note at the time the approval or consent of the Investors is being sought.

“Material Adverse Effect” means any material adverse effect on (i) the businesses, properties, assets, prospects, operations, results of operations or financial condition of the Company, or the Company and the Subsidiaries, taken as a whole, or (ii) the ability of the Company to consummate the transactions contemplated by this Agreement or to perform its obligations hereunder or under the Securities; in this regard, any the following shall be deemed either alone or in combination to constitute, and any of the following shall be taken into account in determining whether there has been or would be, a Material Adverse Effect: (a) any adverse effect resulting from or arising out of general economic conditions; (b) any adverse effect resulting from or arising out of general conditions in the industries in which the Company and the Subsidiaries operate; (c) any adverse effect resulting from any changes to applicable Law; or (d) any adverse effect resulting from or arising out of any pandemic or similar emergency, transportation disruption, strike or labor disruption, natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof.

“**Maximum Percentage**” means 4.99%; *provided*, that if at any time after the date hereof an Investor Group beneficially owns in excess of 4.99% of any class of Equity Interests in the Company that is registered under the 1934 Act (excluding any Equity Interests deemed beneficially owned by virtue of the Notes and accompanying Warrants), then the Maximum Percentage shall automatically increase to 9.99% so long as an Investor Group owns in excess of 4.99% of such class of Equity Interests (and shall, for the avoidance of doubt, automatically decrease to 4.99% upon an Investor Group ceasing to own in excess of 4.99% of such class of Equity Interests).

“**Money Laundering Laws**” has the meaning set forth in Section 3.25.

“**New Securities**” means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

“**Note**” or “**Notes**” means a Note substantially in the form attached hereto as **Exhibit G**.

“**OFAC**” has the meaning set forth in Section 3.23.

“**Offer Notice**” has the meaning set forth in Section 10.1.

“**Person**” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“**Prepayment Right**” shall have the meaning set forth in Section 2.4.

“**Proceedings**” has the meaning set forth in Section 3.6.

“**Prohibited Transaction**” means a transaction with a third party or third parties in which the Company issues or sells (or arranges or agrees to issue or sell):

(a) any debt, equity or equity-linked securities (including options or warrants) that are convertible into, exchangeable or exercisable for, or include the right to receive shares of the Company’s Capital Stock:

(i) at a conversion, repayment, exercise or exchange rate or other price that is based on, and/or varies with, a discount to the future trading prices of, or quotations for, shares of Common Stock; or

(ii) at a conversion, repayment, exercise or exchange rate or other price that is subject to being reset at some future date after the initial issuance of such debt, equity or equity-linked security or upon the occurrence of specified or contingent events (other than warrants that may be repriced by the Company); or

(b) any securities in a capital or debt raising transaction or series of related transactions which grant to an investor the right to receive additional securities based upon future transactions of the Company on terms more favorable than those granted to such investor in such first transaction or series of related transactions;

and are deemed to include transactions generally referred to as at-the-market transactions (ATMs) or equity lines of credit and stand-by equity distribution agreements, and convertible securities and loans having a similar effect. Notwithstanding the foregoing, and for the avoidance of doubt, rights issuances, shareholder purchase plans, Equity Plans, convertible securities, or issuances of Equity Interests, based on the trading price of the Common Stock on the Trading Market but each at a fixed price per share, shall not be deemed to be a Prohibited Transaction.

“Prospectus” means the prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of an Investor Shares covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus, and any “free writing prospectus” as defined in Rule 405 under the Securities Act.

“Qualified Financing” means an equity financing pursuant to which the Company sells New Securities, with a gross aggregate amount of securities sold of not less than \$5,000,000, excluding any and all indebtedness under the Notes that is converted into the New Securities, and with the principal purpose of raising capital, provided that the Company is listed on a Trading Market.

“register,” “registered” and **“registration”** refer to a registration made pursuant to the Registration Rights Agreement by preparing and filing a Registration Statement or similar document in compliance with the Securities Act (as defined below), and the declaration or ordering of effectiveness of such Registration Statement or document.

“Registrable Securities” means, as of any date of determination, (a) all of the Conversion Shares then issued and issuable upon conversion in full of the Notes (assuming on such date the Notes are converted in full without regard to any conversion limitations therein), (b) all shares of Common Stock issued and issuable as interest or principal on the Notes assuming all permissible interest and principal payments are made in shares of Common Stock and the Notes are held until maturity, (c) any additional shares of Common Stock issued and issuable in connection with any anti-dilution provisions in the Notes (without giving effect to any limitations on conversion set forth in the Notes), (d) all of the Warrant Shares then issued and issuable upon exercise in full of the Warrants (assuming on such date the Warrants are exercised in full without regard to any exercise limitations therein), (e) any additional shares of Common Stock issued and issuable in connection with any anti-dilution provisions in the Warrants (without giving effect to any limitations on exercise set forth in the Warrants), and (f) any securities issued or then issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the foregoing; provided, however, that any such Registrable Securities shall cease to be Registrable Securities (and the Company shall not be required to maintain the effectiveness of any, or file another, Registration Statement hereunder with respect thereto) for so long as (a) a Registration Statement with respect to the sale of such Registrable Securities is declared effective by the SEC under the Securities Act and such Registrable Securities have been disposed of by the Holder in accordance with such effective Registration Statement, (b) such Registrable Securities have been previously sold in accordance with Rule 144, or (c) such securities become eligible for resale without volume or manner-of-sale restrictions and without the requirement for the Company to be in compliance with the current public information requirement under Rule 144, as determined by counsel to the Company pursuant to a written opinion letter to such effect, addressed, delivered and acceptable to the Transfer Agent and the affected Holders (assuming that such securities, any securities upon the exercise, conversion or exchange of or as a dividend upon which such securities were issued, or any securities issuable upon the exercise, conversion or exchange of, or as a dividend upon such securities, were at no time during the prior 90 days held by any Affiliate of the Company), as reasonably determined by the Company, upon the advice of counsel to the Company. For the avoidance of doubt, any such Registrable Securities shall cease to be Registrable Securities after one (1) year from the date the Registration Statement is declared effective by the SEC.

“Registration Rights Agreement” means a registration rights agreement substantially in the form attached hereto as **Exhibit F**.

“Registration Statement” means any registration statement of the Company filed under the Securities Act that covers the resale of any Investor Shares pursuant to the provisions of this Agreement, including the Prospectus and amendments and supplements to such Registration Statement, and including post-effective amendments, all exhibits and all material incorporated by reference in such Registration Statement.

“Reverse Split” has the meaning set forth in Section 5.21.

“SEC” means the United States Securities and Exchange Commission.

“Securities” has the meaning set forth in the Background section.

“Securities Act” has the meaning set forth in the Background section.

“Securities Termination Event” means either of the following has occurred:

(a) trading in securities generally in the United States has been suspended or limited for a consecutive period of greater than ten (10) Trading Days;

or

(b) a banking moratorium has been declared by the United States or the New York State authorities and is continuing for a consecutive period of greater than three (3) Business Days.

“**Security Agreement**” means a security agreement, substantially in the form attached hereto as **Exhibit A**.

“**Series A Preferred Stock**” means the Series A Preferred Stock of the Company, par value \$0.001 per share.

“**Stockholder Approval**” shall mean the approval of such number of the holders of the outstanding shares of Company’s voting Common Stock as required by the Company’s bylaws (the “**Bylaws**”) and the Nevada Revised Statutes: (a) if and to the extent legally required, to amend the Company’s articles of incorporation, as amended (“**Articles of Incorporation**”), to increase the number of authorized shares of Common Stock by at least the number of shares of Common Stock equal to the number of Shares issuable hereunder, (b) to ratify and approve all of the transactions contemplated by the Transaction Documents, including the issuance of all of Investor Shares (as such term is defined in each of such documents) issued and potentially issuable to an Investor thereunder, all as may be required by the applicable rules and regulations of the Trading Market (or any successor entity).

“**Subsidiaries**” and “**Subsidiary**” have the meaning set forth in Section 3.4(b).

“**Subsidiary Guaranty**” means a guaranty in favor of the Investors, substantially in the form attached hereto as **Exhibit D**.

“**Subsidiary Security Agreement**” means a security agreement with the Investors, substantially in the form attached hereto as **Exhibit E**.

“**Subscription Amount**” means, as to any Investor, the aggregate amount to be paid for the Notes and accompanying Warrants purchased hereunder as specified on **Appendix A**.

“**Subsequent Financing**” means to issue, enter into any agreement to issue or announce the issuance or proposed issuance of any Common Stock or Common Stock Equivalents by the Company and shall not include the issuance of Common Stock or Common Stock Equivalents in an underwritten public offering.

“**Trading Day**” means a day on which the Common Stock is traded on a Trading Market.

“**Trading Market**” means whichever of the New York Stock Exchange, NYSE American, or the Nasdaq Stock Market (including the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market), the OTC Bulletin Board, the OTC QB Marketplace or the OTC QX Marketplace (or any successors to any of the foregoing), on which the Common Stock is listed or quoted for trading on the date in question.

“**Transaction Documents**” means this Agreement, the Notes, the Warrants, the Escrow Agreement, the Registration Rights Agreement, the Security Agreement, the Company Patent Security Agreement, the Company Trademark Security Agreement, the Subsidiary Guaranty, the Subsidiary Security Agreement, and any other documents or agreements executed or delivered in connection with the transactions contemplated hereunder.

“**Warrants**” means the warrants substantially in the form attached hereto as **Exhibit H**.

“**Warrant Shares**” means the shares of Common Stock issuable upon exercise of the Warrants.

2. PURCHASE AND SALE OF THE NOTE AND THE WARRANT.

2.1 Purchase and Sale of the Notes and accompanying Warrants.

(a) Subject to the terms and conditions set forth herein, the Company agrees to sell up to \$3,500,000 in Notes and accompanying Warrants. The initial closing of this Offering and each other closing of this offering is referred to as a “**Closing**” and the applicable date associated with a Closing is referred to as a “**Closing Date**”). The Company and the Placement Agent have mutually determined the timing of the initial Closing and will mutually determine the timing of each Closing thereafter. Each Closing hereunder, including payment for and delivery of the Notes and accompanying Warrants, shall, unless otherwise agreed to by the Company and the Placement Agent, take place remotely via the exchange of documents and signatures, subject to satisfaction or waiver of the conditions set forth in Section 6.

(b) The Investors and the Company agree that for U.S. federal income tax purposes and applicable state, local and non-U.S. tax purposes, the applicable subscription amount shall be allocable between the securities comprising the Notes and accompanying Warrants based on the relative fair market values thereof. Neither any Investor nor the Company shall take any contrary position on any tax return, or in any audit, claim, investigation, inquiry or proceeding in respect of taxes, unless otherwise required pursuant to a final determination within the meaning of Section 1313 of the Internal Revenue Code of 1986, as amended (the “**Code**”), or any analogous provision of applicable state, local or non-U.S. law.

2.2 Closing. On the applicable Closing Date, upon the terms and subject to the conditions set forth herein, the Company agrees to sell at the applicable Closing, and the indicated Investor(s), severally and not jointly, agree to purchase at the applicable Closing, for each Investor equal to such Investor’s subscription amount for the applicable Closing as set forth on **Appendix A** hereto, and the principal amount of a Note and Warrants. Each Investor purchasing the Notes and accompanying Warrants on applicable Closing Date shall deliver to the Escrow Agent such Investor’s subscription amount by wire transfer of immediately available funds in accordance with the Escrow Agent’s written wire instructions, and the Company shall deliver to each Investor its respective Note and accompanying Warrants, and the Company and each Investor shall deliver the other items set forth in Section 2.3 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Section 6, the applicable Closing shall occur remotely by exchange of documents or in such other manner and/or at such location as the Company and the Placement Agent shall mutually agree.

2.3 Deliverables.

(a) On or prior to the Initial Closing Date or any subsequent Closing Date (except as noted and unless previously delivered prior thereto), the Company delivered or cause to be delivered to each Investor the following:

- (i) this Agreement duly executed by the Company;
- (ii) the specified Notes, duly executed by the Company, having the respective principal amounts set forth on **Appendix A**, registered in the name of the specified Investor;
- (iii) the specified Warrants duly executed by the Company, in the amounts of Warrants set forth on **Appendix A**, registered in the name of the specified Investor;
- (iv) the Security Agreement duly executed by the Company;
- (v) the Company Patent Security Agreement, duly executed by the Company;
- (vi) the Company Trademark Security Agreement, duly executed by the Company;
- (vii) the Subsidiary Guaranty Agreement duly executed by the Subsidiaries;
- (viii) the Subsidiary Security Agreement duly executed by the Subsidiaries; and
- (ix) the Registration Rights Agreement duly executed by the Company.
- (x) an officer's certificate and compliance certificate, each in a form reasonably acceptable to the Placement Agent's counsel; and
- (xi) such other opinions, certificates, including a Secretary's Certificate, statements, including, without limitation, a closing statement, and agreements as the Placement Agent's counsel may reasonably require.

(b) On or prior to the Initial Closing Date or any subsequent Closing Date, each Investor signatory to the specified agreement shall deliver or cause to be delivered to the Company or the Escrow Agent, as applicable, the following:

- (xii) this Agreement duly executed by such Investor;
- (xiii) to the Escrow Agent, the applicable Investor's subscription amount for its Notes and accompanying Warrants;
- (xiv) the Security Agreement duly executed by such Investor;
- (xv) the Company Patent Security Agreement, duly executed by such Investor;
- (xvi) the Company Trademark Security Agreement, duly executed by such Investor;

- (xvii) the Subsidiary Guaranty Agreement, if and as applicable, duly executed by such Investor;
- (xviii) the Subsidiary Security Agreement duly executed by such Investor;
- (xix) the Registration Rights Agreement duly executed by such Investor;

2.4 Prepayment Right. As set forth in the Note, the Company may, at its election, prepay the principal amount of this Notes in the amount equal to 125% of the then outstanding principal amount plus applicable interest.

2.5 Senior Obligation. As an inducement for the Investors to enter into this Agreement and to purchase the Notes and accompanying Warrants, all obligations of the Company pursuant to this Agreement and the Securities shall be secured by a first priority security interest in and lien upon all assets of the Company and the Subsidiaries, except that such priority security interest shall be junior to the security interest of the existing bank loans as set forth in Schedule 3.12.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to each Investor and covenants with each Investor that, the following representations and warranties are true and correct:

3.1 Organization and Qualification. The Company is a corporation duly organized and validly existing in good standing under the Laws of the State of Nevada and has the requisite corporate power and authority to own its properties and to carry on its business as now being conducted. Each Subsidiary is duly formed and validly existing in good standing under the Laws of the jurisdiction of its organization and has the requisite corporate or limited liability company power and authority, as applicable, to own its properties and to carry on its business as now being conducted. Each of the Company and the Subsidiaries is duly qualified to do business and is in good standing in every jurisdiction in which the ownership of its property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect.

3.2 Authorization; Enforcement; Compliance with Other Instruments. Each of the Company and the Subsidiaries has the requisite corporate or limited liability company power, as applicable, and authority to execute the Transaction Documents to which it is a party, in the case of the Company, to issue and sell the Notes and accompany Warrants pursuant hereto, and, in both cases, to perform its obligations under the Transaction Documents to which it is a party, including, in the case of the Company, issuing the Investor Shares on the terms set forth in this Agreement. The execution and delivery of the Transaction Documents to which it is a party by the Company and each Subsidiary and the issuance and sale by the Company of the Securities pursuant hereto, including without limitation, the reservation of the Conversion Shares and the Warrant Shares for future issuance, have been duly and validly authorized by the Company's Board of Directors for itself and in its capacity as the member manager or director of each Subsidiary and no further consent or authorization is required by the Company, its Board of Directors, its stockholders, any Subsidiary or any other Person in connection therewith. The Transaction Documents have been duly and validly executed and delivered by the Company and each Subsidiary and constitute valid and binding obligations of each of the Company and the Subsidiaries, enforceable against the Company and each Subsidiary in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar Laws relating to, or affecting generally, the enforcement of creditors' rights and remedies.

3.3 No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company and each Subsidiary and the issuance and sale of the Notes and accompanying Warrants by the Company hereunder will not (a) conflict with or result in a violation of the Articles of Incorporation or Bylaws or any Subsidiary's certificate of formation or organizational documents, (b) conflict with, or constitute a material default (or an event which, with notice or lapse of time or both, would become a material default) under, or give to others any right of termination, amendment, acceleration or cancellation of, any material agreement to which the Company or any of the Subsidiaries is a party or (c) subject to the making of the filings referred to in Section 5, and, violate in any material respect any Law or any rule or regulation of the Trading Market applicable to the Company or any of the Subsidiaries or by which any of their properties or assets are bound or affected. Assuming the accuracy of each Investor's representations in Section 4 and subject to the making of the filings referred to in Section 5, (i) no approval or authorization will be required from any governmental authority or agency, regulatory or self-regulatory agency or other third party (including the Trading Market) in connection with the issuance of the Notes and accompanying Warrants and the other transactions contemplated by this Agreement (including the issuance of the Conversion Shares upon conversion of the Notes and the Warrant Shares upon exercise of the Warrants) and (ii) the issuance of the Notes and the Warrants, and the issuance of the Conversion Shares upon the conversion of the Notes and the Warrant Shares upon exercise of the Warrants will be exempt from the registration and qualification requirements under the Securities Act and all applicable state securities Laws.

3.4 Capitalization and Subsidiaries.

(a) The authorized Capital Stock of the Company consists of: (i) 400,000,000 shares of Common Stock, (ii) 20,000,000 shares of Series A Preferred Stock, and (iii) 80,000,000 shares of blank check preferred to be designated by the Board of Directors (the "**Blank Check Preferred Stock**"). As of the date of this Agreement: (A) 40,000,000 shares of Common Stock were issued and outstanding, (B) 10,000,000 shares of Series A Preferred Stock were issued and outstanding, (C) no shares of Blank Check Preferred Stock were issued and outstanding, (D) and there are no other securities that are convertible or exercisable into the Common Stock, the Series A Preferred Stock or Blank Check Preferred Stock, not including the Notes and accompany Warrants offered pursuant to this Agreement. The Company shall duly reserve up to 2,000,000 shares of Common Stock for issuance upon conversion of the Notes and shall duly reserve 2,000,000 shares of Common Stock for issuance upon exercise of the Warrants. The Conversion Shares, when issued upon conversion of the Notes in accordance with their terms, and the Warrant Shares, if and when issued upon exercise of the Warrants in accordance with their terms, will be validly issued, fully paid and non-assessable and free from all taxes, liens and charges with respect to the issuance thereof. No shares of the Company's Capital Stock are subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Company. The Articles of Incorporation and Bylaws are in effect as of the date hereof. The Company is not in violation of any provision of its Articles of Incorporation or Bylaws.

(b) Schedule 3.4(b) lists each direct and indirect subsidiary of the Company (each, a “**Subsidiary**” and collectively, the “**Subsidiaries**”) and indicates for each Subsidiary (i) the authorized capital stock or other Equity Interest of such Subsidiary as of the date hereof, (ii) the number and kind of shares or other ownership interests of such Subsidiary that are issued and outstanding as of the date hereof, and (iii) the owner of such shares or other ownership interests. No Subsidiary has any outstanding stock options, warrants or other instruments pursuant to which such Subsidiary may at any time or under any circumstances be obligated to issue any shares of its capital stock or other Equity Interests. Each Subsidiary is duly organized and validly existing in good standing under the laws of its jurisdiction of organization and has all requisite power and authority to own its properties and to carry on its business as now being conducted.

(c) Neither the Company nor any Subsidiary is bound by any agreement or arrangement pursuant to which it is obligated to register the sale of any securities under the Securities Act. There are no outstanding securities of the Company or any of the Subsidiaries which contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem or purchase any security of the Company or any Subsidiary. There are no outstanding securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Note, the Warrant or the Investor Shares. Neither the Company nor any Subsidiary has any stock appreciation rights or “phantom stock” plans or agreements or any similar plan or agreement.

(d) The issuance and sale of any of the Securities will not obligate the Company to issue shares of Common Stock or other securities to any other Person and will not result in the adjustment of the exercise, conversion, exchange, or reset price of any outstanding securities.

3.5 [Reserved]

3.6 Litigation and Regulatory Proceedings. There are no material actions, causes of action, suits, claims, proceedings, inquiries or investigations (collectively, “**Proceedings**”) before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of Company or any of the Subsidiaries, threatened against or affecting the Company or any of the Subsidiaries, the Common Stock or any other class of issued and outstanding shares of the Company’s Capital Stock, or any of the Company’s or the Subsidiaries’ officers or directors in their capacities as such and, to the knowledge of the executive officers of the Company, there is no reason to believe that there is any basis for any such Proceeding.

3.7 No Undisclosed Events, Liabilities or Developments. No event, development or circumstance has occurred or exists, or to the knowledge of the executive officers of the Company is reasonably anticipated to occur or exist that (a) would reasonably be anticipated to have a Material Adverse Effect or (b) would be required to be disclosed by the Company under applicable securities Laws on a registration statement filed with the SEC relating to an issuance and sale by the Company of its Common Stock and which has not been publicly announced.

3.8 Compliance with Law. The Company and each of the Subsidiaries have conducted and are conducting their respective businesses in compliance in all material respects with all applicable Laws.

3.9 Employee Relations. Neither the Company nor any Subsidiary is involved in any union labor dispute nor, to the knowledge of the Company, is any such dispute threatened. Neither the Company nor any Subsidiary is a party to any collective bargaining agreement. No executive officer (as defined in Rule 501(f) of the Securities Act) has notified the Company that such officer intends to leave the Company's employ or otherwise terminate such officer's employment with the Company.

3.10 Intellectual Property Rights. The Company and each Subsidiary owns or possesses adequate rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and other intellectual property rights (collectively, "**IP Rights**") necessary to conduct their respective businesses as now conducted. None of the material IP Rights of the Company or any of the Subsidiaries are expected to expire or terminate within three (3) years from the date of this Agreement. Neither the Company nor any Subsidiary is infringing, misappropriating or otherwise violating any IP Rights of any other Person. No claim has been asserted, and no Proceeding is pending, against the Company or any Subsidiary alleging that the Company or any Subsidiary is infringing, misappropriating or otherwise violating the IP Rights of any other Person, and, to the Company's knowledge, no such claim or Proceeding is threatened, and the Company is not aware of any facts or circumstances which might give rise to any such claim or Proceeding. The Company and the Subsidiaries have taken commercially reasonable security measures to protect the secrecy, confidentiality and value of all of their material IP Rights.

3.11 Environmental Laws. Except, in each case, as would not be reasonably anticipated to have a Material Adverse Effect, the Company and the Subsidiaries (a) are in compliance with any and all applicable Laws relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants, (b) have received and hold all permits, licenses or other approvals required of them under all such Laws to conduct their respective businesses and (c) are in compliance with all terms and conditions of any such permit, license or approval.

3.12 Title to Assets. The Company and the Subsidiaries have good and marketable title to all personal property owned by them which is material to their respective businesses, in each case free and clear of all liens, encumbrances and defects except those set forth on Schedule 3.12. Any real property and facilities held under lease by the Company or any Subsidiary are held under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and the Subsidiaries.

3.13 [Reserved]

3.14 Regulatory Permits. The Company and the Subsidiaries have in full force and effect all certificates, approvals, authorizations and permits from all regulatory authorities and agencies necessary to own, lease or operate their respective properties and assets and conduct their respective businesses, and neither the Company nor any Subsidiary has received any notice of Proceedings relating to the revocation or modification of any such certificate, approval, authorization or permit, except for such certificates, approvals, authorizations or permits with respect to which the failure to hold would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

3.15 No Materially Adverse Contracts, Etc. To the knowledge of the Company's officers, neither the Company nor any of the Subsidiaries is (a) subject to any charter, corporate or other legal restriction, or any judgment, decree or order which in the judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect or (b) a party to any contract or agreement which in the judgment of the Company's management has or would reasonably be anticipated to have a Material Adverse Effect.

3.16 Taxes. The Company and the Subsidiaries each has made or filed, or caused to be made or filed, all United States federal, and applicable state, local and non-U.S. tax returns, reports and declarations required by any jurisdiction to which it is subject and has paid all taxes and other governmental assessments and charges that are material in amount, required to be paid by it, regardless of whether such amounts are shown or determined to be due on such returns, reports and declarations, except those being contested in good faith by appropriate proceedings and for which it has set aside on its books provision reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and, to the knowledge of the Company, there is no basis for any such claim.

3.17 Solvency. After giving effect to the receipt by the Company of the proceeds from the transactions contemplated by this Agreement (a) the Company's fair saleable value of its assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature; and (b) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its debt when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction.

3.18 Investment Company. The Company is not, and is not an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

3.19 [Reserved]

3.20 No General Solicitation. Neither the Company, nor any of its Affiliates, nor any person acting on its behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer or sale of the Note pursuant to this Agreement.

3.21 Acknowledgment Regarding each Investor's Purchase of the Notes and accompanying warrants. The Company's Board of Directors has approved the execution of the Transaction Documents and the issuance and sale of the Notes and accompanying Warrants, based on its own independent evaluation and determination that the terms of the Transaction Documents are reasonable and fair to the Company and in the best interests of the Company and its stockholders. The Company is entering into this Agreement, the Security Agreement, the Company Patent Security Agreement and the Company Trademark Security Agreement and is issuing and selling the Notes and accompanying Warrants voluntarily and without economic duress. The Company has had independent legal counsel of its own choosing review the Transaction Documents and advise the Company with respect thereto. The Company acknowledges and agrees that each Investor is acting solely in the capacity of an arm's length purchaser with respect to the Notes and accompanying warrants and the transactions contemplated hereby and that neither such Investor nor any person affiliated with such Investor is acting as a financial advisor to, or a fiduciary of, the Company (or in any similar capacity) with respect to execution of the Transaction Documents or the issuance of the Notes and accompanying warrants or any other transaction contemplated hereby.

3.22 No Brokers', Finders' or Other Advisory Fees or Commissions. Except as set forth in Schedule 3.22, no brokers, finders or other similar advisory fees or commissions will be payable by the Company or any Subsidiary or by any of their respective agents with respect to the issuance of the Note or any of the other transactions contemplated by this Agreement.

3.23 OFAC. None of the Company nor any of the Subsidiaries nor, to the best knowledge of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company and/or any Subsidiary has been or is currently subject to any United States sanctions administered by the Office of Foreign Assets Control of the United States Department of the Treasury ("**OFAC**"); and the Company will not directly or indirectly use any proceeds received from the Investors, or lend, contribute or otherwise make available such proceeds to its Subsidiaries or to any affiliated entity, joint venture partner or other person or entity, to finance any investments in, or make any payments to, any country or person currently subject to any of the sanctions of the United States administered by OFAC.

3.24 No Foreign Corrupt Practices. None of the Company or any of the Subsidiaries has, directly or indirectly: (a) made or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any governmental authority of any jurisdiction except as otherwise permitted under applicable Law; or (b) made any contribution to any candidate for public office, in either case, where either the payment or the purpose of such contribution, payment or gift was, is, or would be prohibited under the Foreign Corrupt Practices Act or the rules and regulations promulgated thereunder or under any other legislation of any relevant jurisdiction covering a similar subject matter applicable to the Company or its Subsidiaries and their respective operations and the Company has instituted and maintained policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with such legislation.

3.25 Anti-Money Laundering. The operations of each of the Company and the Subsidiaries are and have been conducted at all times in compliance with all applicable anti-money laundering laws, regulations, rules and guidelines in its jurisdiction of incorporation and in each other jurisdiction in which such entity, as the case may be, conducts business (collectively, the “**Money Laundering Laws**”) and no action, suit or proceeding by or before any court or governmental authority involving the Company or its Subsidiaries with respect to any of the Money Laundering Laws is, to the best knowledge of the Company, pending, threatened or contemplated.

3.26 Disclosure. The Company confirms that neither it, nor to its knowledge, any other Person acting on its behalf has provided any Investor or its agents or counsel with any information that the Company believes constitutes material, non-public information. The Company understands and confirms that each Investor will rely on the foregoing representations and covenants in effecting transactions in securities of the Company. All disclosures provided to any Investor regarding the Company, its business and the transactions contemplated hereby, furnished by or on behalf of the Company (including the Company’s representations and warranties set forth in this Agreement) are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

4. REPRESENTATIONS AND WARRANTIES OF THE INVESTORS. Each Investor represents and warrants to the Company as follows:

4.1 Organization and Qualification. Such Investor, if it is not an individual, is duly organized and validly existing in good standing under the laws of the state of organization.

4.2 Authorization; Enforcement; Compliance with Other Instruments. Such Investor has the requisite power and authority to enter into this Agreement, the Security Agreement, the Company Patent Security Agreement and the Company Trademark Security Agreement and to perform its obligations under the Transaction Documents. The execution and delivery by such Investor of the Transaction Documents to which it is a party, if and as applicable, have been duly and validly authorized by such Investor’s governing body and no further consent or authorization is required. The Transaction Documents to which it is a party have been duly and validly executed and delivered by such Investor and constitute valid and binding obligations of such Investor, enforceable against such Investor in accordance with their terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors’ rights and remedies.

4.3 No Conflicts. The execution, delivery and performance of the Transaction Documents to which it is a party by such Investor and the purchase of the Notes and accompanying Warrants by such Investor will not (a) if and as applicable, conflict with or result in a violation of such Investor's organizational documents, (b) conflict with, or constitute a material default (or an event which, with notice or lapse of time or both, would become a material default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, contract, indenture mortgage, indebtedness or instrument to which such Investor is a party, or (c) violate any Law applicable to such Investor or by which any of such Investor's properties or assets are bound or affected. No approval or authorization will be required from any governmental authority or agency, regulatory or self-regulatory agency or other third party in connection with the purchase of the Notes and accompanying Warrants and the other transactions contemplated by this Agreement.

4.4 Investment Intent; Accredited Investor. Such Investor is purchasing the Notes and accompanying Warrants for its own account, for investment purposes, and not with a view towards distribution. The Investor is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D of the Securities Act. Such Investor has, by reason of its business and financial experience, such knowledge, sophistication and experience in financial and business matters and in making investment decisions of this type that it is capable of (a) evaluating the merits and risks of an investment in the Notes and accompanying Warrants and the Investor Shares and making an informed investment decision, (b) protecting its own interests and (c) bearing the economic risk of such investment for an indefinite period of time.

4.5 Opportunity to Discuss. Such Investor has received all materials relating to the business, finance and operations of the Company and the Subsidiaries as it has requested and has had an opportunity to discuss the business, management and financial affairs of the Company and the Subsidiaries with the Company's management. In making its investment decision, such Investor has relied solely on its own due diligence performed on the Company by its own representatives.

4.6 No Other Representations. Except for the representations and warranties set forth in this Agreement and in other Transaction Documents, such Investor makes no other representations or warranties to the Company.

5. OTHER AGREEMENTS OF THE PARTIES.

5.1 Legend. The certificates representing the Securities sold pursuant to this Agreement will be imprinted with a legend in substantially the following form:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE STATE SECURITIES LAWS AND THE SECURITIES LAWS OF OTHER JURISDICTIONS, AND IN THE CASE OF A TRANSACTION EXEMPT FROM REGISTRATION, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR SUCH OTHER APPLICABLE LAWS."

5.2 Furnishing of Information. As long as an Investor owns the Securities and after the Company becomes a reporting company under section 12, 13 or 15(d) of the 1934 Act, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the 1934 Act. As long as an Investor owns Securities and after the Company becomes a reporting company under section 12, 13 or 15(d) of the 1934 Act, if the Company is not required to file reports pursuant to such laws, it will prepare and furnish to such Investor and make publicly available in accordance with Rule 144(c) such information as is required for such Investor to sell Investor Shares under Rule 144. The Company further covenants that it will take such further action as any holder of Securities may reasonably request, all to the extent required from time to time to enable such Person to sell such Investor Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 or other applicable exemptions.

5.3 [Reserved]

5.4 Notification of Certain Events. The Company shall give prompt written notice to the Investors of (a) the occurrence or non-occurrence of any Event, the occurrence or non-occurrence of which would render any representation or warranty of the Company or and Subsidiary contained in this Agreement or any other Transaction Document, if made on or immediately following the date of such Event, untrue or inaccurate in any material respect, (b) the occurrence of any Event that, individually or in combination with any other Events, has had or could reasonably be expected to have a Material Adverse Effect, (c) any failure of the Company or any Subsidiary to comply with or satisfy any covenant or agreement to be complied with or satisfied by it hereunder or any Event that would otherwise result in the nonfulfillment of any of the conditions to the Investors' obligations hereunder, (d) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the consummation of the transactions contemplated by this Agreement or any other Transaction Document, or (e) any Proceeding pending or, to the Company's knowledge, threatened against a party relating to the transactions contemplated by this Agreement or any other Transaction Document.

5.5 Available Stock. The Company shall at all times keep authorized and reserved and available for issuance, free of preemptive rights, such number of shares of Common Stock as are issuable upon conversion of the Note and exercise of the Warrants at any time. If the Company determines at any time that it does not have a sufficient number of authorized shares of Common Stock to reserve and keep available for issuance as described in this Section 5.5, the Company shall use all commercially reasonable efforts to increase the number of authorized shares of Common Stock by seeking Stockholder Approval for the authorization of such additional shares.

5.6 Use of Proceeds. The Company will use the proceeds from the sale of the Notes and accompanying Warrants, net of expenses, for working capital and general corporate needs.

5.7 [Reserved]

5.8 Intercreditor Agreement. In the event that the Company or any Subsidiary incurs debt or issues convertible debt securities to a seller as partial consideration paid to such seller in connection with an Acquisition, unless otherwise waived in writing by a Majority of Interest of the Investors, as a condition to consummation of such Acquisition, the holder of such debt or convertible debt securities shall enter into an intercreditor agreement with the Company and the Investors on terms reasonably satisfactory to a Majority of Interest of the Investors.

5.9 No Shorting. So long as such Investor continues to hold the Note, the Warrants or any portion thereof, such Investor will comply with the provisions of Section 9 of the 1934 Act, and the rules promulgated thereunder, with respect to transactions involving the Common Stock and will not, either directly or indirectly through its Affiliates, principals or advisors, engage in any short sales or other similar hedging transactions with respect to the Common Stock.

5.10 Prohibited Transactions. The Company hereby covenants and agrees not to enter into any Prohibited Transactions without the prior written consent of a Majority in Interest of the Investors, until the earlier of (a) thirty (30) days after such time as the Notes have been repaid in full and/or has been converted into Conversion Shares and (b) the date on which such Investor ceases to hold any shares of Common Stock or have the right to acquire any shares of Common Stock, including by exercise of the Warrants.

5.11 [Reserved]

5.12 Indemnification of the Investors.

(a) The Company will indemnify and hold each Investor, its Affiliates and their respective directors, officers, managers, shareholders, members, partners, employees and agents and permitted successors and assigns (each, an “**Investor Party**”) harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys’ fees and costs of investigation and defense (collectively, “**Losses**”) that any such Investor Party may suffer or incur as a result of or relating to:

- (i) any breach or inaccuracy of any representation, warranty, covenant or agreement made by the Company in any Transaction Document;
- (ii) any misrepresentation made by the Company in any Transaction Document;

(iii) any omission to state any material fact necessary in order to make the statements made in any SEC Document, in light of the circumstances under which they were made, not misleading;

(iv) any Proceeding before or by any court, public board, government agency, self-regulatory organization or body based upon, or resulting from the execution, delivery, performance or enforcement of any of the Transaction Documents or the consummation of the transactions contemplated thereby, and whether or not such Investor is party thereto by claim, counterclaim, crossclaim, as a defendant or otherwise, or if such Proceeding is based upon, or results from, any of the items set forth in clauses (i) through (iii) above.

(b) In addition to the indemnity contained herein, the Company will reimburse each Investor Party for its reasonable legal and other expenses (including the cost of any investigation, preparation and travel in connection therewith) incurred in connection therewith, as such expenses are incurred.

(c) The provisions of this Section 5.12 shall survive the termination or expiration of this Agreement.

5.13 Non-Public Information. The Company covenants and agrees that neither it nor any other Person acting on its behalf will provide any Investor or its agents or counsel with any information that the Company believes constitutes material, non-public information. To the extent the Company provides an Investor with material, non-public information, the Company shall publicly disclose such information within three (3) Business Days of providing the information to such Investor; provided, however, in the event that such material non-public information is provided to such Investor pursuant to Section 10, the Company shall publicly disclose such information within twenty (20) Business Days of providing the information to such Investor. The Company understands and confirms that each Investor shall be relying on the foregoing representation in effecting transactions in securities of the Company.

5.14 Set-Off.

(a) Each Investor may set off any of its obligations to the Company (whether or not due for payment), against any of the Company's obligations to such Investor (whether or not due for payment) under this Agreement and/or any other Transaction Document.

(b) Each Investor may do anything necessary to effect any set-off undertaken in accordance with this Section 5.14 (including varying the date for payment of any amount payable by such Investor to the Company).

6. CLOSING CONDITIONS

6.1 Conditions Precedent to the Obligations of the Investors. The obligation of an Investor to fund the Notes and accompanying Warrants at a Closing is subject to the satisfaction or waiver by an Investor, at or before such Closing, of each of the following conditions:

- (a) Required Documentation. The Company must have delivered to the Investors copies of all resolutions duly adopted by the Board of Directors of the Company, or any such other documentation of the Company approving the Agreement, the Transaction Documents and any of the transactions contemplated hereby or thereby.
- (b) Consents and Permits. The Company must have obtained and delivered to the Investors copies of all necessary permits, approvals, and registrations necessary to effect this Agreement, the Transaction Documents and any of the transactions contemplated hereby or thereby, including pursuant to Section 3.14 of this Agreement.
- (c) [Reserved]
- (d) No Event(s) of Default. The Investors must be of the reasonable opinion that no Event of Default has occurred and no Event of Default would result from the execution of this Agreement or any of the Transaction Documents or the transactions contemplated hereby or thereby.
- (e) Representations and Warranties. The representations and warranties of the Company contained herein shall be true and correct in all material respects as of the date when made and as of such Closing as though made on and as of such date;
- (f) Performance. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by it at or prior to such Closing;
- (g) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Transaction Documents;
- (h) [Reserved]
- (i) Limitation on Beneficial Ownership. The issuance of the Notes and accompanying Warrants shall not cause any Investor Group to become, directly or indirectly, a “beneficial owner” (within the meaning of Section 13(d) of the 1934 Act and the rules and regulations promulgated thereunder) of a number of Equity Interests of a class that is registered under the 1934 Act which exceeds the Maximum Percentage of the Equity Interests of such class that are outstanding at such time.
- (j) Perfection of Security Interest. The Investors shall have, to their satisfaction, perfected the security interest granted in the assets and collateral of the Company and its Subsidiaries described in the Security Agreement, the Company Patent Security Agreement, the Company Trademark Security Agreement, and the Subsidiary Security Agreement.
- (k) Funds Flow Request. The Company shall have delivered to the Investors a flow of funds request, substantially in the form set out in Exhibit I.

6.2 Conditions Precedent to the Obligations of the Company. The obligation of the Company to issue the Notes and accompanying Warrants at a Closing is subject to the satisfaction or waiver by the Company, at or before such Closing, of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of each Investor contained herein shall be true and correct in all material respects as of the date when made and as of such Closing Date as though made on and as of such date;

(b) Performance. Each Investor shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by such Investor at or prior to such Closing; and

(c) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Transaction Documents.

7. EVENTS OF DEFAULT

7.1 Events of Default. The occurrence of any of the following events shall be an “**Event of Default**” under this Agreement:

(a) an Event of Default under the Notes or any other Transaction Document;

(b) any of the representations or warranties made by the Company or any Subsidiary or any of their respective agents, officers, directors, employees or representatives in any Transaction Document or public filing being inaccurate, false or misleading in any material respect, as of the date as of which it is made or deemed to be made, or any certificate or financial or other written statements furnished by or on behalf of the Company or any Subsidiary to the Investors or any of its representatives, is inaccurate, false or misleading, in any material respect, as of the date as of which it is made or deemed to be made, or on any Closing Date; or

(c) a failure by the Company to comply with any of its covenants or agreements set forth in this Agreement, including those set forth in Section 10.

7.2 Investor Right to Investigate an Event of Default. If in reasonable opinion of a Majority of Interest of the Investors, an Event of Default has occurred, or is or may be continuing:

(a) the Holder Representative acting on behalf of the Investors may notify the Company that it wishes to investigate such purported Event of Default;

(b) the Company shall cooperate with the Holder Representative in such investigation;

(c) the Company shall comply with all reasonable requests made by the Holder Representative to the Company in connection with any investigation by the Holder Representative and shall (i) provide all information requested by the Holder Representative in relation to the Event of Default to the Holder Representative; provided that the Holder Representative agrees that any materially price sensitive information and/or non-public information will be subject to confidentiality, and (ii) provide all such requested information within three (3) Business Days of such request; and

(d) the Company shall pay all reasonable costs incurred by the Investors, and, if and as applicable, the Holder Representative in connection with any such investigation.

7.3 Remedies Upon an Event of Default

(a) If an Event of Default occurs pursuant to Section 7.1(a), the Investors and the Holder Representative, as applicable, shall have such remedies as are set forth in the Notes.

(b) If an Event of Default occurs pursuant to Section 7.1(b) or Section 7.1(c) and is not remedied within (i) two (2) Business Days for an Event of Default occurring by the Company's failure to comply with Section 7.1(c), or (ii) ten (10) Business Days for an Event of Default occurring pursuant to Section 7.1(b), the Holder Representative may declare, by notice to the Company, effective immediately, all outstanding obligations by the Company under the Transaction Documents to be immediately due and payable in immediately available funds and the Investors shall have no obligation to consummate any Closing under this Agreement or to accept the conversion of any Note into Conversion Shares.

(c) If any Event of Default occurs and is not remedied within (i) two (2) Business Days for an Event of Default occurring by the Company's failure to comply with Section 7.1(c), or (ii) ten (10) Business Days for an Event of Default occurring pursuant to Section 7.1(b), the Holder Representative may, by written notice to the Company, terminate this Agreement effective as of the date set forth in the Holder Representative's notice.

8. TERMINATION

8.1 Events of Termination. This Agreement:

- (a) may be terminated:
 - (i) by the Investors on the occurrence or existence of a Securities Termination Event or a Change of Control;
 - (ii) by the mutual written consent of the Company and the Investors, at any time;

(iii) by either Party, by written notice to the other Party, effective immediately, if a Closing has not occurred within fifteen (15) Business Days of the date of this Agreement or such later date as the Company and Placement Agent agree in writing, provided that the right to terminate this Agreement under this Section 8.1(a)(iii) is not available to any party that is in material breach of or material default under this Agreement or whose failure to fulfill any obligation under this Agreement has been the principal cause of, or has resulted in the failure of a Closing to occur; or

(iv) by the Investors or the Holder Representative, as applicable, in accordance with Section 7.3(c).

8.2 Automatic Termination. This Agreement will automatically terminate, without further action by the parties, at the time after a Closing that the Principal Amount outstanding under the Notes and any accrued but unpaid interest is reduced to zero (0), whether as a result of Conversion or repayment by the Company in accordance with the terms of this Agreement and the Notes and the Investor no longer holds any Investor Shares.

8.3 Effect of Termination.

(a) Subject to Section 8.3(b), each party's right of termination under Section 8.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies.

(b) If an Investor terminates this Agreement under Section 8.1(a)(i):

(i) such Investor may declare, by notice to the Company, all outstanding obligations by the Company under the Transaction Documents to be due and payable (including, without limitation, the immediate repayment of any Principal Amount outstanding under its Note plus accrued but unpaid interest) without presentment, demand, protest or any other notice of any kind, all of which are expressly waived by the Company, anything to the contrary contained in this Agreement or in any other Transaction Document notwithstanding; and

(ii) the Company must within five (5) Business Days of such notice being received, pay to such Investor in immediately available funds the outstanding Principal Amount for the Note plus all accrued interest thereon (if any), unless such Investor terminates this Agreement as a result of an Event of Default and provided that (A) subsequent to the termination under Section 8.1(a)(i), such Investor is not prohibited by Law or otherwise from exercising its conversion rights pursuant to this Agreement or the Note or exercise rights pursuant to the Warrants, (B) such Investor actually exercises its conversion rights under this Agreement or the Note or under the Warrant, and (C) the Company otherwise complies in all respects with its obligation to issue Conversion Shares in accordance with the Note or issue Warrant Shares in accordance with the Warrants (which obligation will survive termination).

(c) Upon termination of this Agreement, such Investor will not be required to fund any further amount after the date of termination of the Agreement, provided that termination will not affect any undischarged obligation under this Agreement, and any obligation of the Company to pay or repay any amounts owing to such Investor hereunder and which have not been repaid at the time of termination.

(d) Nothing in this Agreement will be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement or to impair the right of any party to compel specific performance by any other Party of its obligations under this Agreement.

(e) Notwithstanding anything herein to the contrary, the Company's covenant under Section 5.8 of this Agreement shall survive the termination of this Agreement in accordance with its terms until the Principal Amount outstanding under the Notes and any accrued but unpaid interest is reduced to zero (0), whether as a result of Conversion or repayment by the Company in accordance with the terms of this Agreement.

9. REGISTRATION RIGHTS

9.1 The Investors' Registration Rights. The Investors' registration rights are set forth in the Registration Rights Agreement substantially in the form of **Exhibit F**.

10. RIGHTS TO FUTURE STOCK ISSUANCES. Subject to the terms and conditions of this Section 10 and applicable securities laws, if at any time prior to the first anniversary of the initial Closing, the Company proposes to offer or sell any New Securities in a Qualified Financing, the Company shall first offer the Investors the opportunity to purchase up to one hundred percent (100%) of such New Securities in a Qualified Financing. The Investors shall be entitled to apportion the right of first offer hereby granted to them in proportions as their respective ownership percentages of the Notes and accompanying Warrants.

10.1 The Company shall give notice (the "**Offer Notice**") to the Investors, stating (a) its bona fide intention to offer such New Securities, (b) the number of such New Securities to be offered, and (c) the price and terms, if any, upon which it proposes to offer such New Securities.

10.2 By notification to the Company within three (3) days after the Offer Notice is given, the Investors may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to one hundred percent (100%) of such New Securities. The closing of any sale pursuant to this Section 10 shall occur within the later of ninety (90) days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Section 10.3.

10.3 The Company may, during the ninety (90) day period following the expiration of the period provided in Section 10.2, offer and sell the remaining portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Investors in accordance with this Section 10.

10.4 The right of first offer in this Section 10 shall not be applicable to Exempted Securities, or any New Securities registered for sale under the Securities Act.

11. GENERAL PROVISIONS

11.1 Fees and Expenses. Except as set forth in the engagement letter between the Company and the Placement Agent dated March 19, 2022, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of the Transaction Documents. The Company shall pay all stamp and other taxes and duties levied in connection with the sale of the Notes and accompanying Warrants.

11.2 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via email at the email address specified in this Section prior to 5:00 p.m. (New York time) on a Business Day, (b) the next Business Day after the date of transmission, if such notice or communication is delivered via email at the email address specified in this Section on a day that is not a Business Day or later than 5:00 p.m. (New York time) on any date and earlier than 11:59 p.m. (New York time) on such date, (c) the Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as follows:

If to the Company:

Northann Corp.
c/o Northann Distribution Center Inc.
9820 Dino Drive, Suite 110
Elk Grove, NV 95624
Attention: Lin Li, CEO
Email: ken.li@benchwick.com
With a copy (which shall not constitute notice) to:

Ortoli Rosenstadt LLP
366 Madison Avenue, 3rd Floor
New York, NY 10017
Attention: Mengyi "Jason" Ye, Esq.
Email: jye@orllp.legal

If to the Placement Agent:

Univest Securities, LLC
375 Park Avenue, 27th Floor
New York, NY 10152
Attention: Edric Guo
Email: yguo@univest.us

If to an Investor, to the address set forth on the applicable Investor's signature page.

Or such other address as may be designated in writing hereafter, in the same manner, by such Person.

11.3 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Agreement will not in any way be affected or impaired thereby.

11.4 Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of New York, without reference to principles of conflict of laws or choice of laws.

11.5 Jurisdiction and Venue. Any action, proceeding or claim arising out of, or relating in any way to this Agreement shall be brought and enforced in the New York State Court or in the United States District Court sitting in New York County, New York. The Company and each Investor irrevocably submit to the jurisdiction of such courts, which jurisdiction shall be exclusive, and hereby waive any objection to such exclusive jurisdiction or that such courts represent an inconvenient forum. The prevailing party in any such action shall be entitled to recover its reasonable and documented attorneys' fees and out-of-pocket expenses relating to such action or proceeding.

11.6 WAIVER OF RIGHT TO JURY TRIAL. THE COMPANY AND THE INVESTOR HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS.

11.7 Survival. The representations, warranties, agreements and covenants contained herein shall survive the applicable Closing and the delivery of the Securities.

11.8 Entire Agreement. The Transaction Documents, together with the Exhibits and Schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

11.9 Amendments; Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed by the Company and a Majority in Interest of the Investors. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right.

11.10 Construction. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. This Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement or any of the Transaction Documents.

11.11 Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of and be enforceable by, the Company and each Investor and their respective successors and assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of a Majority in Interest of the Investors. Each Investor may assign any or all of its rights under this Agreement to any Person to whom such Investor assigns or transfers any Securities, provided such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions hereof that apply to the "Investor" and such transferee is an accredited investor.

11.12 No Third-Party Beneficiaries. Except for the indemnification provisions set forth herein, this Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

11.13 Further Assurances. Each party hereto shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

11.14 Counterparts. This Agreement may be executed in two or more identical counterparts, both of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. Signature pages delivered by facsimile or e-mail shall have the same force and effect as an original signature.

11.15 Specific Performance. The Company acknowledges that monetary damages alone would not be adequate compensation to any Investor for a breach by the Company of this Agreement and such Investor may seek an injunction or an order for specific performance from a court of competent jurisdiction if (a) the Company fails to comply or threatens not to comply with this Agreement or (b) any Investor has reason to believe that the Company will not comply with this Agreement.

11.16 Appointment of Agent and Holder Representative. In furtherance of the authority granted Investors pursuant to Section 2.2(b) of the Notes and under Section 1 of this Agreement with respect to the right of the Majority in Interest of the Investors (as defined herein) to appoint a Holder Representative, a Majority in Interest of the Investors hereby appoints Uninvest Securities, LLC to act as their agent with respect to administering their rights under the Transaction Documents and to act as their Holder Representative upon the occurrence and continuance of an Event of Default (as defined in the applicable Transaction Document). The rights and obligations of Uninvest Securities, LLC as Agent and Holder Representative may be further described in one or more separate agreements. So long as an Holder Representative has been duly appointed in accordance with the terms hereof and is carrying out its obligations under the Notes, no Investor other than the Holder Representative may pursue any remedy with respect to the Notes in connection with an Event of Default.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Securities Purchase Agreement as of the date first set forth above.

COMPANY:
Northann Corp.

By: _____

Name: Lin Li
Title: CEO

[Signature Page of Securities Purchase Agreement]

INVESTOR SIGNATURE PAGE TO THE NORTHANN CORP. SECURITIES PURCHASE AGREEMENT

IN WITNESS WHEREOF, the undersigned has caused this Securities Purchase Agreement to be duly executed by its authorized signatory as of the date first indicated above.

Name of Investor:

Signature of Authorized Signatory of Investor:

Name of Authorized Signatory:

Title of Authorized Signatory:

Email Address of Authorized Signatory:

Facsimile Number of Authorized Signatory:

Address for Notice to Investor:

Closing Subscription Amount: \$ _____

Number of Warrants _____

EIN Number:

APPENDIX A

SCHEDULE OF INVESTORS

Name of Investor	Principal Sum of Note	Warrants	Subscription Amount
	\$		\$
			TOTAL: \$

EXHIBIT A

FORM OF SECURITY AGREEMENT

[See attached]

EXHIBIT B

FORM OF COMPANY PATENT SECURITY AGREEMENT

[See attached]

EXHIBIT C

FORM OF COMPANY TRADEMARK SECURITY AGREEMENT

[See attached]

EXHIBIT D

FORM OF SUBSIDIARY GUARANTY

[See attached]

EXHIBIT E

FORM OF SUBSIDIARY SECURITY AGREEMENT

[See attached]

EXHIBIT E

FORM OF REGISTRATION RIGHTS AGREEMENT

[See attached]

EXHIBIT G

FORM OF NOTE

[See attached]

EXHIBIT H

FORM OF WARRANT

[See attached]

EXHIBIT I

FLOW OF FUNDS REQUEST

Northann Corp. – Securities Purchase Agreement – Flow of Funds Request

In connection with the Securities Purchase Agreement, dated May , 2022 (the “Securities Purchase Agreement”) between Northann Corp. (the “Company”) and the Investors, and the Escrow Agreement, dated May , 2022 (the “Escrow Agreement”) between the Company and the Escrow Agent (as defined in the Securities Purchase Agreement) the Company irrevocably authorizes the Escrow Agent to distribute such funds as set out below, in the manner set out below, at a Closing.

Capitalized terms used but not otherwise defined in this letter will have the meaning given to such terms in the Securities Purchase Agreement.

<i>Item</i>	<i>Amount</i>
Closing	\$
Total	\$

Please transfer the net amount of US \$_____ due at the Closing, to the following bank account:

Beneficiary Bank:
Swift code:
ABA/Routing #:
Account #:
Beneficiary name and address:

Yours sincerely,

Northann Corp.

By: _____
Name: Lin Li
Title: CEO

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of May, 2022 among Northann Corp., a Nevada corporation (the "Company"), and each of the several purchasers signatory hereto (each such purchaser, a "Purchaser" and, collectively, the "Purchasers").

WHEREAS, in connection with that certain Securities Purchase Agreement of even date herewith by and between the Company and the Purchasers (as amended or otherwise modified, the "Purchase Agreement"), the Purchasers purchased and/or committed to purchase from the Company, severally and not jointly, 7% secured convertible promissory note(s) (the "Notes") with a total principal amount of up to \$3,500,000, convertible into the common stock, \$0.001 par value per share, of the Company (the "Common Stock") at an initial conversion price per share of \$3.50 and warrants (the "Warrants") to purchase up to 1,000,000 shares of Common Stock at an initial exercise price per share of \$3.50, subject to adjustments contained therein. The Notes, the Warrants and the Investor Shares (as defined below) are collectively referred to as the "Securities". The total purchase price of the securities is up to \$3,500,000.; and

WHEREAS, to induce the Purchasers to purchase the Securities, the Company has agreed to grant the Purchasers certain rights with respect to registration of Registrable Securities (as defined below) under the Securities Act pursuant to the terms of this Agreement.

NOW, THEREFORE, the Company and each Purchaser hereby agree as follows:

1. Definitions.

Capitalized terms used and not otherwise defined herein that are defined in the Purchase Agreement shall have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Advice" shall have the meaning set forth in Section 6(d).

"Blue Sky Application" shall have the meaning set forth in Section 5.

"Cut-Off Date" shall have the meaning set forth in Section 2(a).

"Effectiveness Date" means, with respect to the Initial Registration Statement required to be filed hereunder, the 120th calendar day following the Filing Date and with respect to any additional Registration Statements which may be required pursuant to Section 2(c) or Section 3(c), the 75th calendar day following the date on which an additional Registration Statement is required to be filed hereunder; provided, however, that in the event the Company is notified by the Commission that one or more of the above Registration Statements will not be reviewed or is no longer subject to further review and comments, the Effectiveness Date as to such Registration Statement shall be the 10th calendar day following the date on which the Company is so notified if such date precedes the dates otherwise required above (unless the Company is required to update its financial statements prior to requesting acceleration of such Registration Statement, which will require the Company to file an amendment to such Registration Statement, in which case the Company shall file any necessary amendment to such Registration Statement and request effectiveness thereof as soon as reasonably practicable and in no event later than the 120th calendar day following the Filing Date); provided, further, if such Effectiveness Date falls on a day that is not a Trading Day, then the Effectiveness Date shall be the next succeeding Trading Day.

“Effectiveness Period” shall have the meaning set forth in Section 2(a).

“Event” shall have the meaning set forth in Section 2(d).

“Event Date” shall have the meaning set forth in Section 2(d).

“Filing Date” means, with respect to the Initial Registration Statement required hereunder, the six months’ anniversary following the listing of the Common Stock on a Trading Market or earlier as agreed by the Purchaser and the Company and, with respect to any additional Registration Statements which may be required pursuant to Section 2(c) or Section 3(c), the earliest practical date on which the Company is permitted by SEC Guidance to file such additional Registration Statement related to the Registrable Securities.

“Holder” or “Holders” means the holder or holders, as the case may be, from time to time of Registrable Securities.

“Indemnified Party” shall have the meaning set forth in Section 5(c).

“Indemnifying Party” shall have the meaning set forth in Section 5(c).

“Initial Registration Statement” means the initial Registration Statement filed pursuant to this Agreement.

“Losses” shall have the meaning set forth in Section 5(a).

“Plan of Distribution” shall have the meaning set forth in Section 2(a).

“Prospectus” means the prospectus included in a Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated by the Commission pursuant to the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

“Registrable Securities” means, as of any date of determination, (a) all of the Conversion Shares then issued and issuable upon conversion in full of the Notes (assuming on such date the Notes are converted in full without regard to any conversion limitations therein), (b) all shares of Common Stock issued and issuable as interest or principal on the Notes assuming all permissible interest and principal payments are made in shares of Common Stock and the Notes are held until maturity, (c) any additional shares of Common Stock issued and issuable in connection with any anti-dilution provisions in the Notes (without giving effect to any limitations on conversion set forth in the Notes), (d) all of the Warrant Shares then issued and issuable upon exercise in full of the Warrants (assuming on such date the Warrants are exercised in full without regard to any exercise limitations therein), (e) any additional shares of Common Stock issued and issuable in connection with any anti-dilution provisions in the Warrants (without giving effect to any limitations on exercise set forth in the Warrants), and (f) any securities issued or then issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the foregoing; provided, however, that any such Registrable Securities shall cease to be Registrable Securities (and the Company shall not be required to maintain the effectiveness of any, or file another, Registration Statement hereunder with respect thereto) for so long as (a) a Registration Statement with respect to the sale of such Registrable Securities is declared effective by the Commission under the Securities Act and such Registrable Securities have been disposed of by the Holder in accordance with such effective Registration Statement, (b) such Registrable Securities have been previously sold in accordance with Rule 144, or (c) such securities become eligible for resale without volume or manner-of-sale restrictions and without the requirement for the Company to be in compliance with the current public information requirement under Rule 144, as determined by counsel to the Company pursuant to a written opinion letter to such effect, addressed, delivered and acceptable to the Transfer Agent and the affected Holders (assuming that such securities, any securities upon the exercise, conversion or exchange of or as a dividend upon which such securities were issued, or any securities issuable upon the exercise, conversion or exchange of, or as a dividend upon such securities, were at no time during the prior 90 days held by any Affiliate of the Company), as reasonably determined by the Company, upon the advice of counsel to the Company. For the avoidance of doubt, any such Registrable Securities shall cease to be Registrable Securities after the Cut-Off Date.

“Registration Statement” means any registration statement required to be filed hereunder pursuant to Section 2(a) and any additional registration statements contemplated by Section 2(c) or Section 3(c), including (in each case) the Prospectus, amendments and supplements to any such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in any such registration statement.

“Rule 415” means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“Rule 424” means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“Selling Stockholder Questionnaire” shall have the meaning set forth in Section 3(a).

“SEC Guidance” means (i) any publicly available written or oral guidance of the Commission staff, or any comments, requirements or requests of the Commission staff and (ii) the Securities Act.

“Trading Market” means whichever of the New York Stock Exchange, NYSE American, or the Nasdaq Stock Market (including the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market), the OTC Bulletin Board, the OTC QB Marketplace or the OTC QX Marketplace (or any successors to any of the foregoing), on which the Common Stock is listed or quoted for trading on the date in question.

2. Shelf Registration.

(a) On or prior to each Filing Date, the Company shall prepare and file with the Commission a Registration Statement covering the resale of all of the Registrable Securities that are not then registered on an effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415. Each Registration Statement filed hereunder shall be on Form S-3 (except if the Company is not then eligible to register for resale the Registrable Securities on Form S-3, in which case such registration shall be on another appropriate form in accordance herewith, subject to the provisions of Section 2(e) and shall contain (unless otherwise directed by at least 51% in interest of the Holders) substantially the “Plan of Distribution” attached hereto as Annex A. Subject to the terms of this Agreement, the Company shall use its reasonable best efforts to cause a Registration Statement filed under this Agreement (including, without limitation, under Section 3(c)) to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event no later than the applicable Effectiveness Date, and shall use its reasonable best efforts to keep such Registration Statement continuously effective under the Securities Act until the first to occur of: (A) the date that is one (1) year from the date the Registration Statement is declared effective by the Commission (the “Cut-Off Date”) and (B) the date that all Registrable Securities covered by such Registration Statement (i) have been sold, thereunder or pursuant to Rule 144, or (ii) may be sold without volume or manner-of-sale restrictions pursuant to Rule 144 and without the requirement for the Company to be in compliance with the current public information requirement under Rule 144, as determined by the counsel to the Company pursuant to a written opinion letter which shall be obtained at the company’s expense, to such effect, addressed, delivered and acceptable to the Transfer Agent and the affected Holders (assuming that such securities, any securities upon the exercise, conversion or exchange of or as a dividend upon which such securities were issued, or any securities issuable upon the exercise, conversion or exchange of, or as a dividend upon such securities, were at no time held by any Affiliate of the Company) (the “Effectiveness Period”). The Company shall telephonically request effectiveness of a Registration Statement as of 5:00 p.m. Eastern Time on a Trading Day. The Company shall immediately notify the Holders via facsimile or by e-mail of the effectiveness of a Registration Statement on the same Trading Day that the Company telephonically confirms effectiveness with the Commission, which shall be the date requested for effectiveness of such Registration Statement. The Company shall, by 9:30 a.m. Eastern Time on the Trading Day after the effective date of such Registration Statement, file a final Prospectus with the Commission as required by Rule 424. Failure to so notify the Holder within one (1) Trading Day of such notification of effectiveness or failure to file a final Prospectus as foresaid shall be deemed an Event under Section 2(d).

(b) Notwithstanding the registration obligations set forth in Section 2(a), if the Commission informs the Company that all of the Registrable Securities covered by such Registration Statement cannot, as a result of the application of Rule 415, be registered for resale as a secondary offering on a single registration statement, the Company agrees to promptly inform each of the Holders thereof and use its commercially reasonable best efforts to file amendments to the Initial Registration Statement as required by the Commission, covering the maximum number of Registrable Securities permitted to be registered by the Commission, on Form S-3 or such other form available to register for resale the Registrable Securities as a secondary offering, subject to the provisions of Section 2(e); provided, however, that prior to filing such amendment, the Company shall be obligated to use diligent efforts to advocate with the Commission for the registration of all of the Registrable Securities in accordance with the SEC Guidance, including without limitation, Compliance and Disclosure Interpretation 612.09.

(c) Notwithstanding any other provision of this Agreement and subject to the payment of liquidated damages pursuant to Section 2(d), if the Commission or any SEC Guidance sets forth a limitation on the number of Registrable Securities permitted to be registered on a particular Registration Statement as a secondary offering (and notwithstanding that the Company used diligent efforts to advocate with the Commission for the registration of all or a greater portion of Registrable Securities), unless otherwise directed in writing by a Holder as to its Registrable Securities, the number of Registrable Securities to be registered on such Registration Statement will be reduced as follows:

- (i) First, the Company shall reduce or eliminate any securities to be included by any Person other than a Holder;
- (ii) Second, the Company shall reduce Registrable Securities represented by Warrant Shares (applied, in the case that some Warrant Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Warrant Shares held by such Holders, collectively); and
- (iii) third, the Company shall reduce Registrable Securities represented by Conversion Shares (applied, in the case that some Conversion Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Conversion Shares held by such Holders, collectively).

In the event of a cutback hereunder, the Company shall give the Holder at least five (5) Trading Days prior written notice along with the calculations as to such Holder's allotment. In the event the Company amends the Initial Registration Statement in accordance with the foregoing, the Company will use its reasonable best efforts to file with the Commission, as promptly as allowed by the Commission or SEC Guidance provided to the Company or to registrants of securities in general, one or more registration statements on Form S-3 or such other form available to register for resale those Registrable Securities that were not registered for resale on the Initial Registration Statement, as amended.

(d) If: (i) the Initial Registration Statement is not filed on or prior to its Filing Date (if the Company files the Initial Registration Statement without affording the Holders the opportunity to review and comment on the same as required by Section 3(a) herein or without providing the Notice with notice of such failure, the Company shall be deemed to have not satisfied this clause (i)), or (ii) the Company fails to file with the Commission a request for acceleration of a Registration Statement in accordance with Rule 461 promulgated by the Commission pursuant to the Securities Act, within five Trading Days of the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that such Registration Statement will not be "reviewed" or will not be subject to further review, or (iii) prior to the effective date of a Registration Statement, the Company fails to file a pre-effective amendment and otherwise respond in writing to comments made by the Commission in respect of such Registration Statement within thirty (30) calendar days after the receipt of comments by or notice from the Commission that such amendment is required in order for such Registration Statement to be declared effective, or (iv) a Registration Statement registering for resale all of the Registrable Securities is not declared effective by the Commission by the Effectiveness Date of the Initial Registration Statement, or (v) after the effective date of a Registration Statement, such Registration Statement ceases for any reason to remain continuously effective as to all Registrable Securities included in such Registration Statement, or the Holders are otherwise not permitted to utilize the Prospectus therein to resell such Registrable Securities, for more than ten (10) consecutive calendar days or more than an aggregate of fifteen (15) calendar days (which need not be consecutive calendar days) during any 12-month period (any such failure or breach being referred to as an "Event"), and for purposes of clauses (i) and (iv), the date on which such Event occurs, and for purpose of clause (ii) the date on which such five (5) Trading Day period is exceeded, and for purpose of clause (iii) the date which such thirty (30) calendar day period is exceeded, and for purpose of clause (v) the date on which such ten (10) or fifteen (15) calendar day period, as applicable, is exceeded being referred to as an "Event Date"), then, in addition to any other rights the Holders may have hereunder or under applicable law, on each such Event Date and on each thirty (30) calendar day anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, the Company shall pay to each Holder an amount in cash, as partial liquidated damages and not as a penalty, equal to 1.0% of the aggregate purchase price paid by such Holder pursuant to the Purchase Agreement; provided, however, that the Company shall not be required to make any payments pursuant to this Section 2(d) if an Event occurred at such time that all Registrable Securities are eligible for resale pursuant to Rule 144 (without volume restrictions or current public information requirements) promulgated by the Commission pursuant to the Securities Act and the Company has complied with the conditions set forth in section 2(a), as applicable; provided, further, that the Company shall not be required to make any payments pursuant to this Section 2(d) with respect to any Registrable Securities the Company is unable to register due to limits imposed by the Commission's interpretation of Rule 415 under the Securities Act after compliance with section 2(b). The parties agree that the maximum aggregate liquidated damages payable to a Holder under this Agreement shall be 6.0% of the aggregate Subscription Amount paid by such Holder pursuant to the Purchase Agreement. If the Company fails to pay any partial liquidated damages pursuant to this Section in full within seven (7) days after the date payable, the Company will pay interest thereon at a rate of 18% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to the Holder, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro rata basis for any portion of a thirty (30) calendar day period prior to the cure of an Event.

(e) If Form S-3 is not available for the registration of the resale of Registrable Securities hereunder, the Company shall (i) register the resale of the Registrable Securities on another appropriate form and (ii) undertake to register the Registrable Securities on Form S-3 as soon as such form is available, provided that the Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form S-3 covering the Registrable Securities has been declared effective by the Commission.

3. Registration Procedures.

In connection with the Company's registration obligations hereunder, the Company shall:

(a) Not less than one (1) Trading Day prior to the filing of each Registration Statement and not less than one (1) Trading Day prior to the filing of any related Prospectus or any amendment or supplement thereto (including any document that would be incorporated or deemed to be incorporated therein by reference), the Company shall (i) furnish to the Holders, copies of all such documents proposed to be filed, which documents (other than those incorporated or deemed to be incorporated by reference) will be subject to the review of such Holders, and (ii) cause its officers and directors, counsel and independent registered public accountants to respond to such inquiries as shall be necessary, in the reasonable opinion of respective counsel to each Holder, to conduct a reasonable investigation within the meaning of the Securities Act. Notwithstanding the above, the Company shall not be obligated to provide the Holders advance copies of any universal shelf registration statement registering securities in addition to those required hereunder, or any Prospectus prepared thereto. The Company shall not file a Registration Statement or any such Prospectus or any amendments or supplements thereto to which the Holders of 67% or more of the Registrable Securities shall reasonably object in good faith, provided that, the Company is notified of such objection in writing no later than five (5) Trading Days after the Holders have been so furnished copies of a Registration Statement or one (1) Trading Day after the Holders have been so furnished copies of any related Prospectus or amendments or supplements thereto. Each Holder agrees to furnish to the Company a completed questionnaire in the form attached to the Purchase Agreement (a "Selling Stockholder Questionnaire") on a date that is not less than two (2) Trading Days prior to the Filing Date or by the end of the fourth (4th) Trading Day following the date on which the Holders, receives draft materials in accordance with this Section.

(b) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to a Registration Statement and the Prospectus used in connection therewith as may be necessary to keep a Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities, (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement (subject to the terms of this Agreement), and, as so supplemented or amended, to be filed pursuant to Rule 424, (iii) respond as promptly as reasonably possible to any comments received from the Commission with respect to a Registration Statement or any amendment thereto and provide as promptly as reasonably possible to the Holders true and complete copies of all correspondence from and to the Commission relating to a Registration Statement (provided that, the Company shall excise any information contained therein which would constitute material non-public information regarding the Company or any of its Subsidiaries), and (iv) comply in all material respects with the applicable provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by a Registration Statement during the applicable period in accordance (subject to the terms of this Agreement) with the intended methods of disposition by the Holders thereof set forth in such Registration Statement as so amended or in such Prospectus as so supplemented.

(c) If during the Effectiveness Period, the number of Registrable Securities at any time exceeds 100% of the number of shares of Common Stock then registered in a Registration Statement, then the Company shall file as soon as reasonably practicable, but in any case, prior to the applicable Filing Date, an additional Registration Statement covering the resale by the Holders of not less than the number of such Registrable Securities.

(d) Notify the Holders of Registrable Securities to be sold (which notice shall, pursuant to clauses (iii) through (vi) hereof, be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) as promptly as reasonably possible (and, in the case of (i)(A) below, not less than one (1) Trading Day prior to such filing) and (if requested by any such Person) confirm such notice in writing no later than one (1) Trading Day following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to a Registration Statement is proposed to be filed, (B) when the Commission notifies the Company whether there will be a “review” of such Registration Statement and whenever the Commission comments in writing on such Registration Statement, and (C) with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to a Registration Statement or Prospectus or for additional information, (iii) of the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose, (v) of the occurrence of any event or passage of time that makes the financial statements included in a Registration Statement ineligible for inclusion therein or any statement made in a Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to a Registration Statement, Prospectus or other documents so that, in the case of a Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vi) of the occurrence or existence of any pending corporate development with respect to the Company that the Company believes may be material and that, in the determination of the Company, makes it not in the best interest of the Company to allow continued availability of a Registration Statement or Prospectus, provided, however, in no event shall any such notice contain any information which would constitute material, non-public information regarding the Company or any of its Subsidiaries.

(e) Use its reasonable best efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order stopping or suspending the effectiveness of a Registration Statement, or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(f) Furnish to the Holders, without charge, at least one conformed copy of each such Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference to the extent requested by such Person, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission; provided, that any such item which is available on the EDGAR system (or successor thereto) need not be furnished in physical form.

(g) Subject to the terms of this Agreement, the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto, except after the giving of any notice pursuant to Section 3(d).

(h) The Company shall cooperate with any broker-dealer through which a Holder proposes to resell its Registrable Securities in effecting a filing with the FINRA Corporate Financing Department pursuant to FINRA Rule 5110, as requested by any such Holder, and the Company shall pay the filing fee required by such filing within two (2) Business Days of request therefor.

(i) Prior to any resale of Registrable Securities by a Holder, use its commercially reasonable best efforts to register or qualify or cooperate with the selling Holders in connection with the registration or qualification (or exemption from the registration or qualification) of such Registrable Securities for the resale by the Holder under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder reasonably requests in writing, to keep each registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things reasonably necessary to enable the disposition in such jurisdictions of the Registrable Securities covered by each Registration Statement; provided, that, the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified, subject the Company to any material tax in any such jurisdiction where it is not then so subject or file a general consent to service of process in any such jurisdiction.

(j) If requested by a Holder, cooperate with such Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by the Purchase Agreement and applicable law, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such Holder may request.

(k) Upon the occurrence of any event contemplated by Section 3(d), as promptly as reasonably possible under the circumstances taking into account the Company's good faith assessment of any adverse consequences to the Company and its stockholders of the premature disclosure of such event, prepare a supplement or amendment, including a post-effective amendment, to a Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither a Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with clauses (iii) through (vi) of Section 3(d) above to suspend the use of any Prospectus until the requisite changes to such Prospectus have been made, then the Holders shall suspend use of such Prospectus. The Company will use its reasonable best efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company shall be entitled to exercise its right under this Section 3(k) to suspend the availability of a Registration Statement and Prospectus, subject to the payment of partial liquidated damages otherwise required pursuant to Section 2(d), for a period not to exceed 60 calendar days (which need not be consecutive days) in any 12-month period.

(l) Comply with all applicable rules and regulations of the Commission.

(m) The Company shall use its reasonable best efforts to obtain and maintain eligibility for use of Form S-3 (or any successor form thereto) for the registration of the resale of Registrable Securities.

(n) The Company may require each selling Holder to furnish to the Company a certified statement as to the number of shares of Common Stock beneficially owned by such Holder and, if required by the Commission, the natural persons thereof that have voting and dispositive control over the shares. During any periods that the Company is unable to meet its obligations hereunder with respect to the registration of the Registrable Securities solely because any Holder fails to furnish such information within three Trading Days of the Company's request, any liquidated damages that are accruing at such time as to such Holder only shall be tolled and any Event that may otherwise occur solely because of such delay shall be suspended as to such Holder only, until such information is delivered to the Company.

4. Registration Expenses. All fees and expenses incident to the performance of or compliance with, this Agreement by the Company shall be borne by the Company whether or not any Registrable Securities are sold pursuant to a Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses of the Company's counsel and independent registered public accountants) (A) with respect to filings made with the Commission, (B) with respect to filings required to be made with any Trading Market on which the Common Stock is then listed for trading, (C) in compliance with applicable state securities or Blue Sky laws reasonably agreed to by the Company in writing (including, without limitation, fees and disbursements of counsel for the Company in connection with Blue Sky qualifications or exemptions of the Registrable Securities) and (D) if not previously paid by the Company, with respect to any filing that may be required to be made by any broker through which a Holder intends to make sales of Registrable Securities with FINRA pursuant to FINRA Rule 5110, so long as the broker is receiving no more than a customary brokerage commission in connection with such sale, (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. Notwithstanding the foregoing, the Company shall be responsible for the reasonable counsel fees of the Holders; provided, however, that any such counsel fees of the Holders shall not exceed \$10,000 incurred in connection with the review of the registration statement.

5. Indemnification.

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, members, partners, agents, brokers (including brokers who offer and sell Registrable Securities as principal as a result of a pledge or any failure to perform under a margin call of Common Stock), investment advisors and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, stockholders, partners, agents and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or relating to (1) any untrue or alleged untrue statement of a material fact contained in a Registration Statement, any Prospectus or any form of prospectus, including any blue sky application (as defined below) or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading; (2) any blue sky application or other document executed by the Company specifically for that purpose or based upon written information furnished by the Company filed in any state or other jurisdiction in order to qualify any or all of the Registrable Securities under the securities laws thereof (any such application, document or information herein called a "Blue Sky Application"); or (3) any violation or alleged violation by the Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder, in connection with the performance of its obligations under this Agreement, except to the extent, but only to the extent, that (i) such untrue statements or omissions are based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement, such Prospectus or in any amendment or supplement thereto (it being understood that the Holder has approved Annex A hereto for this purpose) or (ii) in the case of an occurrence of an event of the type specified in Section 3(d)(iii)-(vi), the use by such Holder of an outdated, defective or otherwise unavailable Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated, defective or otherwise unavailable for use by such Holder and prior to the receipt by such Holder of the Advice contemplated in Section 6(d), but only if and to the extent that following the receipt of the Advice the misstatement or omission giving rise to such Loss would have been corrected. The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding arising from or in connection with the transactions contemplated by this Agreement of which the Company is aware. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified person and shall survive the transfer of any Registrable Securities by any of the Holders in accordance with Section 6(h).

(b) Indemnification by Holders. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, its directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title), to the fullest extent permitted by applicable law, from and against all Losses, as incurred, to the extent arising out of or based solely upon: (x) such Holder's failure to comply with any applicable prospectus delivery requirements of the Securities Act or the plan of distribution in any Registration Statement through no fault of the Company or (y) any untrue or alleged untrue statement of a material fact contained in any Registration Statement, any Prospectus, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading (i) to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder to the Company expressly for inclusion in such Registration Statement or such Prospectus or (ii) to the extent, but only to the extent, that such information relates to such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement (it being understood that the Holder has approved Annex A hereto for this purpose), such Prospectus or in any amendment or supplement thereto or (iii) in the case of an occurrence of an event of the type specified in Section 3(d)(iii)-(vi), to the extent, but only to the extent, related to the use by such Holder of an outdated, defective or otherwise unavailable Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated, defective or otherwise unavailable for use by such Holder and prior to the receipt by such Holder of the Advice contemplated in Section 6(d), but only if and to the extent that following the receipt of the Advice the misstatement or omission giving rise to such Loss would have been corrected. In no event shall the liability of any selling Holder under this Section 5(b) be greater in amount than the dollar amount of the net proceeds actually received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the "Indemnifying Party") in writing, and the Indemnifying Party shall have the right to assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that, the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have materially and adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses, (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding, or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and counsel to the Indemnified Party shall reasonably believe that a material conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and the reasonable fees and expenses of no more than one separate counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

Subject to the terms of this Agreement, all reasonable fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten Trading Days of written notice thereof to the Indemnifying Party; provided, that, the Indemnified Party shall promptly reimburse the Indemnifying Party for that portion of such fees and expenses applicable to such actions for which such Indemnified Party is finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) not to be entitled to indemnification hereunder.

(d) Contribution. If the indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless for any Losses, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in this Agreement, any reasonable attorneys' or other fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 5(d), no Holder shall be required to contribute pursuant to this Section 5(d), in the aggregate, any amount in excess of the amount by which the net proceeds actually received by such Holder from the sale of the Registrable Securities subject to the Proceeding exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

6. Miscellaneous.

(a) Remedies. In the event of a breach by the Company or by a Holder of any of their respective obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, shall be entitled to specific performance of its rights under this Agreement. Each of the Company and each Holder agrees that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall not assert or shall waive the defense that a remedy at law would be adequate.

(b) No Piggyback on Registrations; Prohibition on Filing Other Registration Statements. Neither the Company nor any of its security holders (other than the Holders in such capacity pursuant hereto) may include securities of the Company in any Registration Statements other than the Registrable Securities. The Company shall not file any other registration statements (other than any registration statement on Form S-1 or Form S-3 for an underwritten public offering of any of the Company's securities (an "Underwritten Offering")) until all Registrable Securities are registered pursuant to a Registration Statement that is declared effective by the Commission, provided that this Section 6(b) shall not prohibit the Company from filing amendments to registration statements filed prior to the date of this Agreement.

(c) Compliance. Each Holder covenants and agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it (unless an exemption therefrom is available) in connection with sales of Registrable Securities pursuant to a Registration Statement.

(d) Discontinued Disposition. By its acquisition of Registrable Securities, each Holder agrees that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(d)(iii) through (vi), such Holder will forthwith discontinue disposition of such Registrable Securities under a Registration Statement until it is advised in writing (the “Advice”) by the Company that the use of the applicable Prospectus (as it may have been supplemented or amended) may be resumed. The Company will use its reasonable best efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company agrees and acknowledges that any periods during which the Holder is required to discontinue the disposition of the Registrable Securities hereunder shall be subject to the provisions of Section 2(d).

(e) Piggy-Back Registrations. If, at any time during the Effectiveness Period, there is not an effective Registration Statement covering all of the Registrable Securities and the Company shall determine to prepare and file with the Commission a registration statement, other than with respect to an Underwritten Offering relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with the Company’s stock option or other employee benefit plans, then the Company shall deliver to each Holder a written notice of such determination and, if within fifteen days after the date of the delivery of such notice, any such Holder shall so request in writing, the Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; provided, however, that the Company shall not be required to register any Registrable Securities pursuant to this Section 6(e) that are eligible for resale pursuant to Rule 144 (without volume restrictions or current public information requirements) promulgated by the Commission pursuant to the Securities Act or that are the subject of a then effective Registration Statement.

(f) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of 67% or more of the then outstanding Registrable Securities (for purposes of clarification, this includes any Registrable Securities issuable upon exercise or conversion of any Security). If a Registration Statement does not register all of the Registrable Securities pursuant to a waiver or amendment done in compliance with the previous sentence, then the number of Registrable Securities to be registered for each Holder shall be reduced pro rata among all Holders and each Holder shall have the right to designate which of its Registrable Securities shall be omitted from such Registration Statement. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of a Holder or some Holders and that does not directly or indirectly affect the rights of other Holders may be given only by such Holder or Holders of all of the Registrable Securities to which such waiver or consent relates; provided, however, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the first sentence of this Section 6(f). No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

(g) Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be delivered as set forth in the Purchase Agreement.

(h) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of each Holder. The Company may not assign (except by merger) its rights or obligations hereunder without the prior written consent of all of the Holders of the then outstanding Registrable Securities. Each Holder may assign their respective rights hereunder in the manner and to the Persons as permitted under Section 11.11 of the Purchase Agreement.

(i) No Inconsistent Agreements. Neither the Company nor any of its Subsidiaries has entered, as of the date hereof, nor shall the Company or any of its Subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities, that would have the effect of impairing the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Neither the Company nor any of its Subsidiaries has previously entered into any agreement granting any registration rights with respect to any of its securities to any Person that have not been satisfied in full. Notwithstanding the foregoing, any Registration Rights Agreement concerning the Securities sold under the Purchase Agreement will not be considered an inconsistent agreement.

(j) Execution and Counterparts. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof.

(k) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be determined in accordance with the provisions of the Purchase Agreement.

(l) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any other remedies provided by law.

(m) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(n) Headings. The headings in this Agreement are for convenience only, do not constitute a part of the Agreement and shall not be deemed to limit or affect any of the provisions hereof.

(o) Independent Nature of Holders' Obligations and Rights. The obligations of each Holder hereunder are several and not joint with the obligations of any other Holder hereunder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder hereunder. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Holder pursuant hereto or thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Holders are in any way acting in concert or as a group or entity with respect to such obligations or the transactions contemplated by this Agreement or any other matters, and the Company acknowledges that the Holders are not acting in concert or as a group, and the Company shall not assert any such claim, with respect to such obligations or transactions. Each Holder shall be entitled to protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose. The use of a single agreement with respect to the obligations of the Company contained was solely in the control of the Company, not the action or decision of any Holder, and was done solely for the convenience of the Company and not because it was required or requested to do so by any Holder. It is expressly understood and agreed that each provision contained in this Agreement is between the Company and a Holder, solely, and not between the Company and the Holders collectively and not between and among Holders.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have executed this Registration Rights Agreement as of the date first written above.

Northann Corp.

By: _____
Name: Lin Li
Title: Chief Executive Officer

[SIGNATURE PAGE OF PURCHASERS FOLLOWS]

SIGNATURE PAGE OF PURCHASERS TO NORTHANN CORP. REGISTRATION RIGHTS AGREEMENT

Accepted and agreed to:

By: _____
Name:
Title:

Plan of Distribution

Each selling stockholder (the "Selling Stockholders") of the securities of Nothann Corp, a Nevada corporation (the "Company"), and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their Company securities covered hereby on the Nasdaq Capital Market or any other stock exchange, market or trading facility on which such securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- in transactions through broker-dealers that agree with the Selling Stockholders to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell securities under Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the securities or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The Selling Stockholders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholders and any broker-dealers or agents that are involved in selling the securities may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Stockholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the securities. The Company has agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because Selling Stockholders may be deemed to be “underwriters” within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. The Selling Stockholders have advised us that there is no underwriter or coordinating broker acting in connection with the proposed sale of the resale securities by the Selling Stockholders.

We agreed to keep this prospectus effective until the earliest of (i) one (1) year from the date the Registration Statement is declared effective by the Commission, (ii) the date on which the securities may be resold by the Selling Stockholders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (iii) the date on which all of the securities have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of securities of the common stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

SECURITY AGREEMENT

SECURITY AGREEMENT (this "Agreement"), dated as of May __, 2022, by and among **NORTHANN CORP.**, a Nevada corporation (the "Company") and the secured parties signatory hereto (collectively, the "Secured Party").

WHEREAS, the Company (a) and the Secured Party have entered into that certain Securities Purchase Agreement dated as of the date hereof (as amended and in effect from time to time, the "SPA") and (b) issued to the Secured Party those certain Units and those certain Secured Convertible Promissory Notes dated as of the date hereof (as amended and in effect from time to time, the "Notes"); and

WHEREAS, it is a condition precedent to the Secured Party agreeing to make loans or otherwise extend credit to the Company and purchase the Units under the SPA and the Notes that the Company execute and deliver to the Secured Party a security agreement in substantially the form hereof; and

WHEREAS, the Company wishes to grant security interests in favor of the Secured Party as herein provided;

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. All capitalized terms used herein without definitions shall have the respective meanings provided therefor in the SPA. All terms defined in the Uniform Commercial Code of the State (as hereinafter defined) and used herein shall have the same definitions herein as specified therein, however, if a term is defined in Article 9 of the Uniform Commercial Code of the State differently than in another Article of the Uniform Commercial Code of the State, the term has the meaning specified in Article 9, and the following terms shall have the following meanings:

"Event of Default" means the occurrence of any "Event of Default" under and as defined in each of the SPA and the Notes, or the failure of the Company to comply with any term or covenant of any Transaction Document (including this Agreement) to which it is a party.

"Lien" means any mortgage, charge, pledge, hypothecation, security interest, assignment by way of security, lien (statutory or otherwise), encumbrance, conditional sale agreement, capital lease, financing lease, deposit arrangement, title retention agreement, and any other agreement, trust or arrangement that in substance secures payment or performance of an obligation.

"**Obligations**" means, collectively, (a) all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by or otherwise payable by the Company to the Secured Party in any currency, under, in connection with or pursuant to the any Transaction Document (including, without limitation, this Agreement), and whether incurred by the Company alone or jointly with another or others and whether as principal, guarantor or surety and in whatever name or style and (b) all expenses, costs and charges incurred by or on behalf of the Secured Party in connection with any Transaction Document (including this Agreement) or the Collateral, including all legal fees, court costs, receiver's or agent's remuneration and other expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment for the Collateral, and of taking, defending or participating in any action or proceeding in connection with any of the foregoing matters or otherwise in connection with the Secured Party's interest in any Collateral, whether or not directly relating to the enforcement of this Agreement or any other Transaction Document.

"**Permitted Lien**" means any of the following: (a) mechanics and materialman Liens and other statutory Liens (including Liens for taxes, fees, assessments and other governmental charges or levies) in respect of any amount (i) which is not at the time overdue or (ii) which may be overdue but the validity of which is being contested at the time in good faith by appropriate proceedings, in each case so long as the holder of such Lien has not taken any action to foreclose or otherwise exercise any remedies with respect to such Lien; and (b) Liens which are permitted in writing by the Secured Party in its sole and absolute discretion.

"**State**" means the State of New York.

2. **Grant of Security Interest.**

2.1. **Grant; Collateral Description.** The Company hereby grants

2.1.1. to the Secured Party, to secure the payment and performance in full of all of the Obligations, a security interest in and pledges and assigns to the Secured Party the following properties, assets and rights of the Company, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "**Collateral**"): all personal and fixture property of every kind and nature including all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents (whether tangible or electronic), accounts (including health-care-insurance receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, and all general intangibles (including all payment intangibles).

2.1.2. The security interest, pledge and assignment in the Collateral referenced in Section 2.1.1 above shall be limited to the actual dollar amount of the Obligations. Any actions taken by the Secured Party or its agent(s) under the provisions of this Agreement upon the occurrence and during the continuance of an Event of Default, including with respect to the authorization to sell, transfer, pledge, make any agreement with respect to or otherwise dispose of or deal with any of the Collateral, shall be limited to the actual dollar amount of the Obligations.

2.2. **Commercial Tort Claims.** The Secured Party acknowledges that the attachment of its security interest in any commercial tort claim as original collateral is subject to the Company's compliance with §4.7.

3. **Authorization to File Financing Statements.** The Company hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of the Company or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the State or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by part 5 of Article 9 of the Uniform Commercial Code of the State or such other jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment, including whether the Company is an organization, the type of organization and any organizational identification number issued to the Company. The Company agrees to furnish any such information to the Secured Party promptly upon the Secured Party's reasonable request.

4. **Other Actions.** Further to insure the attachment, perfection and first priority of, and the ability of the Secured Party to enforce, the Secured Party's security interest in the Collateral, the Company agrees, in each case at the Company's expense, to take the following actions with respect to the following Collateral and without limitation on the Company's other obligations contained in this Agreement:

4.1. **Promissory Notes and Tangible Chattel Paper.** If the Company shall, now or at any time hereafter, hold or acquire any promissory notes or tangible chattel paper with an aggregate value for all such promissory notes or tangible chattel paper in excess of \$50,000, the Company shall forthwith endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

4.2. **Deposit Accounts.** For each deposit account that the Company, now or at any time hereafter, opens or maintains the Company shall, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (a) cause the depository bank to agree to comply without further consent of the Company, at any time with instructions from the Secured Party to such depository bank directing the disposition of funds from time to time credited to such deposit account, or (b) arrange for the Secured Party to become the customer of the depository bank with respect to the deposit account, with the Company being permitted, only with the consent of the Secured Party, to exercise rights to withdraw funds from such deposit account. The Secured Party agrees with the Company that the Secured Party shall not give any such instructions or withhold any withdrawal rights from the Company, unless an Event of Default has occurred and is continuing, or, if effect were given to any withdrawal not otherwise permitted by the Transaction Documents, would occur. The provisions of this paragraph shall not apply to any deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of the Company's salaried employees.

4.3. Investment Property. If the Company shall, now or at any time hereafter, hold or acquire any certificated securities, the Company shall forthwith endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify. If any securities now or hereafter acquired by the Company are uncertificated and are issued to the Company or its nominee directly by the issuer thereof, the Company shall promptly (but in any event within two Business Days) notify the Secured Party thereof and, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (a) cause the issuer to agree to comply without further consent of the Company or such nominee, at any time with instructions from the Secured Party as to such securities, or (b) arrange for the Secured Party to become the registered owner of the securities. If any securities, whether certificated or uncertificated, or other investment property now or hereafter acquired by the Company are held by the Company or its nominee through a securities intermediary or commodity intermediary, the Company shall promptly (but in any event within two Business Days) notify the Secured Party thereof and, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (i) cause such securities intermediary or (as the case may be) commodity intermediary to agree to comply, in each case without further consent of the Company or such nominee, at any time with entitlement orders or other instructions from the Secured Party to such securities intermediary as to such securities or other investment property, or (as the case may be) to apply any value distributed on account of any commodity contract as directed by the Secured Party to such commodity intermediary, or (ii) in the case of financial assets or other investment property held through a securities intermediary, arrange for the Secured Party to become the entitlement holder with respect to such investment property, with the Company being permitted, only with the consent of the Secured Party, to exercise rights to withdraw or otherwise deal with such investment property. The Secured Party agrees with the Company that the Secured Party shall not give any such entitlement orders or instructions or directions to any such issuer, securities intermediary or commodity intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by the Company, unless an Event of Default has occurred and is continuing, or, after giving effect to any such investment and withdrawal rights not otherwise permitted by the Transaction Documents, would occur. The provisions of this paragraph shall not apply to any financial assets credited to a securities account for which the Secured Party is the securities intermediary.

4.4. Collateral in the Possession of a Bailee. If any Collateral with an aggregate value in excess of \$100,000 is, now or at any time hereafter, in the possession of a bailee, the Company shall promptly notify the Secured Party thereof and, at the Secured Party's reasonable request and option, shall promptly obtain an acknowledgement from the bailee, in form and substance satisfactory to the Secured Party, that the bailee holds such Collateral for the benefit of the Secured Party and such bailee's agreement to comply, without further consent of the Company, at any time with instructions of the Secured Party as to such Collateral.

4.5. Electronic Chattel Paper, Electronic Documents and Transferable Records. If the Company, now or at any time hereafter, holds or acquires an interest in any Collateral that is electronic chattel paper, any electronic document or any "transferable record," as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, or in §16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, the Company shall promptly notify the Secured Party thereof and, at the request and option of the Secured Party, shall take such action as the Secured Party may reasonably request to vest in the Secured Party control, under §9-105 of the Uniform Commercial Code of the State or any other relevant jurisdiction, of such electronic chattel paper, control, under §7-106 of the Uniform Commercial Code of the State or any other relevant jurisdiction, of such electronic document or control, under Section 201 of the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, §16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Secured Party agrees with the Company that the Secured Party will arrange, pursuant to procedures satisfactory to the Secured Party and so long as such procedures will not result in the Secured Party's loss of control, for the Company to make alterations to the electronic chattel paper, electronic document or transferable record permitted under UCC §9-105, UCC §7-106, or, as the case may be, Section 201 of the federal Electronic Signatures in Global and National Commerce Act or §16 of the Uniform Electronic Transactions Act for a party in control to make without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by the Company with respect to such electronic chattel paper, electronic document or transferable record. The provisions of this §4.5 relating to electronic documents and "control" under UCC §7-106 apply in the event that the 2003 revisions to Article 7, with amendments to Article 9, of the Uniform Commercial Code, in substantially the form approved by the American Law Institute and the National Conference of Commissioners on Uniform State Laws, are now or hereafter adopted and become effective in the State or in any other relevant jurisdiction.

4.6. Letter-of-Credit Rights. If the Company is, now or at any time hereafter, a beneficiary under a letter of credit with a stated amount in excess of \$25,000, or if the Company is a beneficiary under letters of credit not assigned to the Secured Party with an aggregate stated amount in excess of \$50,000, the Company shall promptly notify the Secured Party thereof and, at the request and option of the Secured Party, the Company shall, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (a) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Secured Party of the proceeds of the letter of credit or (b) arrange for the Secured Party to become the transferee beneficiary of the letter of credit.

4.7. Commercial Tort Claims. If the Company shall, now or at any time hereafter, hold or acquire a commercial tort claim, the Company shall promptly notify the Secured Party in a writing signed by the Company of the particulars thereof and grant to the Secured Party in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Secured Party.

4.8. Other Actions as to any and all Collateral. The Company further agrees, upon the request of the Secured Party and at the Secured Party's option, to take any and all other actions as the Secured Party may determine to be necessary or useful for the attachment, perfection and first priority of, and the ability of the Secured Party to enforce, the Secured Party's security interest in any and all of the Collateral, including (a) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the Uniform Commercial Code of any relevant jurisdiction, to the extent, if any, that the Company's signature thereon is required therefor, (b) causing the Secured Party's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the Secured Party to enforce, the Secured Party's security interest in such Collateral, (c) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Secured Party to enforce, the Secured Party's security interest in such Collateral, (d) obtaining governmental and other third party waivers, consents and approvals, in form and substance satisfactory to the Secured Party, including any consent of any licensor, lessor or other person obligated on Collateral, (e) obtaining waivers from mortgagees and landlords in form and substance satisfactory to the Secured Party and (f) taking all actions under any earlier versions of the Uniform Commercial Code or under any other law, as reasonably determined by the Secured Party to be applicable in any relevant Uniform Commercial Code or other jurisdiction, including any foreign jurisdiction.

4.9. Relation to other Security Documents. Concurrently herewith the Company is also executing and delivering to the Secured Party the Patent Security Agreement and the Trademark Security Agreement pursuant to which the Company is assigning to the Secured Party certain Collateral consisting of patents and patent rights and trademarks, service marks and trademark and service mark rights, together with the goodwill appurtenant thereto. The provisions of Patent Security Agreement and the Trademark Security Agreement are supplemental to the provisions of this Agreement and nothing contained in the Patent Security Agreement or the Trademark Security Agreement shall derogate from any of the rights or remedies of the Secured Party hereunder. Nor will anything contained in the Patent Security Agreement or the Trademark Security Agreement be deemed to prevent or extend the time of attachment or perfection of any security interest in such Collateral created hereby.

5. Representations and Warranties Concerning a Company's Legal Status. The Company has, on the date hereof, delivered to the Secured Party a certificate signed by the Company and entitled "Perfection Certificate" (the "Perfection Certificate"). The Company represents and warrants to the Secured Party as follows: as of the date hereof (a) the Company's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof, (b) the Company is an organization of the type, and is organized in the jurisdiction, set forth in the Perfection Certificate, (c) the Perfection Certificate accurately sets forth the Company's organizational identification number or accurately states that the Company has none, (d) the Perfection Certificate accurately sets forth the Company's place of business or, if more than one, its chief executive office, as well as the Company's mailing address, if different, (e) all other information set forth on the Perfection Certificate pertaining to the Company is accurate and complete, and (f) there has been no change in any of such information since the date on which the Perfection Certificate was signed by the Company.

6. **Covenants Concerning Company's Legal Status.** The Company covenants with the Secured Party as follows: (a) without providing at least thirty (30) days prior written notice to the Secured Party, the Company will not change its name, its place of business or, if more than one, chief executive office, or its mailing address or organizational identification number if it has one, (b) if the Company does not have an organizational identification number and later obtains one, the Company will forthwith notify the Secured Party of such organizational identification number, and (c) the Company will not change its type of organization, jurisdiction of organization or other legal structure.

7. **Representations and Warranties Concerning Collateral, Etc.** The Company further represents and warrants to the Secured Party as follows: (a) the Company is the owner of or has other rights in or power to transfer the Collateral, free from any right or claim of any person or any adverse lien, except for the security interest created by this Agreement and the Permitted Liens, (b) none of the account debtors or other persons obligated on any of the Collateral is a governmental authority covered by the Federal Assignment of Claims Act or like federal, state or local statute or rule in respect of such Collateral, (c) the Company holds no commercial tort claim except as indicated on the Company's Perfection Certificate, (d) all other information set forth on the Company's Perfection Certificate pertaining to the Collateral is accurate and complete, and (e) there has been no change in any of such information since the date on which the Company's Perfection Certificate was signed by the Company.

8. **Covenants Concerning Collateral, Etc.** The Company further covenants with the Secured Party as follows: (a) other than inventory sold in the ordinary course of business consistent with past practices, the Collateral, to the extent not delivered to the Secured Party pursuant to §4, will be kept at those locations listed on the Perfection Certificate and the Company will not remove the Collateral from such locations, without providing at least thirty (30) days prior written notice to the Secured Party, (b) except for the security interest herein granted, the Company shall be the owner of or have other rights in the Collateral free from any right or claim of any other person or any Lien (other than Permitted Liens), and the Company shall defend the same against all claims and demands of all persons at any time claiming the same or any interests therein adverse to the Secured Party, (c) other than in favor of the Secured Party, the Company shall not pledge, mortgage or create, or suffer to exist any right of any person in or claim by any person to the Collateral, or any Lien in the Collateral in favor of any person, or become bound (as provided in Section 9-203(d) of the Uniform Commercial Code of the State or any other relevant jurisdiction or otherwise) by a security agreement in favor of any person as secured party, (d) the Company will permit the Secured Party, or its designee, to inspect the Collateral at any reasonable time, wherever located, (e) the Company will pay promptly when due all taxes, assessments, governmental charges and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement, and (f) the Company will not sell or otherwise dispose, or offer to sell or otherwise dispose, of the Collateral, or any interest therein except for, so long as no Event of Default has occurred and is continuing, dispositions of obsolete or worn-out property, the granting of non-exclusive licenses in the ordinary course of business, and the sale of inventory in the ordinary course of business consistent with past practices.

9. Collateral Protection Expenses; Preservation of Collateral.

9.1. Expenses Incurred by Secured Party. In the Secured Party's discretion, the Secured Party may discharge taxes and other encumbrances at any time levied or placed on any of the Collateral, and pay any necessary filing fees or insurance premiums, in each case if the Company fails to do so. The Company agrees to reimburse the Secured Party on demand for all expenditures so made. The Secured Party shall have no obligation to the Company to make any such expenditures, nor shall the making thereof be construed as a waiver or cure of any Event of Default.

9.2. Secured Party's Obligations and Duties. Anything herein to the contrary notwithstanding, the Company shall remain obligated and liable under each contract or agreement comprised in the Collateral to be observed or performed by the Company thereunder. The Secured Party shall not have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Secured Party of any payment relating to any of the Collateral, nor shall the Secured Party be obligated in any manner to perform any of the obligations of the Company under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Secured Party or to which the Secured Party may be entitled at any time or times. The Secured Party's sole duty with respect to the custody, safe keeping and physical preservation of the Collateral in its possession, under §9-207 of the Uniform Commercial Code of the State or otherwise, shall be to deal with such Collateral in the same manner as the Secured Party deals with similar property for its own account.

10. Securities and Deposits. The Secured Party may at any time following and during the continuance of a payment default or an Event of Default, at its option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it to the Obligations. Whether or not any Obligations are due, the Secured Party may, following and during the continuance of a payment default or an Event of Default demand, sue for, collect, or make any settlement or compromise which it deems desirable with respect to the Collateral. Regardless of the adequacy of Collateral or any other security for the Obligations, any deposits or other sums at any time credited by or due from the Secured Party to the Company may at any time be applied to or set off against any of the Obligations then due and owing.

11. Notification to Account Debtors and Other Persons Obligated on Collateral. If an Event of Default shall have occurred and be continuing:

(a) the Company shall, at the request and option of the Secured Party, notify account debtors and other persons obligated on any of the Collateral of the security interest of the Secured Party in any account, chattel paper, general intangible, instrument or other Collateral and that payment thereof is to be made directly to the Secured Party or to any financial institution designated by the Secured Party as the Secured Party's agent therefor;

(b) the Secured Party may itself, without notice to or demand upon the Company, so notify account debtors and other persons obligated on Collateral;

(c) after the making of such a request or the giving of any such notification, the Company shall hold any proceeds of collection of accounts, chattel paper, general intangibles, instruments and other Collateral received by the Company as trustee for the Secured Party, for the benefit of the Secured Party, without commingling the same with other funds of the Company and shall turn the same over to the Secured Party in the identical form received, together with any necessary endorsements or assignments; and

(d) the Secured Party shall apply the proceeds of collection of accounts, chattel paper, general intangibles, instruments and other Collateral and received by the Secured Party to the payment of the Obligations, such proceeds to be immediately credited after final payment in cash or other immediately available funds of the items giving rise to them.

12. Power of Attorney.

12.1. Appointment and Powers of Secured Party. The Company hereby irrevocably constitutes and appoints the Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of the Company or in the Secured Party's own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or useful to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of the Company, without notice to or assent by the Company, to do the following:

(a) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise dispose of or deal with any of the Collateral in such manner as is consistent with the Uniform Commercial Code of the State or any other relevant jurisdiction and as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and to do, at the Company's expense, at any time, or from time to time, all acts and things which the Secured Party deems necessary or useful to protect, preserve or realize upon the Collateral and the Secured Party's security interest therein, in order to effect the intent of this Agreement, all no less fully and effectively as the Company might do, including (i) upon written notice to the Company, the exercise of voting rights with respect to voting securities, which rights may be exercised, if the Secured Party so elects, with a view to causing the liquidation of assets of the issuer of any such securities and (ii) the execution, delivery and recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral; and

(b) to the extent that the Company's authorization given in §3 is not sufficient, to file such financing statements with respect hereto, with or without the Company's signature, or a photocopy of this Agreement in substitution for a financing statement, as the Secured Party may deem appropriate and to execute in the Company's name such financing statements and amendments thereto and continuation statements which may require the Company's signature.

12.2. Ratification by Company. To the extent permitted by law, the Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and is irrevocable.

12.3. No Duty on Secured Party. The powers conferred on the Secured Party hereunder are solely to protect the interests of the Secured Party in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any act or failure to act, except for the Secured Party's own gross negligence or willful misconduct.

13. Rights and Remedies.

13.1. General. If an Event of Default shall have occurred and be continuing, the Secured Party, without any other notice to or demand upon the Company, shall have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code of the State or any other relevant jurisdiction and any additional rights and remedies as may be provided to a secured party in any jurisdiction in which Collateral is located, including the right to take possession of the Collateral, and for that purpose the Secured Party may, so far as the Company can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the same therefrom. The Secured Party may in its discretion require the Company to assemble all or any part of the Collateral at such location or locations within the jurisdiction(s) of the Company's principal office(s) or at such other locations as the Secured Party may reasonably designate. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Party shall give to the Company at least ten (10) Business Days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. The Company hereby acknowledges that ten (10) Business Days prior written notice of such sale or sales shall be reasonable notice. In addition, the Company waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Secured Party's rights and remedies hereunder, including its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

14. Standards for Exercising Rights and Remedies. To the extent that applicable law imposes duties on the Secured Party to exercise remedies in a commercially reasonable manner, the Company acknowledges and agrees that it is not commercially unreasonable for the Secured Party (a) to fail to incur expenses reasonably deemed significant by the Secured Party to prepare Collateral for disposition or otherwise to fail to complete raw material or work in process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to fail to remove Liens on or any adverse claims against Collateral, (d) to exercise collection remedies against account debtors and other persons obligated on the Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of the Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other persons, whether or not in the same business as the Company, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of the Collateral, whether or not the collateral is of a specialized nature, (h) to dispose of the Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, (k) to purchase insurance or credit enhancements to insure the Secured Party against risks of loss, collection or disposition of the Collateral or to provide to the Secured Party a guaranteed return from the collection or disposition of such Collateral, or (l) to the extent deemed appropriate by the Secured Party, to obtain the services of brokers, investment bankers, consultants and other professionals to assist the Secured Party in the collection or disposition of any of the Collateral. The Company acknowledges that the purpose of this §14 is to provide non-exhaustive indications of what actions or omissions by the Secured Party would fulfill the Secured Party's duties under the Uniform Commercial Code of the State or any other relevant jurisdiction in the Secured Party's exercise of remedies against the Collateral and that other actions or omissions by the Secured Party shall not be deemed to fail to fulfill such duties solely on account of not being indicated in this §14. Without limitation upon the foregoing, nothing contained in this §14 shall be construed to grant any rights to the Company or to impose any duties on the Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this §14. Subject to the foregoing, the Secured Party agrees to use its commercially reasonable efforts to foreclose only on such Collateral that may be required at any time to cure an Event of Default, which has occurred and is continuing (inclusive of the Secured Party's right to foreclose upon the acceleration of all the Obligations under any of the Transaction Documents.) Provided, however, each Grantor acknowledges that there may be proceeds from any such foreclosure in excess of the Obligations due to the nature of the Collateral foreclosed on or the net proceeds received by the Secured Party for the disposition of any particular portion of the Collateral in any auction or other sale from any third party.

15. No Waiver by Secured Party, etc. The Secured Party shall not be deemed to have waived any of its rights and remedies in respect of the Obligations or the Collateral unless such waiver shall be in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right or remedy shall operate as a waiver of such right or remedy or any other right or remedy. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All rights and remedies of the Secured Party with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly, alternatively, successively or concurrently at such time or at such times as the Secured Party deems expedient.

16. Suretyship Waivers by Company. The Company waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, the Company assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of or failure to perfect any security interest in any such Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Secured Party may deem advisable. The Secured Party shall have no duty as to the collection or protection of the Collateral or any income therefrom, the preservation of rights against prior parties, or the preservation of any rights pertaining thereto beyond the safe custody thereof as set forth in §9.2. The Company further waives any and all other suretyship defenses.

17. Marshaling. The Secured Party shall not be required to marshal any present or future collateral security (including but not limited to the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of the rights and remedies of the Secured Party hereunder and of the Secured Party in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights and remedies, however existing or arising. To the extent that it lawfully may, the Company hereby agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of the Secured Party's rights and remedies under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, the Company hereby irrevocably waives the benefits of all such laws.

18. Proceeds of Dispositions; Expenses. The Company shall pay to the Secured Party on demand any and all expenses, including attorneys' fees and disbursements, incurred or paid by the Secured Party in protecting or preserving the Secured Party's rights and remedies under or in respect of any of the Obligations or any of the Collateral and any such expenses incurred in releasing any security interest granted hereunder and, in addition, the Company shall pay to the Secured Party on demand any and all expenses, including attorneys' fees and disbursements, incurred or paid by the Secured Party in enforcing the Secured Party's rights and remedies under or in respect of any of the Obligations or any of the Collateral. After deducting all of said expenses, the residue of any proceeds of collection or sale or other disposition of Collateral shall, to the extent actually received in cash, be applied to the payment of the Obligations in such order or preference as is provided in the SPA, proper allowance and provision being made for any Obligations not then due. Upon the final payment and satisfaction in full of all of the Obligations and after making any payments required by Sections 9-608(a)(1)(C) or 9-615(a)(3) of the Uniform Commercial Code of the State, any excess shall be returned to the Company. In the absence of final payment and satisfaction in full of all of the Obligations, the Company shall remain liable for any deficiency.

19. **Overdue Amounts.** Until paid, all amounts due and payable by the Company hereunder shall be a debt secured by the Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Transaction Documents.

20. **Governing Law; Consent to Jurisdiction.** THIS AGREEMENT IS A CONTRACT UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID STATE OF NEW YORK. THE COMPANY AND THE SECURED PARTY EACH AGREE THAT ANY SUIT FOR THE ENFORCEMENT OF THIS AGREEMENT OR ANY OTHER ACTION BROUGHT BY SUCH PERSON ARISING HEREUNDER OR IN ANY WAY RELATED TO THIS AGREEMENT SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE BOROUGH OF MANHATTAN OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON SUCH PERSON BY MAIL AT THE ADDRESS SPECIFIED ON THE SIGNATURE PAGE OF EACH PARTY HERETO. THE COMPANY HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUIT BROUGHT IN THE STATE OF NEW YORK OR ANY COURT SITTING THEREIN OR THAT A SUIT BROUGHT THEREIN IS BROUGHT IN AN INCONVENIENT COURT.

21. **Waiver of Jury Trial.** THE COMPANY AND THE SECURED PARTY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OR ENFORCEMENT OF ANY SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, the Company waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Company (a) certifies that neither the Secured Party nor any representative, agent or attorney of the Secured Party has represented, expressly or otherwise, that the Secured Party would not, in the event of litigation, seek to enforce the foregoing waivers or other waivers contained in this Agreement and (b) acknowledges that, in entering into this Agreement and any other Transaction Document to which the Secured Party is a party, the Secured Party is relying upon, among other things, the waivers and certifications contained in this §21.

22. **Notices.** All notices, requests and other communications hereunder shall be made in the manner set forth in the SPA.

23. **Miscellaneous.** The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon the Company and its successors and assigns, and shall inure to the benefit of the Secured Party and its successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Company acknowledges receipt of a copy of this Agreement

24. Appointment of Agent and Unitholder Representative. In furtherance of the authority granted Secured Party pursuant to Section 2.2(b) of the Notes and under Section 1 of the Purchase Agreement with respect to the right of the Majority in Interest of the Investors (as defined in the Purchase Agreement) to appoint a Unitholder Representative, a Majority in Interest of the Investors hereby appoints Uninvest Securities LLC to act as their agent with respect to administering their rights under the Transaction Documents and to act as their Unitholder Representative upon the occurrence and Continuance of an Event of Default (as defined in the applicable Transaction Document). The rights and obligations of Uninvest Securities LLC as Agent and Unitholder Representative may be further described in one or more separate agreements. So long as an Unitholder Representative has been duly appointed in accordance with the terms hereof and is carrying out its obligations under the Notes, no Investor other than the Unitholder Representative may pursue any remedy with respect to the Notes in connection with an Event of Default.

[Signature pages to follow]

IN WITNESS WHEREOF, intending to be legally bound, the Company has caused this Agreement to be duly executed as of the date first above written.

NORTHANN CORP.

By: _____
Name:
Title:

[Signature Pages of the Secured Parties follow]

Signature Pages of the Secured Parties

Accepted and agreed to:

By: _____
Name:
Title:

PATENT SECURITY AGREEMENT

This PATENT SECURITY AGREEMENT (this "Patent Security Agreement") is entered into as of May __, 2022 by and among **NORTHANN CORP.**, a Nevada corporation (the "Grantor") and the secured parties signatory hereto (collectively, the "Secured Party").

WHEREAS, (a) the Grantor and the Secured Party have entered into that certain Securities Purchase Agreement dated as of the date hereof (as amended and in effect from time to time, the "SPA") and (b) the Grantor has issued to the Secured Party those certain Units and those certain Secured Convertible Promissory Notes dated as of the date hereof (as amended and in effect from time to time, collectively, the "Notes");

WHEREAS, in connection with the SPA and the Notes, the Grantor has entered into that certain Security Agreement dated as of the date hereof (as amended and in effect from time to time, the "Security Agreement") with the Secured Party pursuant to which the Grantor has granted a lien in favor of the Secured Party in all of the Grantor's assets (including the Patent Collateral) to secure its obligations under the Guaranty; and

WHEREAS, in connection with the Security Agreement, the Grantor has agreed to execute and deliver this Patent Security Agreement in order to record the security interest granted to the Secured Party with the United States Patent and Trademark Office;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor hereby agrees as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, capitalized terms defined in the Security Agreement and used herein have the meaning given to them in the Security Agreement. The term "Patents" means, collectively, (a) all of the patent and patent applications, whether United States or foreign, that are owned by the Grantor, or in which the Grantor has any right, title or interest, now or in the future, including but not limited to (i) the patents and patent applications listed on Schedule I hereto (as the same may be amended pursuant hereto from time to time), (ii) all letters patent of the United States or any other country, and all applications for letters patent of the United States or any other country; (iii) all re-issues, continuations, divisions, continuations-in-part, renewals or extensions thereof; (iv) the inventions disclosed or claimed therein, including the right to make, use, practice and/or sell (or license or otherwise transfer or dispose of) the inventions disclosed or claimed therein; and (v) the right (but not the obligation) to make and prosecute applications for such patents, (b) all past, present or future rights in, to and associated with the foregoing throughout the world, whether arising under federal law, state law, common law, foreign law or otherwise, including the following: all such rights arising out of or associated with the registrations of the foregoing items set forth in clause (a), the right (but not the obligation) to register claims under any state, federal or foreign patent law or regulation; the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of the Grantor or the Secured Party for any and all past, present and future infringements or dilution of or any other damages or injury to the foregoing or any associated goodwill, and the rights to damages or profits due or accrued arising out of or in connection with any such past, present or future infringement, dilution, damage or injury; and (c) any license rights related to the foregoing.

SECTION 2. Grant of Security Interest in Patent Collateral.

2.1 The Grantor hereby pledges, collaterally assigns and grants to the Secured Party to secure the prompt and complete payment and performance of the Obligations, a security interest (referred to in this Patent Security Agreement as the "Security Interest") in all of the Grantor's right, title and interest in, to and under the following, whether now owned or hereafter acquired or arising (collectively, the "Patent Collateral"):

- (a) all of its Patents and licenses with respect to Patents to which it is a party including those referred to on Schedule I;
- (b) each license with respect to Patents; and
- (c) all products and proceeds (as that term is defined in the UCC) of the foregoing, including any claim by the Grantor against third parties for past, present or future (i) infringement or dilution of any Patent or any Patents exclusively licensed under any license, including right to receive any damages, or (ii) right to receive license fees, royalties, and other compensation under any license with respect to Patents.

2.2 Subject to Section 14 of the Security Agreement, the Grantor's obligations under this agreement shall be limited to the actual dollar amount of the Obligations. Any actions taken by the Secured Party or its agent(s) under the provisions of this Patent Security Agreement upon the occurrence and during the continuance of an Event of Default, including with respect to the authorization to sell, transfer, pledge, make any agreement with respect to or otherwise dispose of or deal with any of the Collateral, shall be limited to the actual dollar amount of the Obligations.

SECTION 3. Security for Obligations. This Patent Security Agreement and the Security Interest created hereby secures the payment and performance of the Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Patent Security Agreement secures the payment of all amounts which constitute part of the Obligations and would be owed by the Grantor to the Secured Party, whether or not they are unenforceable or not allowable due to the existence of an insolvency proceeding involving the Grantor.

SECTION 4. Security Agreement. The Security Interest granted pursuant to this Patent Security Agreement is granted in conjunction with the security interests granted to the Secured Party pursuant to the Security Agreement. The Grantor hereby acknowledges and affirms that the rights and remedies of the Secured Party with respect to the Security Interest in the Patent Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. To the extent there is any inconsistency between this Patent Security Agreement and the Security Agreement, the Security Agreement shall control.

SECTION 5. Authorization to Supplement. If the Grantor shall obtain rights to any new Patents, the provisions of this Patent Security Agreement shall automatically apply thereto. The Grantor hereby authorizes the Secured Party unilaterally to modify this Patent Security Agreement by amending Schedule I to include any such new patent rights of the Grantor. Notwithstanding the foregoing, no failure to so modify this Patent Security Agreement or amend Schedule I shall in any way affect, invalidate or detract from the Secured Party's continuing security interest in all Collateral (including the Patent Collateral), whether or not listed on Schedule I.

SECTION 6. Counterparts. This Patent Security Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Patent Security Agreement by signing and delivering one or more counterparts.

SECTION 7. Governing Law. This Patent Security Agreement and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Patent Security Agreement and the transactions contemplated hereby shall be governed by, and construed in accordance with, the law of the State of New York.

[signature pages follow]

IN WITNESS WHEREOF, the Grantor has caused this Patent Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

GRANTOR:

NORTHANN CORP.

By: _____

Name:

Title:

[Signature Pages of the Secured Parties follow]

Signature Pages of the Secured Parties

Accepted and agreed to:

By: _____
Name:
Title:

SCHEDULE I
to
PATENT SECURITY AGREEMENT
PATENT REGISTRATIONS AND PATENT APPLICATIONS

TRADEMARK SECURITY AGREEMENT

This TRADEMARK SECURITY AGREEMENT (this "Trademark Security Agreement") is entered into as of May __, 2022 by and between **NORTHANN CORP.**, a Nevada corporation (the "Grantor") and secured parties signatory hereto (collectively, the "Secured Party").

WHEREAS, (a) the Grantor and the Secured Party have entered into that certain Securities Purchase Agreement dated as of the date hereof (as amended and in effect from time to time, the "SPA") and (b) the Grantor has issued to the Secured Party those certain Units and those certain Senior Secured Convertible Promissory Notes dated as of the date hereof (as amended and in effect from time to time, collectively, the "Notes");

WHEREAS, in connection with the SPA and the Notes, the Grantor has entered into that certain Security Agreement dated as of the date hereof (as amended and in effect from time to time, the "Security Agreement") with the Secured Party pursuant to which, the Grantor has granted a lien in favor of the Secured Party in all of the Grantor's assets (including the Trademark Collateral) to secure its obligations under the Guaranty; and

WHEREAS, in connection with the Security Agreement, the Grantor has agreed to execute and deliver this Trademark Security Agreement in order to record the security interest granted to the Secured Party with the United States Patent and Trademark Office;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor hereby agrees as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, capitalized terms defined in the Security Agreement and used herein have the meaning given to them in the Security Agreement. The term "Trademarks" means, collectively, (a) all of the trademarks, service marks, designs, logos, indicia, trade names, corporate names, company names, business names, fictitious business names, trade styles, elements of package or trade dress, and other source and product or service identifiers, used or associated with or appurtenant to the products, services and businesses of the Grantor, that (i) are set forth on Schedule I hereto, or (ii) have been adopted, acquired, owned, held or used by the Grantor or are now owned, held or used by the Grantor, in the Grantor's business, or with the Grantor's products and services, or in which the Grantor has any right, title or interest, or (iii) are in the future adopted, acquired, owned, held and used by the Grantor in the Grantor's business or with the Grantor's products and services, or in which the Grantor in the future acquires any right, title or interest, (b) all past, present or future rights in, to and associated with the foregoing throughout the world, whether arising under federal law, state law, common law, foreign law or otherwise, including the following: all such rights arising out of or associated with the registrations of the foregoing items set forth in clause (a), the right (but not the obligation) to register claims under any state, federal or foreign trademark law or regulation; the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of the Grantor or the Secured Party for any and all past, present and future infringements or dilution of or any other damages or injury to the foregoing or any associated goodwill, and the rights to damages or profits due or accrued arising out of or in connection with any such past, present or future infringement, dilution, damage or injury; and (c) any license rights related to the foregoing.

SECTION 2. Grant of Security Interest in Trademark Collateral.

2.1. The Grantor hereby pledges, collaterally assigns and grants to the Secured Party to secure the prompt and complete payment and performance of the Obligations, a security interest (referred to in this Trademark Security Agreement as the "Security Interest") in all of the Grantor's right, title and interest in, to and under the following, whether now owned or hereafter acquired or arising (collectively, the "Trademark Collateral"):

- (a) all of its Trademarks and licenses with respect to Trademarks to which it is a party including those referred to on Schedule I;
- (b) all goodwill of the business connected with the use of, and symbolized by, each Trademark and each license with respect to Trademarks; and
- (c) all products and proceeds (as that term is defined in the UCC) of the foregoing, including any claim by the Grantor against third parties for past, present or future (i) infringement or dilution of any Trademark or any Trademarks exclusively licensed under any license, including right to receive any damages, (ii) injury to the goodwill associated with any Trademark, or (iii) right to receive license fees, royalties, and other compensation under any license with respect to Trademarks.

2.2. Subject to Section 14 of the Security Agreement, the Grantor's obligations under this Agreement shall be limited to the actual dollar amount of the Obligations. Any actions taken by the Secured Party or its agent(s) under the provisions of this Trademark Security Agreement upon the occurrence and during the continuance of an Event of Default, including with respect to the authorization to sell, transfer, pledge, make any agreement with respect to or otherwise dispose of or deal with any of the Collateral, shall be limited to the actual dollar amount of the Obligations.

SECTION 3. Security for Obligations. This Trademark Security Agreement and the Security Interest created hereby secures the payment and performance of the Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Trademark Security Agreement secures the payment of all amounts which constitute part of the Obligations and would be owed by the Grantor to the Secured Party, whether or not they are unenforceable or not allowable due to the existence of an insolvency proceeding involving the Grantor.

SECTION 4. Security Agreement. The Security Interest granted pursuant to this Trademark Security Agreement is granted in conjunction with the security interests granted to the Secured Party pursuant to the Security Agreement. The Grantor hereby acknowledges and affirms that the rights and remedies of the Secured Party with respect to the Security Interest in the Trademark Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. To the extent there is any inconsistency between this Trademark Security Agreement and the Security Agreement, the Security Agreement shall control.

SECTION 5. Authorization to Supplement. If the Grantor shall obtain rights to any new Trademarks, the provisions of this Trademark Security Agreement shall automatically apply thereto. The Grantor hereby authorizes the Secured Party unilaterally to modify this Trademark Security Agreement by amending Schedule I to include any such new trademark rights of the Grantor. Notwithstanding the foregoing, no failure to so modify this Trademark Security Agreement or amend Schedule I shall in any way affect, invalidate or detract from the Secured Party's continuing security interest in all Collateral (including the Trademark Collateral), whether or not listed on Schedule I.

SECTION 6. Counterparts. This Trademark Security Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Trademark Security Agreement by signing and delivering one or more counterparts.

SECTION 7. Governing Law. This Trademark Security Agreement and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Trademark Security Agreement and the transactions contemplated hereby shall be governed by, and construed in accordance with, the law of the State of New York.

[signature pages follow]

IN WITNESS WHEREOF, each Grantor has caused this Trademark Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

GRANTOR:

NORTHANN CORP.

By: _____
Name:
Title:

[Signature Pages of the Secured Parties follow]

Signature Pages of the Secured Parties

Accepted and agreed to:

By: _____
Name:
Title:

SCHEDULE I
to
TRADEMARK SECURITY AGREEMENT
TRADEMARK REGISTRATIONS AND TRADEMARK APPLICATIONS

GUARANTY

GUARANTY (the "Guaranty"), dated as of May [], 2022, by among the guarantors signatory hereto (individually, a "Guarantor" and collectively, the "Guarantors") in favor of the lenders signatory hereto (collectively, the "Lender").

WHEREAS, Northann Corp., a Nevada corporation (the "Borrower") is the holder of 100% of the equity interests of each Guarantor; and

WHEREAS, (a) the Borrower and the Lender have entered into that certain Securities Purchase Agreement dated as of the date hereof (as amended and in effect from time to time, the "SPA") and (b) the Borrower has issued to the Lender those certain Units and those certain Secured Convertible Promissory Notes dated as of the date hereof (as amended and in effect from time to time, the "Notes");

WHEREAS, the Borrower and each Guarantor are members of a group of related entities, the success of any one of which is dependent in part on the success of the other members of such group;

WHEREAS, each Guarantor expects to receive substantial direct and indirect benefits from the transactions contemplated by the SPA and the Notes (including, without limitation, the extensions of credit to the Borrower by the Lender and the purchase of the Units pursuant to the SPA and the Notes (which benefits are hereby acknowledged);

WHEREAS, it is a condition precedent to the Lender's willingness to enter into the SPA and the Notes and make the loans to the Borrower thereunder and purchase the Units that each Guarantor execute and deliver to the Lender a guaranty substantially in the form hereof; and

WHEREAS, each Guarantor wishes to guaranty the Borrower's obligations to the Lender under or in respect of the SPA, the Notes and the other Transaction Documents (as such term is defined in the SPA) as provided herein;

NOW, THEREFORE, the Guarantor hereby agrees with the Lender as follows:

1. Definitions. The term (a) "Obligations" means, collectively, all debts, liabilities and obligations (including, without limitation, any expenses, costs and charges incurred by or on behalf of the Lender in connection with any Transaction Document), present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by or otherwise payable by the Borrower or the Guarantor to the Lender in any currency, under, in connection with or pursuant to the any Transaction Document (including, without limitation, this Guaranty), and whether incurred by the Borrower or the Guarantor alone or jointly with another or others and whether as principal, guarantor or surety and in whatever name or style; and (b) "Transaction Documents" means, collectively, this Guaranty and the "Transaction Documents" as defined in the SPA. All other capitalized terms used herein without definition shall have the respective meanings provided therefor in the SPA.

2. **Guaranty of Payment and Performance.** The Guarantor hereby guarantees to the Lender the full and punctual payment when due (whether at stated maturity, by required pre-payment, by acceleration or otherwise), as well as the performance, of all of the Obligations including all such which would become due but for the operation of the automatic stay pursuant to §362(a) of the Federal Bankruptcy Code and the operation of §§502(b) and 506(b) of the Federal Bankruptcy Code in a bankruptcy or other insolvency proceeding of the Borrower. This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance of all of the Obligations and not of their collectibility only and is in no way conditioned upon any requirement that the Lender first attempt to collect any of the Obligations from the Borrower or any other Person or resort to any collateral security or other means of obtaining payment. Should the Borrower default in the payment or performance of any of the Obligations, the obligations of each Guarantor hereunder with respect to such Obligations in default shall, upon demand by the Lender, become immediately due and payable to the Lender, without demand or notice of any nature, all of which are expressly waived by such Guarantor. Payments by any Guarantor hereunder may be required by the Lender on any number of occasions. All payments by each Guarantor hereunder shall be made to the Lender, in the manner and at the place of payment specified therefor in the Notes, for the account of the Lender.

3. **Each Guarantor's Agreement to Pay Enforcement Costs, etc.** Each Guarantor further agrees, as the principal obligor and not as a guarantor only, to pay to the Lender, on demand, all out-of-pocket costs and expenses (including court costs and legal expenses) incurred or expended by the Lender in connection with the Obligations with respect to such Guarantor, this Guaranty and the enforcement thereof, together with interest on amounts recoverable under this §3 from the time when such amounts become due until payment, whether before or after judgment, at the rate of interest for overdue principal set forth in the Notes, provided that if such interest exceeds the maximum amount permitted to be paid under applicable law, then such interest shall be reduced to such maximum permitted amount.

4. **Waivers by Guarantor; Lender's Freedom to Act.** Each Guarantor agrees that the Obligations of such Guarantor will be paid and performed strictly in accordance with their respective terms to the maximum extent permitted by applicable law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Lender with respect thereto. The Guarantor waives promptness, diligence, presentment, demand, protest, notice of acceptance, notice of any Obligations incurred and all other notices of any kind, all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets the Borrower or any other entity or other person primarily or secondarily liable with respect to any of the Obligations, and all suretyship defenses generally. Without limiting the generality of the foregoing, such Guarantor agrees to the provisions of any instrument evidencing, securing or otherwise executed in connection with any Obligation and agrees that the Obligations of such Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (i) the failure of the Lender to assert any claim or demand or to enforce any right or remedy against the Borrower or any other entity or other person primarily or secondarily liable with respect to any of the Obligations; (ii) any extensions, compromise, refinancing, consolidation or renewals of any Obligation; (iii) any change in the time, place or manner of payment of any of the Obligations or any rescissions, waivers, compromise, refinancing, consolidation or other amendments or modifications of any of the terms or provisions of the SPA, the Notes, the other Transaction Documents or any other agreement evidencing, securing or otherwise executed in connection with any of the Obligations, (iv) the addition, substitution or release of any entity or other person primarily or secondarily liable for any Obligation; (v) the adequacy of any rights which the Lender may have against any collateral security or other means of obtaining repayment of any of the Obligations; (vi) the impairment of any collateral securing any of the Obligations, including without limitation the failure to perfect or preserve any rights which the Lender might have in such collateral security or the substitution, exchange, surrender, release, loss or destruction of any such collateral security; or (vii) any other act or omission which might in any manner or to any extent vary the risk of such Guarantor or otherwise operate as a release or discharge of any Guarantor, all of which may be done without notice to any Guarantor. To the fullest extent permitted by law, each Guarantor hereby expressly waives any and all rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law which would otherwise prevent the Lender from bringing any action, including any claim for a deficiency, or exercising any other right or remedy (including any right of set-off), against such Guarantor before or after the Lender's commencement or completion of any foreclosure action, whether judicially, by exercise of power of sale or otherwise, or (B) any other law which in any other way would otherwise require any election of remedies by the Lender.

5. **Unenforceability of Obligations Against Borrower.** If for any reason the Borrower has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become irrecoverable from the Borrower by reason of the Borrower's insolvency, bankruptcy or reorganization or by other operation of law or for any other reason, this Guaranty shall nevertheless be binding on each Guarantor to the same extent as if such Guarantor at all times had been the principal obligor on all such Obligations. In the event that acceleration of the time for payment of any of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Borrower, or for any other reason, all such amounts otherwise subject to acceleration under the terms of the SPA, the Notes, the other Transaction Documents or any other agreement evidencing, securing or otherwise executed in connection with any Obligation shall be immediately due and payable by such Guarantor.

6. **Subrogation; Subordination.**

6.1. **Waiver of Rights Against Borrower.** Until the final payment and performance in full of all of the Obligations, each Guarantor shall not exercise and hereby waives any rights against the Borrower arising as a result of payment by such Guarantor hereunder, by way of subrogation, reimbursement, restitution, contribution or otherwise, and will not prove any claim in competition with the Lender in respect of any payment hereunder in any bankruptcy, insolvency or reorganization case or proceedings of any nature; such Guarantor will not claim any setoff, recoupment or counterclaim against the Borrower in respect of any liability of such Guarantor to the Borrower; and each Guarantor waives any benefit of and any right to participate in any collateral security which may be held by the Lender.

6.2. Subordination. The payment of any amounts due with respect to any indebtedness of the Borrower for money borrowed or credit received now or hereafter owed to any Guarantor is hereby subordinated to the prior payment in full of all of the Obligations. Each Guarantor agrees that, after the occurrence and during the continuance of any default in the payment of any of the Obligations or upon the occurrence and continuation of any other Event of Default, such Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of the Borrower to such Guarantor until all of the Obligations (other than contingent indemnification obligations for which no claim has been made) shall have been paid in full. If, notwithstanding the foregoing sentence, a Guarantor shall collect, enforce or receive any amounts in respect of such indebtedness while any Obligations are still outstanding, such amounts shall be collected, enforced and received by such Guarantor as trustee for the Lender and be paid over to the Lender on account of the Obligations without affecting in any manner the liability of such Guarantor under the other provisions of this Guaranty.

6.3. Provisions Supplemental. The provisions of this §6 shall be supplemental to and not in derogation of any rights and remedies of the Lender under any separate subordination agreement which the Lender may at any time and from time to time enter into with each Guarantor for the benefit of the Lender.

7. Setoff. Regardless of the adequacy of any collateral security or other means of obtaining payment of any of the Obligations, the Lender is hereby authorized at any time and from time to time, without prior notice to any Guarantor (any such notice being expressly waived by each Guarantor) and to the fullest extent permitted by law, to set off and apply any securities or other property belonging to such Guarantor now or hereafter held by the Lender and all deposits and other sums credited by or due from the Lender to such Guarantor against the obligations of such Guarantor under this Guaranty, whether or not the Lender shall have made any demand under this Guaranty.

8. Further Assurances. Each Guarantor agrees that it will from time to time, at the request of the Lender, do all such things and execute all such documents as the Lender may reasonably request and consider necessary or desirable to give full effect to this Guaranty and to perfect and preserve the rights and powers of the Lender hereunder. Each Guarantor acknowledges and confirms that such Guarantor itself has established its own adequate means of obtaining from the Borrower on a continuing basis all information desired by such Guarantor concerning the financial condition of the Borrower and that such Guarantor will look to the Borrower and not to the Lender in order for such Guarantor to keep adequately informed of changes in the Borrower's financial condition.

9. Termination; Reinstatement. This Guaranty shall remain in full force and effect against each Guarantor until the Lender is given written notice of such Guarantor's intention to discontinue this Guaranty with respect to such Guarantor, notwithstanding any intermediate or temporary payment or settlement of the whole or any part of the Obligations (and to the extent such notice is given by the Guarantor, this Guaranty shall remain in full force and effect against each other Guarantor). No such notice shall be effective unless received and acknowledged by an officer of the Lender at the address of Lender for notices set forth in the SPA. No such notice shall affect any rights of the Lender hereunder, including without limitation the rights set forth in §§4 and 6, with respect to any Obligations incurred or accrued prior to the receipt of such notice or any Obligations incurred or accrued pursuant to any contract or commitment in existence prior to such receipt. This Guaranty shall continue to be effective or be reinstated, notwithstanding any such notice, if at any time any payment made or value received with respect to any Obligation is rescinded or must otherwise be returned by the Lender upon the insolvency, bankruptcy or reorganization of the Borrower, or otherwise, all as though such payment had not been made or value received.

10. Successors and Assigns. This Guaranty shall be binding upon each Guarantor, its successors and assigns, and shall inure to the benefit of the Lender and its successors, transferees and assigns. Without limiting the generality of the foregoing sentence, the Lender may assign or otherwise transfer any Transaction Document or any other agreement or note held by it evidencing, securing or otherwise executed in connection with the Obligations, or sell participations in any interest therein, to any other entity or other person, and such other entity or other person shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to the Lender herein, all in accordance with, and subject to, the SPA and the Notes. The Guarantor may not assign any of its obligations hereunder.

11. Amendments and Waivers. No amendment or waiver of any provision of this Guaranty nor consent to any departure by any Guarantor therefrom shall be effective unless the same shall be in writing and signed by the Lender. No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

12. Notices. All notices and other communications called for hereunder shall be made in writing and, unless otherwise specifically provided herein, shall be deemed to have been duly made or given when made or given in accordance with the procedures set forth in the SPA and addressed as follows: if to any Guarantor, at the address set forth beneath its signature hereto, and if to the Lender, at the address for notices to the Lender set forth in the SPA, or at such address as either party may designate in writing to the other.

13. Governing Law; Consent to Jurisdiction. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. The Guarantor agrees that any suit for the enforcement of this Guaranty may be brought in the courts of the STATE OF NEW YORK sitting in the Borough of Manhattan or, to the extent permitted by applicable law, any federal court for the Southern District of New York (and appellate courts thereof) and consents to the nonexclusive jurisdiction of such court and to service of process in any such suit being made upon any Guarantor by mail at the address specified by reference in §12. Each Guarantor hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit was brought in an inconvenient court.

14. Waiver of Jury Trial. THE GUARANTOR HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS GUARANTY, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY OF SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, each Guarantor hereby waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Guarantor (i) certifies that neither the Lender nor any representative, agent or attorney of the Lender has represented, expressly or otherwise, that the Lender would not, in the event of litigation, seek to enforce the foregoing waivers and (ii) acknowledges that, in entering into the SPA, the Notes and the other Transaction Documents to which the Lender is a party, the Lender is relying upon, among other things, the waivers and certifications contained in this §14.

15. Miscellaneous. This Guaranty constitutes the entire agreement of each Guarantor with respect to the matters set forth herein. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Guaranty shall be in addition to any other guaranty of or collateral security for any of the Obligations. The invalidity or unenforceability of any one or more sections of this Guaranty shall not affect the validity or enforceability of its remaining provisions. Captions are for the ease of reference only and shall not affect the meaning of the relevant provisions. The meanings of all defined terms used in this Guaranty shall be equally applicable to the singular and plural forms of the terms defined.

16. Effectiveness. Delivery of an executed signature page of this Guaranty by facsimile transmission or by email with a PDF attachment shall be effective as delivery of a manually executed counterpart hereof. This Guaranty and the other Transaction Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed and delivered as of the date first above written.

GUARANTORS:

Northann Building Solutions LLC

By: _____
Name: Lin Li
Title: Managing Member

Northann (Changzhou) Construction Products Co., Ltd.

By: _____
Name: Lin Li
Title: Legal Representative

Benchwich Construction Products Co., Limited

By: _____
Name: Lin Li
Title: Director

Northann Distribution Center Inc

By: _____
Name: Lin Li
Title: CEO

Dotfloor, Inc.

By: _____
Name: Lin Li
Title: CEO

Crazy Industry (Chengzhou) Industry Technology Co., Ltd.

By: _____
Name: Lin Li
Title: CEO

Changzhou Ringold International Trading Co., Ltd.

By: _____
Name: Lin Li
Title: Legal Representative

Changzhou Marco Merit International Trading Co., Ltd.

By: _____
Name: Lin Li
Title: Legal Representative

GUARANTORS SECURITY AGREEMENT

GUARANTORS SECURITY AGREEMENT (this "Agreement"), dated as of May __, 2022, by and among the grantors signatory hereto (individually, a "Grantor" and collectively, the "Grantors") and the secured parties signatory hereto (collectively, the "Secured Party").

WHEREAS, Northann Corp., a Nevada corporation (the "Borrower") is the holder of 100% of the equity interests of each Grantor; and

WHEREAS, (a) the Borrower and the Secured Party have entered into that certain Securities Purchase Agreement dated as of the date hereof (as amended and in effect from time to time, the "SPA") and (b) the Borrower has issued to the Secured Party those certain Secured Convertible Promissory Notes dated as of the date hereof (as amended and in effect from time to time, the "Notes");

WHEREAS, in connection with the SPA and the Notes, each Grantor has entered into that certain Guaranty dated as of the date hereof in favor of the Secured Party (as amended and in effect from time to time, the "Guaranty") pursuant to which each Grantor has guaranteed all of the obligations of the Borrower owing to the Secured Party under the SPA, the Notes and certain other related agreements; and

WHEREAS, it is a condition precedent to the Secured Party agreeing to make loans or otherwise extend credit to the Borrower and purchase the Units under the SPA and the Notes that each Grantor execute and deliver to the Secured Party a security agreement in substantially the form hereof; and

WHEREAS, each Grantor wishes to grant security interests in favor of the Secured Party as herein provided;

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions.** All capitalized terms used herein without definitions shall have the respective meanings provided therefor in the SPA. All terms defined in the Uniform Commercial Code of the State (as hereinafter defined) and used herein shall have the same definitions herein as specified therein, however, if a term is defined in Article 9 of the Uniform Commercial Code of the State differently than in another Article of the Uniform Commercial Code of the State, the term has the meaning specified in Article 9, and the following terms shall have the following meanings:

"Event of Default" means the occurrence of any "Event of Default" under and as defined in each of the SPA and the Notes, or the failure of each Grantor to comply with any term or covenant of any Transaction Document (including this Agreement) to which it is a party.

"Lien" means any mortgage, charge, pledge, hypothecation, security interest, assignment by way of security, lien (statutory or otherwise), encumbrance, conditional sale agreement, capital lease, financing lease, deposit arrangement, title retention agreement, and any other agreement, trust or arrangement that in substance secures payment or performance of an obligation.

"Obligations" means, collectively, (a) all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by or otherwise payable by each Grantor or the Borrower to the Secured Party in any currency, under, in connection with or pursuant to any Transaction Document (including, without limitation, the SPA, the Notes, the Guaranty and this Agreement), and whether incurred by such Grantor or the Borrower, as the case may be, alone or jointly with another or others and whether as principal, guarantor or surety and in whatever name or style and (b) all expenses, costs and charges incurred by or on behalf of the Secured Party in connection with any Transaction Document (including, without limitation, the SPA, the Notes, the Guaranty, the Security Agreement and this Agreement) or the Collateral, including all legal fees, court costs, receiver's or agent's remuneration and other expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment for the Collateral, and of taking, defending or participating in any action or proceeding in connection with any of the foregoing matters or otherwise in connection with the Secured Party's interest in any Collateral, whether or not directly relating to the enforcement of this Agreement or any other Transaction Document.

"Permitted Lien" means any of the following: (a) mechanics and materialman Liens and other statutory Liens (including Liens for taxes, fees, assessments and other governmental charges or levies) in respect of any amount (i) which is not at the time overdue or (ii) which may be overdue but the validity of which is being contested at the time in good faith by appropriate proceedings, in each case so long as the holder of such Lien has not taken any action to foreclose or otherwise exercise any remedies with respect to such Lien; and (b) Liens which are permitted in writing by the Secured Party in its sole and absolute discretion.

"State" means the State of New York.

2. Grant of Security Interest.

2.1. Grant; Collateral Description. Each Grantor hereby grants

2.1.1. to the Secured Party, to secure the payment and performance in full of all of the Obligations, a security interest in and pledges and assigns to the Secured Party the following properties, assets and rights of such Grantor, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "Collateral"): all personal and fixture property of every kind and nature including all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents (whether tangible or electronic), accounts (including health-care-insurance receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, and all general intangibles (including all payment intangibles).

2.1.2. Each Grantor's obligations under this Agreement shall be limited to the actual dollar amount of the Obligations. Any actions taken by the Secured Party or its agent(s) under the provisions of this Agreement upon the occurrence and during the continuance of an Event of Default, including with respect to the authorization to sell, transfer, pledge, make any agreement with respect to or otherwise dispose of or deal with any of the Collateral, shall be limited to the actual dollar amount of the Obligations.

2.2. Commercial Tort Claims. The Secured Party acknowledges that the attachment of its security interest in any commercial tort claim as original collateral is subject to such Grantor's compliance with §4.7.

3. Authorization to File Financing Statements. Each Grantor hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of such Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the State or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by part 5 of Article 9 of the Uniform Commercial Code of the State or such other jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment, including whether such Grantor is an organization, the type of organization and any organizational identification number issued to such Grantor. Each Grantor agrees to furnish any such information to the Secured Party promptly upon the Secured Party's reasonable request.

4. Other Actions. Further to insure the attachment, perfection and first priority of, and the ability of the Secured Party to enforce, the Secured Party's security interest in the Collateral, each Grantor agrees, in each case at such Grantor's expense, to take the following actions with respect to the following Collateral and without limitation on such Grantor's other obligations contained in this Agreement:

4.1. Promissory Notes and Tangible Chattel Paper. If a Grantor shall, now or at any time hereafter, hold or acquire any promissory notes or tangible chattel paper with an aggregate value for all such promissory notes or tangible chattel paper in excess of \$50,000, such Grantor shall forthwith endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

4.2. Deposit Accounts. For each deposit account that a Grantor, now or at any time hereafter, opens or maintains such Grantor shall, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (a) cause the depository bank to agree to comply without further consent of such Grantor, at any time with instructions from the Secured Party to such depository bank directing the disposition of funds from time to time credited to such deposit account, or (b) arrange for the Secured Party to become the customer of the depository bank with respect to the deposit account, with such Grantor being permitted, only with the consent of the Secured Party, to exercise rights to withdraw funds from such deposit account. The Secured Party agrees with such Grantor that the Secured Party shall not give any such instructions or withhold any withdrawal rights from such Grantor, unless an Event of Default has occurred and is continuing, or, if effect were given to any withdrawal not otherwise permitted by the Transaction Documents, would occur. The provisions of this paragraph shall not apply to any deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of such Grantor's salaried employees.

4.3. Investment Property. If a Grantor shall, now or at any time hereafter, hold or acquire any certificated securities, such Grantor shall forthwith endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify. If any securities now or hereafter acquired by such Grantor are uncertificated and are issued to such Grantor or its nominee directly by the issuer thereof, such Grantor shall promptly (but in any event within two Business Days) notify the Secured Party thereof and, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (a) cause the issuer to agree to comply without further consent of such Grantor or such nominee, at any time with instructions from the Secured Party as to such securities, or (b) arrange for the Secured Party to become the registered owner of the securities. If any securities, whether certificated or uncertificated, or other investment property now or hereafter acquired by such Grantor are held by such Grantor or its nominee through a securities intermediary or commodity intermediary, such Grantor shall promptly (but in any event within two Business Days) notify the Secured Party thereof and, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (i) cause such securities intermediary or (as the case may be) commodity intermediary to agree to comply, in each case without further consent of such Grantor or such nominee, at any time with entitlement orders or other instructions from the Secured Party to such securities intermediary as to such securities or other investment property, or (as the case may be) to apply any value distributed on account of any commodity contract as directed by the Secured Party to such commodity intermediary, or (ii) in the case of financial assets or other investment property held through a securities intermediary, arrange for the Secured Party to become the entitlement holder with respect to such investment property, with such Grantor being permitted, only with the consent of the Secured Party, to exercise rights to withdraw or otherwise deal with such investment property. The Secured Party agrees with such Grantor that the Secured Party shall not give any such entitlement orders or instructions or directions to any such issuer, securities intermediary or commodity intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by such Grantor, unless an Event of Default has occurred and is continuing, or, after giving effect to any such investment and withdrawal rights not otherwise permitted by the Transaction Documents, would occur. The provisions of this paragraph shall not apply to any financial assets credited to a securities account for which the Secured Party is the securities intermediary.

4.4. Collateral in the Possession of a Bailee. If any Collateral with an aggregate value in excess of \$100,000 is, now or at any time hereafter, in the possession of a bailee, such Grantor shall promptly notify the Secured Party thereof and, at the Secured Party's reasonable request and option, shall promptly obtain an acknowledgement from the bailee, in form and substance satisfactory to the Secured Party, that the bailee holds such Collateral for the benefit of the Secured Party and such bailee's agreement to comply, without further consent of such Grantor, at any time with instructions of the Secured Party as to such Collateral.

4.5. Electronic Chattel Paper, Electronic Documents and Transferable Records. If a Grantor, now or at any time hereafter, holds or acquires an interest in any Collateral that is electronic chattel paper, any electronic document or any "transferable record," as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, or in §16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, such Grantor shall promptly notify the Secured Party thereof and, at the request and option of the Secured Party, shall take such action as the Secured Party may reasonably request to vest in the Secured Party control, under §9-105 of the Uniform Commercial Code of the State or any other relevant jurisdiction, of such electronic chattel paper, control, under §7-106 of the Uniform Commercial Code of the State or any other relevant jurisdiction, of such electronic document or control, under Section 201 of the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, §16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Secured Party agrees with such Grantor that the Secured Party will arrange, pursuant to procedures satisfactory to the Secured Party and so long as such procedures will not result in the Secured Party's loss of control, for such Grantor to make alterations to the electronic chattel paper, electronic document or transferable record permitted under UCC §9-105, UCC §7-106, or, as the case may be, Section 201 of the federal Electronic Signatures in Global and National Commerce Act or §16 of the Uniform Electronic Transactions Act for a party in control to make without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by such Grantor with respect to such electronic chattel paper, electronic document or transferable record. The provisions of this §4.5 relating to electronic documents and "control" under UCC §7-106 apply in the event that the 2003 revisions to Article 7, with amendments to Article 9, of the Uniform Commercial Code, in substantially the form approved by the American Law Institute and the National Conference of Commissioners on Uniform State Laws, are now or hereafter adopted and become effective in the State or in any other relevant jurisdiction.

4.6. Letter-of-Credit Rights. If a Grantor is, now or at any time hereafter, a beneficiary under a letter of credit with a stated amount in excess of \$25,000, or if such Grantor is a beneficiary under letters of credit not assigned to the Secured Party with an aggregate stated amount in excess of \$50,000, such Grantor shall promptly notify the Secured Party thereof and, at the request and option of the Secured Party, such Grantor shall, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (a) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Secured Party of the proceeds of the letter of credit or (b) arrange for the Secured Party to become the transferee beneficiary of the letter of credit.

4.7. **Commercial Tort Claims.** If a Grantor shall, now or at any time hereafter, hold or acquire a commercial tort claim, such Grantor shall promptly notify the Secured Party in a writing signed by such Grantor of the particulars thereof and grant to the Secured Party in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Secured Party.

4.8. **Other Actions as to any and all Collateral.** Each Grantor further agrees, upon the request of the Secured Party and at the Secured Party's option, to take any and all other actions as the Secured Party may determine to be necessary or useful for the attachment, perfection and first priority of, and the ability of the Secured Party to enforce, the Secured Party's security interest in any and all of the Collateral, including (a) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the Uniform Commercial Code of any relevant jurisdiction, to the extent, if any, that such Grantor's signature thereon is required therefor, (b) causing the Secured Party's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the Secured Party to enforce, the Secured Party's security interest in such Collateral, (c) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Secured Party to enforce, the Secured Party's security interest in such Collateral, (d) obtaining governmental and other third party waivers, consents and approvals, in form and substance satisfactory to the Secured Party, including any consent of any licensor, lessor or other person obligated on Collateral, (e) obtaining waivers from mortgagees and landlords in form and substance satisfactory to the Secured Party and (f) taking all actions under any earlier versions of the Uniform Commercial Code or under any other law, as reasonably determined by the Secured Party to be applicable in any relevant Uniform Commercial Code or other jurisdiction, including any foreign jurisdiction.

4.9. **Relation to other Security Documents.** Concurrently herewith each Grantor is also executing and delivering to the Secured Party the Trademark Security Agreement pursuant to which such Grantor is assigning to the Secured Party certain Collateral consisting of trademarks, service marks and trademark and service mark rights, together with the goodwill appurtenant thereto. The provisions of the Trademark Security Agreement are supplemental to the provisions of this Agreement and nothing contained in the Trademark Security Agreement shall derogate from any of the rights or remedies of the Secured Party hereunder. Nor will anything contained in the Trademark Security Agreement be deemed to prevent or extend the time of attachment or perfection of any security interest in such Collateral created hereby.

5. **Representations and Warranties Concerning each Grantor's Legal Status.** Each Grantor has, on the date hereof, delivered to the Secured Party a certificate signed by such Grantor and entitled "Perfection Certificate" (the "Perfection Certificate"). such Grantor represents and warrants to the Secured Party as follows: as of the date hereof (a) such Grantor's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof, (b) such Grantor is an organization of the type, and is organized in the jurisdiction, set forth in the Perfection Certificate, (c) the Perfection Certificate accurately sets forth such Grantor's organizational identification number or accurately states that such Grantor has none, (d) the Perfection Certificate accurately sets forth such Grantor's place of business or, if more than one, its chief executive office, as well as such Grantor's mailing address, if different, (e) all other information set forth on the Perfection Certificate pertaining to such Grantor is accurate and complete, and (f) there has been no change in any of such information since the date on which the Perfection Certificate was signed by such Grantor.

6. **Covenants Concerning each Grantor's Legal Status.** Each Grantor covenants with the Secured Party as follows: (a) without providing at least thirty (30) days prior written notice to the Secured Party, such Grantor will not change its name, its place of business or, if more than one, chief executive office, or its mailing address or organizational identification number if it has one, (b) if such Grantor does not have an organizational identification number and later obtains one, such Grantor will forthwith notify the Secured Party of such organizational identification number, and (c) such Grantor will not change its type of organization, jurisdiction of organization or other legal structure.

7. **Representations and Warranties Concerning Collateral, Etc.** Each Grantor further represents and warrants to the Secured Party as follows: (a) such Grantor is the owner of or has other rights in or power to transfer the Collateral, free from any right or claim of any person or any adverse lien, except for the security interest created by this Agreement and the Permitted Liens, (b) none of the account debtors or other persons obligated on any of the Collateral is a governmental authority covered by the Federal Assignment of Claims Act or like federal, state or local statute or rule in respect of such Collateral, (c) such Grantor holds no commercial tort claim except as indicated on such Grantor's Perfection Certificate, (d) all other information set forth on such Grantor's Perfection Certificate pertaining to the Collateral is accurate and complete, and (e) there has been no change in any of such information since the date on which such Grantor's Perfection Certificate was signed by such Grantor.

8. **Covenants Concerning Collateral, Etc.** Each Grantor further covenants with the Secured Party as follows: (a) other than inventory sold in the ordinary course of business consistent with past practices, the Collateral, to the extent not delivered to the Secured Party pursuant to §4, will be kept at those locations listed on the Perfection Certificate and such Grantor will not remove the Collateral from such locations, without providing at least thirty (30) days prior written notice to the Secured Party, (b) except for the security interest herein granted, such Grantor shall be the owner of or have other rights in the Collateral free from any right or claim of any other person or any Lien (other than Permitted Liens), and such Grantor shall defend the same against all claims and demands of all persons at any time claiming the same or any interests therein adverse to the Secured Party, (c) other than in favor of the Secured Party, such Grantor shall not pledge, mortgage or create, or suffer to exist any right of any person in or claim by any person to the Collateral, or any Lien in the Collateral in favor of any person, or become bound (as provided in Section 9-203(d) of the Uniform Commercial Code of the State or any other relevant jurisdiction or otherwise) by a security agreement in favor of any person as secured party, (d) such Grantor will permit the Secured Party, or its designee, to inspect the Collateral at any reasonable time, wherever located, (e) such Grantor will pay promptly when due all taxes, assessments, governmental charges and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement, and (f) such Grantor will not sell or otherwise dispose, or offer to sell or otherwise dispose, of the Collateral, or any interest therein except for, so long as no Event of Default has occurred and is continuing, dispositions of obsolete or worn-out property, the granting of non-exclusive licenses in the ordinary course of business, and the sale of inventory in the ordinary course of business consistent with past practices.

9. **Collateral Protection Expenses; Preservation of Collateral.**

9.1. **Expenses Incurred by Secured Party.** In the Secured Party's discretion, the Secured Party may discharge taxes and other encumbrances at any time levied or placed on any of the Collateral, and pay any necessary filing fees or insurance premiums, in each case if a Grantor fails to do so. Each Grantor agrees to reimburse the Secured Party on demand for all expenditures so made. The Secured Party shall have no obligation to any Grantor to make any such expenditures, nor shall the making thereof be construed as a waiver or cure of any Event of Default.

9.2. **Secured Party's Obligations and Duties.** Anything herein to the contrary notwithstanding, each Grantor shall remain obligated and liable under each contract or agreement comprised in the Collateral to be observed or performed by such Grantor thereunder. The Secured Party shall not have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Secured Party of any payment relating to any of the Collateral, nor shall the Secured Party be obligated in any manner to perform any of the obligations of such Grantor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Secured Party or to which the Secured Party may be entitled at any time or times. The Secured Party's sole duty with respect to the custody, safe keeping and physical preservation of the Collateral in its possession, under §9-207 of the Uniform Commercial Code of the State or otherwise, shall be to deal with such Collateral in the same manner as the Secured Party deals with similar property for its own account.

10. **Securities and Deposits.** The Secured Party may at any time following and during the continuance of a payment default or an Event of Default, at its option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it to the Obligations. Whether or not any Obligations are due, the Secured Party may, following and during the continuance of a payment default or an Event of Default demand, sue for, collect, or make any settlement or compromise which it deems desirable with respect to the Collateral. Regardless of the adequacy of Collateral or any other security for the Obligations, any deposits or other sums at any time credited by or due from the Secured Party to such Grantor may at any time be applied to or set off against any of the Obligations then due and owing.

11. Notification to Account Debtors and Other Persons Obligated on Collateral. If an Event of Default shall have occurred and be continuing:

- (a) each Grantor shall, at the request and option of the Secured Party, notify account debtors and other persons obligated on any of the Collateral of the security interest of the Secured Party in any account, chattel paper, general intangible, instrument or other Collateral and that payment thereof is to be made directly to the Secured Party or to any financial institution designated by the Secured Party as the Secured Party's agent therefor;
- (b) the Secured Party may itself, without notice to or demand upon any Grantor, so notify account debtors and other persons obligated on Collateral;
- (c) after the making of such a request or the giving of any such notification, such Grantor shall hold any proceeds of collection of accounts, chattel paper, general intangibles, instruments and other Collateral received by such Grantor as trustee for the Secured Party, for the benefit of the Secured Party, without commingling the same with other funds of such Grantor and shall turn the same over to the Secured Party in the identical form received, together with any necessary endorsements or assignments; and
- (d) the Secured Party shall apply the proceeds of collection of accounts, chattel paper, general intangibles, instruments and other Collateral and received by the Secured Party to the payment of the Obligations, such proceeds to be immediately credited after final payment in cash or other immediately available funds of the items giving rise to them.

12. Power of Attorney.

12.1. Appointment and Powers of Secured Party. Each Grantor hereby irrevocably constitutes and appoints the Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of such Grantor or in the Secured Party's own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or useful to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do the following:

- (a) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise dispose of or deal with any of the Collateral in such manner as is consistent with the Uniform Commercial Code of the State or any other relevant jurisdiction and as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and to do, at such Grantor's expense, at any time, or from time to time, all acts and things which the Secured Party deems necessary or useful to protect, preserve or realize upon the Collateral and the Secured Party's security interest therein, in order to effect the intent of this Agreement, all no less fully and effectively as such Grantor might do, including (i) upon written notice to such Grantor, the exercise of voting rights with respect to voting securities, which rights may be exercised, if the Secured Party so elects, with a view to causing the liquidation of assets of the issuer of any such securities and (ii) the execution, delivery and recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral; and

(b) to the extent that any Grantor's authorization given in §3 is not sufficient, to file such financing statements with respect hereto, with or without such Grantor's signature, or a photocopy of this Agreement in substitution for a financing statement, as the Secured Party may deem appropriate and to execute in such Grantor's name such financing statements and amendments thereto and continuation statements which may require such Grantor's signature.

12.2. Ratification by each Grantor. To the extent permitted by law, each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and is irrevocable.

12.3. No Duty on Secured Party. The powers conferred on the Secured Party hereunder are solely to protect the interests of the Secured Party in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act, except for the Secured Party's own gross negligence or willful misconduct.

13. Rights and Remedies.

13.1. General. If an Event of Default shall have occurred and be continuing, the Secured Party, without any other notice to or demand upon any Grantor, shall have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code of the State or any other relevant jurisdiction and any additional rights and remedies as may be provided to a secured party in any jurisdiction in which Collateral is located, including the right to take possession of the Collateral, and for that purpose the Secured Party may, so far as each Grantor can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the same therefrom. The Secured Party may in its discretion require such Grantor to assemble all or any part of the Collateral at such location or locations within the jurisdiction(s) of such Grantor's principal office(s) or at such other locations as the Secured Party may reasonably designate. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Party shall give to such Grantor at least ten (10) Business Days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. Each Grantor hereby acknowledges that ten (10) Business Days prior written notice of such sale or sales shall be reasonable notice. In addition, each Grantor waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Secured Party's rights and remedies hereunder, including its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

14. Standards for Exercising Rights and Remedies. To the extent that applicable law imposes duties on the Secured Party to exercise remedies in a commercially reasonable manner, each Grantor acknowledges and agrees that it is not commercially unreasonable for the Secured Party (a) to fail to incur expenses reasonably deemed significant by the Secured Party to prepare Collateral for disposition or otherwise to fail to complete raw material or work in process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to fail to remove Liens on or any adverse claims against Collateral, (d) to exercise collection remedies against account debtors and other persons obligated on the Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of the Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other persons, whether or not in the same business as such Grantor, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of the Collateral, whether or not the collateral is of a specialized nature, (h) to dispose of the Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, (k) to purchase insurance or credit enhancements to insure the Secured Party against risks of loss, collection or disposition of the Collateral or to provide to the Secured Party a guaranteed return from the collection or disposition of such Collateral, or (l) to the extent deemed appropriate by the Secured Party, to obtain the services of brokers, investment bankers, consultants and other professionals to assist the Secured Party in the collection or disposition of any of the Collateral. Each Grantor acknowledges that the purpose of this §14 is to provide non-exhaustive indications of what actions or omissions by the Secured Party would fulfill the Secured Party's duties under the Uniform Commercial Code of the State or any other relevant jurisdiction in the Secured Party's exercise of remedies against the Collateral and that other actions or omissions by the Secured Party shall not be deemed to fail to fulfill such duties solely on account of not being indicated in this §14. Without limitation upon the foregoing, nothing contained in this §14 shall be construed to grant any rights to any Grantor or to impose any duties on the Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this §14. Subject to the foregoing, the Secured Party agrees to use its commercially reasonable efforts to foreclose only on such Collateral that may be required at any time to cure an Event of Default, which has occurred and is continuing (inclusive of the Secured Party's right to foreclose upon the acceleration of all the Obligations under any of the Transaction Documents.) Provided, however, each Grantor acknowledges that there may be proceeds from any such foreclosure in excess of the Obligations due to the nature of the Collateral foreclosed on or the net proceeds received by the Secured Party for the disposition of any particular portion of the Collateral in any auction or other sale from any third party.

15. **No Waiver by Secured Party, etc.** The Secured Party shall not be deemed to have waived any of its rights and remedies in respect of the Obligations or the Collateral unless such waiver shall be in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right or remedy shall operate as a waiver of such right or remedy or any other right or remedy. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All rights and remedies of the Secured Party with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly, alternatively, successively or concurrently at such time or at such times as the Secured Party deems expedient.

16. **Suretyship Waivers by each Grantor.** Each Grantor waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, each Grantor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of or failure to perfect any security interest in any such Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Secured Party may deem advisable. The Secured Party shall have no duty as to the collection or protection of the Collateral or any income therefrom, the preservation of rights against prior parties, or the preservation of any rights pertaining thereto beyond the safe custody thereof as set forth in §9.2. Each Grantor further waives any and all other suretyship defenses.

17. **Marshaling.** The Secured Party shall not be required to marshal any present or future collateral security (including but not limited to the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of the rights and remedies of the Secured Party hereunder and of the Secured Party in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights and remedies, however existing or arising. To the extent that it lawfully may, each Grantor hereby agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of the Secured Party's rights and remedies under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, each Grantor hereby irrevocably waives the benefits of all such laws.

18. Proceeds of Dispositions; Expenses. Each Grantor shall pay to the Secured Party on demand any and all expenses, including attorneys' fees and disbursements, incurred or paid by the Secured Party in protecting or preserving the Secured Party's rights and remedies under or in respect of any of the Obligations or any of the Collateral and any such expenses incurred in releasing any security interest granted hereunder and, in addition, each Grantor shall pay to the Secured Party on demand any and all expenses, including attorneys' fees and disbursements, incurred or paid by the Secured Party in enforcing the Secured Party's rights and remedies under or in respect of any of the Obligations or any of the Collateral. After deducting all of said expenses, the residue of any proceeds of collection or sale or other disposition of Collateral shall, to the extent actually received in cash, be applied to the payment of the Obligations in such order or preference as is provided in the SPA, proper allowance and provision being made for any Obligations not then due. Upon the final payment and satisfaction in full of all of the Obligations and after making any payments required by Sections 9-608(a)(1)(C) or 9-615(a)(3) of the Uniform Commercial Code of the State, any excess shall be returned to the Grantors. In the absence of final payment and satisfaction in full of all of the Obligations, the Grantors shall remain liable for any deficiency.

19. Overdue Amounts. Until paid, all amounts due and payable by any Grantor hereunder shall be a debt secured by the Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Transaction Documents.

20. Governing Law; Consent to Jurisdiction. THIS AGREEMENT IS A CONTRACT UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID STATE OF NEW YORK. EACH GRANTOR AND THE SECURED PARTY EACH AGREE THAT ANY SUIT FOR THE ENFORCEMENT OF THIS AGREEMENT OR ANY OTHER ACTION BROUGHT BY SUCH PERSON ARISING HEREUNDER OR IN ANY WAY RELATED TO THIS AGREEMENT SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE BOROUGH OF MANHATTAN OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON SUCH PERSON BY MAIL AT THE ADDRESS SPECIFIED ON THE SIGNATURE PAGE OF EACH PARTY HERETO. EACH GRANTOR HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUIT BROUGHT IN THE STATE OF NEW YORK OR ANY COURT SITTING THEREIN OR THAT A SUIT BROUGHT THEREIN IS BROUGHT IN AN INCONVENIENT COURT.

21. Waiver of Jury Trial. THE COMPANY AND THE SECURED PARTY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OR ENFORCEMENT OF ANY SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, each Grantor waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. Each Grantor (a) certifies that neither the Secured Party nor any representative, agent or attorney of the Secured Party has represented, expressly or otherwise, that the Secured Party would not, in the event of litigation, seek to enforce the foregoing waivers or other waivers contained in this Agreement and (b) acknowledges that, in entering into this Agreement and any other Transaction Document to which the Secured Party is a party, the Secured Party is relying upon, among other things, the waivers and certifications contained in this §21.

22. **Notices.** All notices, requests and other communications hereunder shall be made in the manner set forth in the Guaranty.

23. **Miscellaneous.** The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon each Grantor and its successors and assigns, and shall inure to the benefit of the Secured Party and its successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. Each Grantor acknowledges receipt of a copy of this Agreement.

[Signature pages to follow]

IN WITNESS WHEREOF, intending to be legally bound, each Grantor has caused this Agreement to be duly executed as of the date first above written.

GRANTORS:

Northann Building Solutions LLC

By: _____
Name: Lin Li
Title: Managing Member

Northann (Changzhou) Construction Products Co., Ltd.

By: _____
Name: Lin Li
Title: Legal Representative

Benchwich Construction Products Co., Limited

By: _____
Name: Lin Li
Title: Director

Northann Distribution Center Inc

By: _____
Name: Lin Li
Title: CEO

Dotfloor, Inc.

By: _____
Name: Lin Li
Title: CEO

Crazy Industry (Chengzhou) Industry Technology Co., Ltd.

By: _____
Name: Lin Li
Title: CEO

Changzhou Ringold International Trading Co., Ltd.

By: _____
Name: Lin Li
Title: Legal Representative

Changzhou Marco Merit International Trading Co., Ltd.

By: _____
Name: Lin Li
Title: Legal Representative

Signature Pages of the Secured Parties

Accepted and agreed to:

By: _____
Name: Sam Yan
Title: SELF

Construction Contract

Contractee: Northann (Changzhou) Construction Products Co., Ltd.

Contractor: Changzhou Wanyuan Construction Engineering Co.

In accordance with the Contract Law of the People's Republic of China, the Construction Law of the People's Republic of China and relevant laws, and following the principles of equality, voluntariness, fairness and good faith, the two parties have reached a consensus on the construction of on #2 manufacturing plant, water and electricity installation project and related matters of Northann (Changzhou) Construction Products Co., Ltd.

Article 1 Project Overview

1.1 Project Name: Northann (Changzhou) Construction Products Co., Ltd. #2 manufacturing plant, water and electricity installation project.

1.2 Project location: Wujin District

1.3 Funding source: Self-funded

1.4 Project content: earthwork, masonry, concrete and reinforced concrete, metal structure, roofing and waterproofing, floor decoration, doors and windows, wall and column decoration and partition, curtain wall, ceiling plastering and installation works.

1.5 Group projects should be attached to the "Contractor Contracting Project List" (Annex 1).

1.6 Scope of contracting: civil construction, plumbing and electrical installation works within the scope of construction drawings. The steel structure works will be incorporated into the contractor for general contract management, and the contractor will cooperate with the contractor for separate contracting.

Article 2 Construction Term

2.2 Contract Duration

2.3 Project start date: July 18, 2021 (subject to the date of the contractor's start order)

2.4 Project completion date: December 28, 2021

2.5 Total calendar days of construction period: 160 days.

The construction period includes the time to complete all the work content within the scope of this tender, and the official start period will be counted from the third day after the owner issues the start order.

When the project meets the condition of completion and acceptance, the contractor shall submit the completion acceptance report to the contractor, and the contractor will organize the acceptance with quality supervision, construction and design units, etc. The acceptance period will not be cumulative.

If the work is accepted, the day the contractor submits the completion acceptance report is the completion date. If the acceptance fails, the work shall be reworked and the reworking period will be accumulated as the construction period.

The construction period of the steel structure project will be supervised by the construction unit and completed within the construction period agreed between the general contractor and the contractor.

Article 3 Quality Standard

The quality of the project should meet the Qualified Standard according to the Ministry of Housing, Urban and Rural Development State Administration for Industry and Commerce City of People's Republic of China.

Article 4 Contracted Price and Contract Price Category

4.1 Contracted Price: RMB 31,496,424.17 including:

a. safety and civilization construction costs: RMB 984,320.83.

b. estimated amount of materials and engineering equipment:

RMB 641,162.30.

Contract Price Category: fixed lump sum contract

Article 5 Project Manager

Contractor's project manager:

Article 6 Composition of Contract Documents

This Agreement, together with the following documents, constitute the Contract Documents.

- (1) Notice of award (if any).
- (2) The bid letter and its appendices (if any).
- (3) Special contract clauses and their annexes.
- (4) General contract terms.
- (5) Technical standards and requirements.
- (6) Drawings.
- (7) A priced bill of quantities or budget.
- (8) Other contract documents.

The documents related to the contract executed in between contract formation and performance are all integral parts of the Construction Contract.

The above contract documents should include additional terms modifications made by the contracting parties to the Contract Documents. The latest signed documents should have the same effect. The specific contract terms and their annexes should be signed or sealed by the parties to the Construction Contract.

Article 7 Commitment

7.1 The Contractor undertakes an obligation to carry out the project approval procedures, raise the construction funds and pay the contract price in accordance with the period and manner agreed in the contract in accordance with the law.

7.2 The Contractor undertakes an obligation to organize and complete the construction of the project in accordance with the law and the contract, to ensure the quality and safety of the project, not to subcontract and subcontract illegally, and to assume the responsibility for the maintenance of the project during the defect liability period and the warranty period.

7.3 The Contractor and the Contractee formed the contract through a project bidding process, during which both parties understand and committed not to make an separate agreement on the same project to include terms that are different from the nature of the Construction Contract.

Article 8 Signing Time

The Construction Contract was signed on July 26, 2021.

Article 9 Signing place

This contract was signed in the conference room of Northann (Changzhou) Construction Products Co., Ltd.

Article 10 Supplementary Agreement

If the Construction Contract is not completed, the parties to the contract shall sign a supplementary agreement, which is an integral part of the contract.

Article 11 Effectiveness

This contract shall come into effect after it is sealed by both parties, signed by the legal representative or the authorized representative of the legal representative, recorded and certified by the construction authority.

Contractor

Contractee

Changzhou Wanyuan Construction Engineering Co. Ltd.

Northann (Changzhou) Construction Products Co., Ltd.

/seal/ Changzhou Wanyuan Construction Engineering Co. Ltd.

/seal/ Northann (Changzhou) Construction Products Co., Ltd.

Date: July 26, 2021

Contract No: _____

Small Business Loan Contract

Lender: Industrial and Commercial Bank of China Ltd., Changzhou Wujin Branch

Responsible person: _____

Residence (address): _____

Tel: _____

Fax: _____

Email: _____

Borrower: Northann (Changzhou) Construction Products Co., Ltd.

Legal representative: Li Lin

Residence (address): _____

Tel: _____

Fax: _____

Email: _____

The Borrower and the Lender, after equal negotiation, agree on the issuance of the loan by the Lender to the Borrower and hereby enter into this contract.

Article 1 Purpose of Borrowing

The purpose of the loan under this contract is to purchase goods. The borrower shall not use the loan for other purposes without the written consent of the lender, and the lender shall have the right to supervise the use of the money.x

Article 2 Borrowing Amount and Term

2.1 The currency of the loan under this contract is RMB, _____

2.2 The term of borrowing under this contract is _____ months from the date of first withdrawal under this contract.

2.3 For each withdrawal, the withdrawal date shall be the date on which the borrowing amount is actually transferred to the Borrower's account. The date of repayment shall be stated on the invoice. (For installments, date of repayment shall be agreed by both parties in writing). The date of repayment of any withdrawal shall not be later than the term of the loan under section 2.1.

Article 3 Interest Rate and Interest

3.1 Method of determining interest rate for RMB borrowing:

The interest rate on RMB borrowings is determined as follows.

The interest rate for each withdrawal amounts determined by the base rate plus floating rate, where the base rate is the loan prime rate (LPR) for 1-year loans published by the National Interbank Offered Rate Center as of the business day immediately prior to the date of this agreement, and the floating rate is plus/minus _____ basis point (one basis point is 0.01%, same below).

The interest rate shall be adjusted in the following _____ (A/B) manner, regardless of whether or not a withdrawal has been made at that time:

A. The interest rate shall be adjusted every _____ months.

B. The interest rate shall be adjusted during the term of this loan.

3.3 The Interest shall be accrued on a daily basis and shall be settled on a monthly basis.

3.4 The penalty interest rate for late repayment shall be determined by adding 50% to the original interest rate. The penalty interest rate for misappropriation of borrowing shall be determined by adding extra 100% to the original interest rate.

Article 4 Withdrawal

4.1 The Borrower shall make one or more withdrawals from the effective date of this contract until _____.

4.2 If the borrower fails to withdraw money as agreed, the lender has the right to partially or fully waive its obligation to transfer the unwithdrawn money.

Article 5 Repayment

Borrower shall repay the loan under this contract in the following manner _____ (1/2):

- (1) The loan is due in a lump sum on loan maturity date
- (2) The loan shall be repaid in the following installments.

Repayment Date	Repayment Amounts

Article 6 Guarantee

This loan is guaranteed by the following:

- 1. The Maximum Guarantee Contract (No. _____)

Guarantor: _____

- 2. Maximum Mortgage Contract (No. _____)

Mortgagor: Northam (Changzhou) Construction Industry Co.

Article 7 Dispute Resolution

Disputes under this contract shall be resolved as settlement by litigation in the court of the lender's location.

Party A

Borrower
Changzhou Wujin Branch of Industrial and Commercial Bank of China Ltd.
Legal representative/Person-in-charge (or agent):

Date: _____

Party B

Lender
Northann (Changzhou) Construction Products Co., Ltd. (sealed)
Legal representative/Person-in-charge (or agent):

Date: _____

Contract No: _____

Jiangnan Rural Commercial Bank
Maximum Loan (Credit) Contract

Lender: Jiangnan Rural Commercial Bank Co., Ltd

Responsible person: _____

Residence (address): _____

Borrower: Northann (Changzhou) Construction Products Co., Ltd.

Legal representative: Lin Li

Residence (address): _____

Lender and Borrower shall, in accordance with relevant laws, regulations and rules and after full consultation, reach an agreement on relevant matters and conclude a contract for mutual compliance and implementation by both parties.

Borrowing (credit) includes but is not limited to local and foreign currency loans, export packaged loans, import and export deposit loans, opening bank acceptance bill exposure, commercial bill discount, opening of letter of credit exposure, issuing bank guarantee exposure and other financing businesses.

Within the maximum amount agreed in this contract, the agreed maximum amount shall be measured in RMB. If the loan (credit) currency is a foreign currency, the amount of this contract shall be converted according to the foreign exchange selling price announced by Lender on the lending day. When handling the loan or other financing business, Lender and Borrower may choose whether to sign a loan contract or agreement according to the specific situation. The loan contract or agreement signed separately from this contract has the same legal effect as this contract.

Article 1 The term and amount of the loan (credit)

1.1 The term and amount of the loan (credit) contract: Lender agrees to lend Borrower the maximum amount of RMB RMB9,070,000 during the period from March 26, 2020 to March 26, 2025.

1.2 At any point in the above-mentioned period, within the time limit and maximum amount specified above, Borrower may borrow and continue to borrow under the loan (credit) amount. When issuing the loan, both parties may choose whether or not to sign a loan (credit) contract separately according to the specific situation. Unborrowed loan amount will automatically expire after the term.

The above loan (credit) limit is a non-committed amount, and Lender has the right to adjust the loan (credit) amount according to Borrower 's situation, Lender's own financial situation and the relevant regulatory requirements of the China Banking Regulatory Commission for banking operations.

1.3 The loan amount, issuance date, maturity date, purpose, etc. of each borrowing amount issued during the above period shall be subject to the borrowing, and the relevant agreement (contract) signed by other financing businesses shall be subject to the relevant agreement (contract); the loan interest rate shall be subject to the loan interest rate stipulated in the article 2 under this contract. Borrowing documents, loan contracts, and related financing business agreements (contracts) are integral parts of this contract and have the same legal effect as this contract.

Article 2 Loan interest rate, Interest Calculation and Interest Payment Method

2.1 Loan interest rate

a. The loan interest rate and interest rate adjustment at the time of loan under this contract shall be subject to those contained in a borrowing invoice. Borrowing invoices are integral parts of this contract and have the same legal effect as this contract.

b. The loan interest rate under this contract shall be negotiated and confirmed by Lender and Borrower on the basis of the pricing reference standard and according to the value of the interest rate plus (minus) points negotiated by the parties. The pricing reference standard is based a loan prime rate (LPR) of the day before the lending date; loan term lasts less than one year should refer to a one-year period LPR; loan term lasts over a year should refer to a five-year period LPR.

c. The adjustment of the loan interest rate under this contract is described in detail in the borrowing documents. If the loan is agreed to be a fixed interest rate, the loan shall implement the recorded interest rate within the term of the loan. If the agreement is a floating interest rate, the loan shall use the adjusted interest rate from the date of adjustment of the loan interest rate in accordance with the reference standard agreed upon by the loan, the interest rate floating rate fluctuation rules, the interest rate fluctuation cycle and the agreed interest rate adjustment date.

The interest rate is the LPR of a day before the adjustment date of the loan interest rate and the value of the interest rate plus (minus) points negotiated by the parties remains unchanged. If the frequency of interest rate adjustment is monthly, quarterly and annually, the interest rate adjustment date shall be the date of loan issuance or the corresponding date of the first interest rate adjustment date of the month of interest rate adjustment. If there is no corresponding date in the current month, the interest rate adjustment date should be the last day of the current month.

The parties may adjust the corresponding loan interest rate after consultation on the date of adjustment of the loan interest rate. If the calculation basis of the pricing reference standard is cancelled according to the adjustment of the national interest rate policy or the corresponding issuing agency stops publishing the reference standard in accordance with regulatory requirements, the parties shall negotiate and adjust the loan interest rate separately. But the adjusted interest rate shall not be lower than the applicable interest rate at that time from the date the relevant reference standard is cancelled or stopped issuing. If the parties have not agreed on the adjusted interest rate for one month, the Lender has the right to declare the loan matured in advance.

2.2 Interest calculation

The interest rate of this contract is calculated as monthly interest rate (the primary loan amount will include the interest, which will be settled monthly).

Article 3 The loan (credit) line under this contract can only be used when the following conditions are met:

- A. Borrower has the qualifications of the Borrower specified by the Lender;
- B. Loans (credit) under this contract have completed the relevant approval, registration, delivery and other legal procedures in accordance with laws, regulations, rules or the requirements of the regulatory department;
- C. Borrower provides a guarantee contract or other guarantee method that meets Lender's requirements and has taken effect; or
- D. Borrower has not committed any breach of contract agreed in this contract.

Article 4 The Payment of the Loan Amount

After the Lender distributes the loan amount to the Borrower's account according to the Borrower's withdrawal application, the Borrower shall pay independently to the Borrower counterparty that meets the purposes agreed in the contract.

Article 5 Repayment Order

The repayment of the borrower, unless otherwise agreed in writing by both parties, shall be paid off in the following order:

- 5.1 If both parties have several due debts, and Party B's repayment is not enough to pay off all due debts, Party A shall determine the debts to be paid off and the order of offsetting;
 - 5.2 If Party A exercises the right of offset against Party B, the debt to be offset and the order of offset shall be determined by Party A; If Party A exercises the right of subrogation to Party B, the offsetting debts and offsetting order shall be determined by Party A;
 - 5.3 If Party B's repayment is not enough to pay off the debt, Party A can choose to use the repayment to pay off the principal, interest, penalty interest, compound interest or the cost of realizing the debt.
-

Article 6 The Guarantee Method of Borrowing (Credit)

Guarantee for borrowing under this contract is guarantee contract, which will be signed separately.

Article 7 Borrower's Commitment

7.1 Repay the principal amount and interest (credit) of the loan on time as agreed in this contract.

7.2 Use the loan (credit) for the purpose as agreed in this contract and do not change the purpose of the loan without authorization.

7.3 The commercial acceptance bill of exchange issued by Borrower shall be discounted with Lender, which shall be regarded as a loan from Lender.

7.4 All relevant information provided to Lender is true, complete, legal and effective, and shall provide true and complete financial statements and other relevant materials and information on time as required by Lender.

7.5 Actively cooperate with and consciously accept Lender's investigation, understanding and supervision of the use of loans (credit) under this contract and the production, operation and financial situation.

7.6 If Borrower changes the name, domicile, legal representative (response-in charge), business scope, registered capital and other industrial and commercial registration matters, Lender shall be notified in writing in advance.

7.7 If Borrower uses its own or third-party's asset to secure the debts of others or transfer significant assets, Borrower should obtain Lender's written approval 30 days in advance. Obtaining the written consent of Lender shall not affect Lender's right to receive the repayment.

7.8 When there is a change in the business mechanism such as contracting, leasing, joint venture, merger, merger, division, joint-stock reform, equity change, joint venture, etc., or other behaviors that are enough to affect the realization of Lender's rights and interests, Borrower should obtain Lender's written approval 30 days in advance. Borrower should implement debt financing plan and repayment schedule.

7.9 In the event of suspension of production, closure, dissolution, suspension of business for rectification, cancellation of registration, revoked business license or legal representative engaged in illegal activities, involving major litigation activities, serious difficulties in production and operation activities, etc., Borrower should inform Lender in writing within three (3) days debt financing plan and repayment schedule as required by Lender.

7.10 Lender has the right to recover the loan in advance according to the withdrawal of the Borrower's funds.

Article 8 Lender's commitment

8.1 If the conditions of Article 3 of this contract are met, Lender should provide Borrower the loan amount in accordance with the contract.

8.2 Borrower shall not be charged extra fees in addition to the fees stipulated in the contract.

8.3 Lender shall keep the information provided by Borrower related to debt, finance, production, operation and other aspects confidential, unless otherwise stipulated by laws and regulations.

Article 9 Extension for repayment due to unforeseen circumstances

If Borrower is unable to repay the loan on time due to unforeseen circumstances, it shall submit a written application to Lender before the due date of the loan. With the consent of Lender, after signing the extension agreement, the Borrower may extend the period accordingly, but the loan interest rate shall be calculated according to the cumulative period.

Article 10 Methods of Settlement of Contract Disputes

If there is a dispute in the process of performance of this contract, it can be resolved through negotiation. If the negotiation fails, the claimant party may bring a lawsuit to the people's court where the place where the contract is performed.

Party A

Jiangnan Rural Commercial Bank Co., Ltd
/seal/ Jiangnan Rural Commercial Bank Co., Ltd
Legal representative/Person-in-charge (or agent):
/s Wenlong Jin

Party B

Northann (Changzhou) Construction Products Co., Ltd.
/seal/ Northann (Changzhou) Construction Products Co., Ltd.
Legal representative/Person-in-charge (or agent):
Kurtis W. Winn
/s/ Kurtis W. Winn

Date of signing: March 26, 2020

Contract No: _____

Bank of Communications
Working Capital Loan Contract

Lender: Bank of Communications
Responsible person:

Address: _____
Tel: _____
Fax: _____
Email: _____

Borrower: Northann (Changzhou) Construction Products Co., Ltd.
Legal representative: Li Lin

Address: _____
Tel: _____
Fax: _____
Email: _____

The Borrower and the Lender, after equal negotiation, agree on the issuance of working capital loan by the Lender to the Borrower and hereby enter into this contract to specify the rights and obligations of the parties.

Article 1 Definition

The purpose of the loan under this contract is to purchase goods, business supplies and other necessities for business operation.

Article 2 Borrowing Amount and Term

2.1 The loan under this contract is subject to the maximum of RMB 4,325,069. The loan amount is categorized as revolving credit (revolving credit means the Lender allows for the loan amount to be withdrawn, repaid, and redrawn again in any manner and any number of times, until the arrangement expires).

2.2 The term of borrowing under this contract is from January 26, 2022 to January 26, 2025.

2.3 For each withdrawal, the withdrawal date shall be the date on which the borrowing amount is actually transferred to the Borrower's account. The date of repayment shall be stated on the invoice. (For installments, date of repayment shall be agreed by both parties in writing). The date of repayment of any withdrawal shall not be later than the term of the loan under section 2.1.

Article 3 Interest Rate and Interest

3.1 Method of determining interest rate for RMB borrowing:

The interest rate on RMB borrowings is determined as follows:

The interest rate for each withdrawal amounts determined by the loan prime rate (LPR) for 1-year loans published by the National Interbank Offered Rate Center as of the business day immediately prior to the date of this agreement, and plus floating rate, if agreed by the parties, is plus/minus basis points determined by the parties (one basis point is 0.01%, same below).

The interest rate shall be adjusted in the following shall be adjusted during the term of this loan according a day prior to the base loan prime rate date.

3.3 The Interest shall be accrued on a daily basis and shall be settled on a amount due date.

3.4 The penalty interest rate for late repayment shall be determined by adding 50% to the original interest rate. The penalty interest rate for misappropriation of borrowing shall be determined by adding extra 100% to the original interest rate.

Article 4 Withdrawal

4.1 The Borrower designates the following account for loan amount delivery, which is not an account in the Lender's bank established for the purpose of loan amount delivery:

Account Name: Northann (Changzhou) Construction Products Co., Ltd.

Account Number:

Bank Name: Bank of Communications

4.2 The Borrower's each withdrawal should be within twelve months, a lump sum due date should be prior to January 26, 2025.

4.3 The limit of the loan amount that the Borrower may transfer freely to non-designated third parties is RMB 3,460,000 under the condition that the Borrower notifies the total transfer amount within 15 days to the Lender after the transfer.

Article 5 Loan amount and interest rate due to risk adjustment

Loan amount and interest rate due to risk adjustment should be negotiated by the parties

Article 6 Repayment of the loan amount

The Borrower shall repay the loan under this contract in the following manner: the loan is due in a lump sum on loan maturity date; the Borrower should not repay the loan amount due prior to such date without an approval of the Lender.

The Lender may ask for repayment including interest on the principal debt, the penalty, the compensation for the injury, and other accessory charges prior to the maturity date under the contract.

Article 6 Warranty

The Borrower warrants that its established legally and has legal capacity to carry on the obligations and performance under the contract.

Article 7 Dispute Resolution

Disputes under this contract shall be resolved as settlement by litigation in the court of the lender's location.

Lender

Changzhou Wujin Branch of Industrial and Commercial Bank of China Ltd.
/seal/ Changzhou Wujin Branch of Industrial and Commercial Bank of China Ltd.

Date: January 26, 2022

Borrower

Northann (Changzhou) Construction Products Co., Ltd.
/seal/ Northann (Changzhou) Construction Products Co., Ltd.

Date: January 26, 2022

Form of Standard Plant Lease Agreement

Lessor ("Party A"): Changzhou Wujin Urban Resources Operation Co., Ltd.

Address: 17F, Building 3, Tianhao Building, No.1 Wuyi Middle Road, Hutang Town, Wujin District

Legal Representative: Liu Jingen

Lessee ("Party B"): Crazy Industry (Changzhou) Industry Technology Co., Ltd.

Changzhou City Wujin District, Niu Tong Town, Hong Xi Road, No. 199, the first floor of the second building

Legal representative: Li Lin

According to the provisions of the Civil Code of the People's Republic of China and other relevant laws and regulations, both parties, on the basis of equality, voluntariness, fairness and honesty and credit, and by consensus, hereby sign this contract on matters related to Party B's lease of Party A's plant as follows.

- I. Leased plant overview
 - a. The leased premise under this contract are located at: No. 199 Hong Xi Road(the "Leased Premise").
 - b. The area of the plant leased by Party B is about 2968.9 square meters, subject to the actual floor area occupied by Party B.
 - c. Party A is responsible for laying the water pipes and power lines of the leased plant to the outside of the plant wall, and Party B is responsible for installing the water and power facilities into the leased area.
 - II. Use of Leased Premise
 - a. The leases premise shall be used for manufacturing and processing of flooring and panel.
 - b. Without the written consent of Party A, Party B shall not change the use of the Leased Premise and shall not use the Leased Premise for the production and operation of products other than those agreed above. Party A has the right to inspect Party B's business license, corresponding production and operation qualification certificate including the scope of future production and operation (if Party B is required to have permission under the corresponding laws and regulations).
 - c. Party A has the right to request Party B to present business license, production and operation qualification documents before entering the site, Party B shall not refuse or delay to provide. If Party B fails to provide the aforementioned legal and valid documents before the operation, Party A has the right to terminate this contract; if the authorized operation certificate expires, Party A has the right to request Party B to rectify it within a certain period of time, and if Party B fails to do so, Party A has the right to terminate this contract; if Party B is investigated and dealt with by the relevant authorities for operation of illegal business, resulting in Party B not being able to continue to operate the agreed business in paragraph a, Party A has the right to terminate this contract; if the aforementioned situation occurs and Party A terminates this contract, Party A shall not be liable to Party B for breach of contract or any liabilities.
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- d. A copy of Party B's business license, tax registration certificate and other relevant qualification certificates shall be attached as exhibits of this contract and saved by Party A as copies.

III. Lease Term

- a. Party B lease term is from _____ to _____.
- b. After the expiration of the lease term, if Party B needs to continue to lease the plant, it shall submit a request for renewal of the lease to Party A in writing three months before the expiration of the lease term, and both parties shall sign another lease contract after consensus
- c. From three months before the expiration of the Lease Term, Party A has the right to make all preparations for the re-letting, including showing the Leased Premise to the prospective tenant and making reasonable and necessary inspections and repairs. Party B shall, within three months prior to the expiration of the Lease Term, at any reasonable time upon prior notice, unconditionally allow the new tenant or user who will take up or use the Leased Premise after the expiration of the Lease Term to inspect the Leased Premise and all parts thereof, and Party A has the right to post a notice of invitation to rent at the Leased Premise.

IV. Delivery of leased plant

Both Party A and Party B had delivered the leased plant for use in accordance with the agreed time.

V. Rent and payment

- a. Leased Premise: Building No.2 Plant; the rental currency is RMB; the rent is based on RMB18 / per square meter / per month, for a total area of 2968.92 square meters. The total rental fee payable by Party B during the lease period is RMB _____ , which shall be calculated from the date of delivery of the plant.
- b. Party B shall pay all the rent for the current lease term within seven days after the effective date of this contract; next term shall be paid within ten business days before the expiration of the current lease term; Party A shall issue an official lease invoice to Party B at the same time. The following lease term and payment method shall be the same.
- c. Party B shall not claim rent deduction or waiver from Party A for reasons such as the common facilities and equipment in the rental area were on the shared or public passage.

VI. Emergency and site maintenance

- a. In case of emergency, Party A may, at its discretion, pause the supply of water, electricity, gas and heat to the site or suspend the operation of facilities and equipment such as elevators without notifying Party B. However, Party B shall be notified through appropriate manners as soon as possible after
 - b. Party A shall not be responsible for any interruption of water, electricity, gas and heat supply or suspension of operation of facilities and equipment such as air conditioners and elevators due to emergencies, or requests or orders from public sectors or government authorities.
 - c. If the site and related facilities and equipment are damaged or other property is lost due to the handling of emergency (whether due to the actions of Party A or relevant government department staff), Party B shall be solely responsible for all goods and equipment belonging to Party B
-

- d. The site shall be repaired by Party A if it is damaged due to the quality of construction. However, Party A shall not compensate or indemnify Party B for the maintenance of the site and its related facilities and equipment and energy supply system for such damage. The scope of Party A's responsibility for the maintenance of the site is limited to the structural part of the site, the equipment and facilities provided by Party A at the time of handover and the common parts/areas (except as otherwise agreed in this contract). The facilities and equipment renovated or added by Party B shall be maintained by Party B.
 - e. Any loss or damage to Party B's property or any other person caused by any defect or failure of elevators, fire protection, security equipment, air conditioning equipment or other equipment, or by the failure, breakdown or suspension of electricity, water, gas, telephone or other supplies, or by the leakage of water, smoke, fire or any other substance, or by the breeding of rats, termites, roaches or other vermin, or by explosion, theft or robbery, Party A shall not be liable to Party B or any other person for any loss or damage to Party B or any other person's property caused by the explosion, theft, robbery. Party A shall be liable for direct economic loss resulting from the destruction of Party B tangible property if the above is directly caused by Party A's fault only.
 - f. If at any time, with no fault of Party A, Party A shall not be liable to Party B for any compensation or reduction of your rent or other charges to the interruption of supply of water, electricity or other services to the Lease Premise. Party A's provision of security personnel, management personnel, machinery of any nature, electronic security systems (if any) to the Lease Premise shall not constitute a security or custody obligation of Party A in respect of the Lease Premises or the property therein. Unless Party A is at fault, Party B shall at all times be solely responsible for the Lease Premises or the property therein.
 - g. If the supply of water, electricity, heat and other facilities and equipment of the site is interrupted or the operation of elevators and other facilities and equipment suspended due to Party B, Party B shall bear all costs required for repair and compensate for all losses accrued to Party A and third parties as a result.
 - h. As a result of Party B's decoration and renovation of the site or other acts of Party B, Party A is unable to inspect or take timely remedial measures for the relevant pipelines, lines and equipment, then Party B shall be responsible for the losses and possible damages due to the occurrence and consequential damages as a result, and Party A shall not be liable.
 - i. Party B shall take adequate and effective preventive measures for the goods, equipment, materials, etc. placed by Party B in the site in accordance with the relevant legal provisions and industry practices (if there are no relevant legal provisions or industry practices, Party B shall also take adequate and effective preventive measures according to the characteristics of the relevant goods, equipment, materials, including waterproof, fireproof treatment, etc.). If Party B fails to take relevant preventive measures in accordance with the requirements of this contract, Party B shall be responsible for any loss or consequential damages of Party B's goods, equipment, materials, etc. as a result.
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- VII. Party B's duty of care
- a. From the date of entering into the Lease Premise, Party B shall not change or damage the site structure, exterior wall parts, doorway and any facilities and equipment provided by Party A (including special facilities and equipment and common facilities and equipment) without Party A's written consent.
 - b. For the facilities and equipment installed in or through the site, Party B shall pay adequate attention and give sufficient protection
 - c. Party B shall comply with the laws and regulations of Republic of China including environmental protection, health, epidemic prevention, culture, public security and fire management when engaging in business activities in the site, and shall be responsible for the safety and security of the items in the site, and shall bear all costs and responsibilities arising therefrom.
 - d. Party B warrants that it will use the site and its facilities and equipment normally and reasonably within the scope of operation, and shall not place any objects exceeding the designate function of the site; shall not take any actions that may lead to the reduction or cancellation of Party A's insurance policy or the increase of insurance premium; shall not take any actions that may lead to the unreasonable shortening of the use longevity of the site, the building where it is located and the related facilities and equipment.
 - e. Party B warrants that it will not engage in any behavior that may obstruct or affect the legal rights of Party A or other owners or tenants in the adjacent areas, or other behavior that unreasonably interferes with or disrupts the normal operation of Party A or other owners or tenants. If Party B's operation generates special odor or noise nuisance, Party B shall take effective measures to prevent it. If the special odor (including oil smoke) or noise nuisance generated by Party B's operation seriously affects the surrounding site and public environment, and is determined by the environmental protection department or a legally qualified authorities to that the nuisance exceeds the legal standard, Party A shall have the right to terminate this contract and Party B shall bear the responsibility for breach of contract resulting in early termination of this contract, and Party A shall not be liable for any damage caused by such nuisance. If any testing cost or administrative penalty is involved due to environmental protection issues, Party B shall bear the cost and compensate Party A for the cost caused.
 - f. If the leakage of water, smoke, gas and other substances from the site, or the occurrence of fire, explosion and other events endangering public safety, or the occurrence of bad business behavior of Party B, Party A has the right to immediately interrupt the Party B's business operation and impose penalties, and Party B shall compensate Party A and third parties for the losses (including personal and property damages) suffered as a result.
 - g. Damage to Party B's commodities, goods or other property caused by a third party, or loss suffered by Party B, Party B may claim compensation from the third party on its own behalf and Party A shall not be liable for compensation or indemnity for such damage.
- VIII. Change, cancellation and termination of the contract
- a. This contract may be changed by mutual agreement
 - b. This contract may cancelled by mutual agreement
-

- c. Party A has the right to unilaterally terminate this contract and take back the Leased Premise in advance if Party B has any of the following circumstances. After the termination of the contract, Party A shall not be required to return to Party B the rent and security deposit paid by Party B, nor shall Party B be required to pay the corresponding compensation fee or compensation of any nature to Party B. Party B shall bear the losses incurred by Party B as a result of termination:
- i. Without the written consent of Party A, Party B subleases, loans or mortgages all or part of the leased property, or disguises the use of the leased property to others by cooperating with a third party or contracting for business.
 - ii. Without the written consent of Party A, Party B changes the use of the plant without permission, or changes the plant (main) structure.
 - iii. Unreasonable use of Leased Premise to the Leased Premise caused more than RMB30,000 (including RMB30,000) loss.
 - iv. Late payment of rent or other charges for more than 2 months (inclusive).
 - v. In the operation and management activities, there are violations of safety, fire prevention, health, product quality, labor and other laws and regulations, departmental regulations; and after Party A notifies Party B to correct, and Party B does not correct within 5 days.
 - vi. Using the Leased Premise to store dangerous goods or using the Leased Premise for illegal or criminal activities; and Party B does not correct within 5 days after Party A notifies Party B to correct the situation.
 - vii. If Party B has other violations of this contract and does not correct them within 3 days after Party A requests Party B to do so.
 - viii. Party B's production and operation activities cause environmental pollution to the leased plant and the surrounding area, and Party B does not cure the pollution within 5 days after Party A notifies it to do so.
- d. Party B may unilaterally terminate this contract if Party A has any of the following circumstances, after termination of the contract, Party A shall return to Party B the rent received and security deposit paid by Party B in excess of the actual rental period, and pay Party B the corresponding compensation fee (but the maximum amount of compensation shall not exceed the standard of one-year rent), and Party A shall bear the losses as a result of termination:
- i. Party A interferes with Party B's independent and autonomous business activities without reason, causing significant (more than RMB100,000) economic losses to Party B.
 - ii. Party A does rent out the plant with quality concerns and safety hazards, resulting in Party B's unable use of Leased Premise.
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- e. Notice of Contract Cancellation
 - i. When a party terminates the contract, it shall notify the other party in writing.
 - ii. The notice of discharge may be served directly in writing, or by mail or fax to the other party's production and business premises; or the notice of discharge may be published in Changzhou Daily, Wujin Daily and other newspapers.
 - iii. If the notice of cancellation is served in writing, the notice of cancellation shall take effect when it is signed by the legal representative or other staff of the other party; if it is published in the newspaper, it shall be deemed to be served on the day it is published in the newspaper. The contract shall be terminated on the date the notice of termination is received by the other party or is published.
- f. This contract will be terminated without mutual liability if any of the following occurs:
 - i. Leased plant and land expropriated for government planning and construction needs, including public welfare needs and commercial needs.
 - ii. The destruction or loss of the leased plant due to force majeure, making the leased plant unsuitable for continued leasing.
 - iii. If the lease period expires and the parties do not extend the lease term.
- g. Contract termination, cancellation of subsequent affairs
 - i. After the contract is cancelled or terminated, both parties shall settle, clean up and hand over the Leased Premise, etc. in accordance with the provisions of Article VI of this contract.
 - ii. If the contract is terminated due to the breach of contract by one party. This does not affect the other party's claim for breach of contract and liability to it.

IX. Liability for breach of contract

- a. If Party B pays the rent late, for each day of delay, Party B shall pay Party A a liquidated damages of six out of a thousand of the total rent amounts.
- b. Party B shall pay Party A liquidated damages at the rate of 1.2 times the rent for the remaining period of the lease term if Party B surrenders the lease in violation of this contract (early termination of the contract).
- c. If Party B defaults, Party A may deduct the liquidated damages and compensation from the lease deposit. If the security deposit is not enough to offset the amount due, the shortage shall be paid by Party B separately, and Party A may exercise the right of lien on the tangible properties placed in the Lease Premise by Party B, but the lien shall be made with the participation of a notary public.
- d. Party B shall bear the responsibility of compensation and environmental cleanup for damages caused by environmental pollution during production and operation to Party A or a third party.
- e. Party A shall pay Party B liquidated damages at the rate of 1.2 times the rent for the remaining period of the lease term m if Party A surrenders the lease in violation of this contract (early termination of the contract).
- f. If the damage caused by one party's breach of contract to the other party exceeds the liquidated damages, the party in breach of contract shall be liable for the damage in excess of the liquidated damages.

X. Force majeure

- a. Force majeure refers to natural disasters such as earthquakes, hurricanes, floods, fires, wars and other objective circumstances that cannot be foreseen, avoided and overcome.
 - b. If the parties cannot perform the contract due to force majeure, the party affected by the force majeure shall notify the other party in writing within five days from the date of the force majeure and promptly provide the other party with notary public documents proving the existence and impact of the event. The party affected by force majeure may be exempted from all or part of its liability accordingly.
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- c. After the occurrence of force majeure, the party affected by force majeure shall take reasonable measures to reduce the damage.
 - d. When force majeure occurs, the parties shall negotiate to change or terminate this agreement according to the degree of impact of force majeure on this contract
- XI. Dispute Resolution
- a. All disputes arising from the performance of this contract shall be settled through amicable negotiation between the parties. If the negotiation fails, the parties shall file a lawsuit in the People's Court where the Leased Premise is located, and the litigation costs, attorney's fees, appraisal fees and evaluation fees arising from the lawsuit shall be borne by the losing party.
 - b. In the event of a dispute, both parties shall endeavor to maintain the regular production and operation activities in the Leased Premise, and the parties shall mitigate the loss and limit the extent of the harm due to the cause of dispute.
- XII. Other Matters
- a. Any matters not covered by this contract shall be supplemented in writing by both parties and the supplement shall be an integral part of this contract. In the case of conflict between the contents of the supplement and the text of this contract, the supplement shall prevail.
 - b. Party A may delegate some or all of the rights and obligations in this contract to a third party to exercise and perform on its behalf without further notice to Party B. Party B shall accept and shall not object to such delegation.
 - c. The rights and remedies provided herein are compatible, and not mutually exclusive, with each other and with any other rights or remedies provided by law or agreed to by the parties.
 - d. This contract shall take effect on the date of signing by the legal representatives or authorized representatives of Party A and Party B with respective seals stamps.
 - e. The invalidity of a provision or part of a provision of this contract does not affect the validity of the other provisions.
 - f. This contract shall be effective from the date of signature and seal of both parties.
 - g. This contract is in five copies, Party A holds three copies and Party B holds two copies
- XIII. If the vibration generated by Party B's production process affects the surrounding buildings and structures, Party A can stop the rental or adjust the rental area, but Party A shall be liable to Party B's damage.

Party A (Signature):

/s/Changzhou Wujin Urban Resources Operation Co., Ltd.

[Seal]

Legal Representative: /s/Liu Jingen

Liu Jingen

Party B (Signature): Crazy Industry (Changzhou) Industry Technology Co., Ltd.

[Seal]

Legal representative: /s/Li Lin

Li Lin

2023 EQUITY INCENTIVE PLAN

NORTHANN CORP.
2023 EQUITY INCENTIVE PLAN

1. *Purpose.* The purpose of the Northann Corp. 2023 Equity Incentive Plan is to provide a means through which the Company and its Affiliates may attract and retain key personnel and to provide a means whereby directors, officers, managers, employees, consultants and advisors (and prospective directors, officers, managers, employees, consultants and advisors) of the Company and its Affiliates can acquire and maintain an equity interest in the Company, or be paid incentive compensation, which may (but need not) be measured by reference to the value of Common Shares, thereby strengthening their commitment to the welfare of the Company and its Affiliates and aligning their interests with those of the Company's stockholders.

2. *Definitions.* The following definitions shall be applicable throughout this Plan:

(a) "Affiliate" means (i) any person or entity that directly or indirectly controls, is controlled by or is under common control with the Company and/or (ii) to the extent provided by the Committee, any person or entity in which the Company has a significant interest as determined by the Committee in its discretion. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as applied to any person or entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting or other securities, by contract or otherwise.

(b) "Award" means, individually or collectively, any Incentive Stock Option, Nonqualified Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Stock Bonus Award and Performance Compensation Award granted under this Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Business Combination" has the meaning given such term in the definition of "Change in Control."

(e) "Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by federal law or executive order to be closed.

(f) "Cause" means, in the case of a particular Award, unless the applicable Award agreement states otherwise, (i) the Company or an Affiliate having "cause" to terminate a Participant's employment or service, as defined in any employment or consulting agreement or similar document or policy between the Participant and the Company or an Affiliate in effect at the time of such termination or (ii) in the absence of any such employment or consulting agreement, document or policy (or the absence of any definition of "Cause" contained therein), (A) a continuing material breach or material default (including, without limitation, any material dereliction of duty) by Participant of any agreement between the Participant and the Company, except for any such breach or default which is caused by the physical disability of the Participant (as determined by a neutral physician), or a continuing failure by the Participant to follow the direction of a duly authorized representative of the Company; (B) gross negligence, willful misfeasance or breach of fiduciary duty by the Participant; (C) the commission by the Participant of an act of fraud, embezzlement, misappropriation of the Company or its Affiliate's assets or any felony or other crime of dishonesty in connection with the Participant's duties; (D) conviction of the Participant of a felony or any other crime that would materially and adversely affect: (i) the business reputation of the Company or (ii) the performance of the Participant's duties to the Company, or (E) failure by a Participant to follow the lawful directions of a superior officer or the Board. Any determination of whether Cause exists shall be made by the Committee in its sole discretion.

(g) “Change in Control” shall, in the case of a particular Award, unless the applicable Award agreement states otherwise or contains a different definition of “Change in Control,” be deemed to occur upon:

(i) An acquisition (whether directly from the Company or otherwise) of any voting securities of the Company (the “Voting Securities”) by any “Person” (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), immediately after which such Person has ownership of more than two thirds (2/3) of the combined voting power of the Company’s then outstanding Voting Securities.

(ii) The individuals who constitute the members of the Board cease, by reason of a financing, merger, combination, acquisition, takeover or other non-ordinary course transaction affecting the Company, to constitute at least forty percent (40%) of the members of the Board; or

(iii) The consummation of any of the following events:

(A) A merger, consolidation or reorganization involving the Company, where either or both of the events described in clauses (i) or (ii) above would be the result;

(B) A liquidation or dissolution of or appointment of a receiver, rehabilitator, conservator or similar person for, or the filing by a third party of an involuntary bankruptcy against, the Company; provided, however, that to the extent necessary to comply with Section 409A of the Code, the occurrence of an event described in this subsection (B) shall not permit the settlement of Restricted Stock Units granted under this Plan; or

(C) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a subsidiary of the Company).

(h) “Closing Price” means (A) during such time as the Common Shares are registered under Section 12 of the Exchange Act, the closing price of the Common Shares as reported by an established stock exchange or automated quotation system on the day for which such value is to be determined, or, if no sale of the Common Shares shall have been made on any such stock exchange or automated quotation system that day, on the next preceding day on which there was a sale of such Common Shares, or (B) during any such time as the Common Shares are not listed upon an established stock exchange or automated quotation system, the mean between dealer “bid” and “ask” prices of the Common Shares in the over-the-counter market on the day for which such value is to be determined, as reported by the Financial Industry Regulatory Authority, Inc., or (C) during any such time as the Common Shares cannot be valued pursuant to (A) or (B) above, the fair market value shall be as determined by the Committee considering all relevant information including, by example and not by limitation, the services of an independent appraiser.

(i) “Code” means the Internal Revenue Code of 1986, as amended, and any successor thereto. References in this Plan to any section of the Code shall be deemed to include any regulations or other interpretative guidance under such section, and any amendments or successor provisions to such section, regulations or guidance.

(j) “Committee” means a committee of at least two people as the Board may appoint to administer this Plan or, if no such committee has been appointed by the Board, the Board. Once the Company establishes a Compensation Committee of the Board and unless altered by an action of the Board, the Committee shall be the Compensation Committee of the Board.

(k) “Common Shares” means the common stock, par value \$0.001 per share, of the Company (and any stock or other securities into which such common shares may be converted or into which they may be exchanged).

(l) “Company” means Northann Corp., a Nevada corporation, together with its successors and assigns.

(m) “Date of Grant” means the date on which the granting of an Award is authorized, or such other date as may be specified in such authorization.

(n) “Disability” means a “permanent and total” disability incurred by a Participant while in the employ of the Company or an Affiliate. For this purpose, a permanent and total disability shall mean that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

(o) “Effective Date” means the date when the Plan is adopted by the Board.

(p) “Eligible Director” means a person who is (i) a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act, and (ii) an “outside director” within the meaning of Section 162(m) of the Code.

(q) “Eligible Person” means any (i) individual employed by the Company or an Affiliate; *provided, however,* that no such employee covered by a collective bargaining agreement shall be an Eligible Person unless and to the extent that such eligibility is set forth in such collective bargaining agreement or in an agreement or instrument relating thereto; (ii) director of the Company or an Affiliate; (iii) consultant or advisor to the Company or an Affiliate, provided that if the Securities Act applies such persons must be eligible to be offered securities registrable on Form S-8 under the Securities Act; or (iv) prospective employees, directors, officers, consultants or advisors who have accepted offers of employment or consultancy from the Company or its Affiliates (and would satisfy the provisions of clauses (i) through (iii) above once he or she begins employment with or begins providing services to the Company or its Affiliates).

(r) “Exchange Act” has the meaning given such term in the definition of “Change in Control,” and any reference in this Plan to any section of (or rule promulgated under) the Exchange Act shall be deemed to include any rules, regulations or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations or guidance.

(s) “Exercise Price” has the meaning given such term in Section 7(b) of this Plan.

(t) “Fair Market Value”, unless otherwise provided by the Committee in accordance with all applicable laws, rules regulations and standards, means, on a given date, (i) if the Common Shares (A) are listed on a national securities exchange or (B) are not listed on a national securities exchange, but is quoted by the OTC Markets Group, Inc. (www.otcm Markets.com) or any successor or alternative recognized over-the-counter market or another inter-dealer quotation system, on a last sale basis, the average selling price of the Common Shares reported on such national securities exchange or other inter-dealer quotation system, determined as the arithmetic mean of such selling prices over the thirty (30)-Business Day period preceding the Date of Grant, weighted based on the volume of trading of such Common Shares on each trading day during such period; or (ii) if the Common Shares are not listed on a national securities exchange or quoted in an inter-dealer quotation system on a last sale basis, the amount determined by the Committee in good faith to be the fair market value of the Common Shares.

(u) “Immediate Family Members” shall have the meaning set forth in Section 15(b) of this Plan.

(v) “Incentive Stock Option” means an Option that is designated by the Committee as an incentive stock option as described in Section 422 of the Code and otherwise meets the requirements set forth in this Plan.

(w) “Indemnifiable Person” shall have the meaning set forth in Section 4(e) of this Plan.

(x) “Intellectual Property Products” shall have the meaning set forth in Section 15(c) of this Plan.

(y) “Mature Shares” means Common Shares owned by a Participant that are not subject to any pledge or security interest and that have been either previously acquired by the Participant on the open market or meet such other requirements, if any, as the Committee may determine are necessary in order to avoid an accounting earnings charge on account of the use of such shares to pay the Exercise Price or satisfy a withholding obligation of the Participant.

(z) “Negative Discretion” shall mean the discretion authorized by this Plan to be applied by the Committee to eliminate or reduce the size of a Performance Compensation Award consistent with Section 162(m) of the Code.

(aa) “Nonqualified Stock Option” means an Option that is not designated by the Committee as an Incentive Stock Option.

(bb) “Option” means an Award granted under Section 7 of this Plan.

(cc) “Option Period” has the meaning given such term in Section 7(c) of this Plan.

(dd) “Outstanding Company Common Shares” has the meaning given such term in the definition of “Change in Control.”

(ee) “Outstanding Company Voting Securities” has the meaning given such term in the definition of “Change in Control.”

(ff) “Participant” means an Eligible Person who has been selected by the Committee to participate in this Plan and to receive an Award pursuant to Section 6 of this Plan.

(gg) “Performance Compensation Award” shall mean any Award designated by the Committee as a Performance Compensation Award pursuant to Section 11 of this Plan.

(hh) “Performance Criteria” shall mean the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Performance Compensation Award under this Plan.

(ii) “Performance Formula” shall mean, for a Performance Period, the one or more objective formulae applied against the relevant Performance Goal to determine, with regard to the Performance Compensation Award of a particular Participant, whether all, some portion but less than all, or none of the Performance Compensation Award has been earned for the Performance Period.

(jj) “Performance Goals” shall mean, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria.

(kk) “Performance Period” shall mean the one or more periods of time, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to, and the payment of, a Performance Compensation Award.

(ll) “Permitted Transferee” shall have the meaning set forth in Section 15(b) of this Plan.

(mm) “Person” has the meaning given such term in the definition of “Change in Control.”

(nn) “Plan” means this Northann Corp. 2023 Equity Incentive Plan, as amended from time to time.

(oo) "Retirement" means the fulfillment of each of the following conditions: (i) the Participant is good standing with the Company as determined by the Committee; (ii) the voluntary termination by a Participant of such Participant's employment or service to the Company and (B) that at the time of such voluntary termination, the sum of: (1) the Participant's age (calculated to the nearest month, with any resulting fraction of a year being calculated as the number of months in the year divided by 12) and (2) the Participant's years of employment or service with the Company (calculated to the nearest month, with any resulting fraction of a year being calculated as the number of months in the year divided by 12) equals at least 62 (provided that, in any case, the foregoing shall only be applicable if, at the time of Retirement, the Participant shall be at least 55 years of age and shall have been employed by or served with the Company for no less than 5 years).

(pp) "Restricted Period" means the period of time determined by the Committee during which an Award is subject to restrictions or, as applicable, the period of time within which performance is measured for purposes of determining whether an Award has been earned.

(qq) "Restricted Stock Unit" means an unfunded and unsecured promise to deliver Common Shares, cash, other securities or other property, subject to certain restrictions (including, without limitation, a requirement that the Participant remain continuously employed or provide continuous services for a specified period of time), granted under Section 9 of this Plan.

(rr) "Restricted Stock" means Common Shares, subject to certain specified restrictions (including, without limitation, a requirement that the Participant remain continuously employed or provide continuous services for a specified period of time), granted under Section 9 of this Plan.

(ss) "SAR Period" has the meaning given such term in Section 8(c) of this Plan.

(tt) "Securities Act" means the Securities Act of 1933, as amended, and any successor thereto. Reference in this Plan to any section of the Securities Act shall be deemed to include any rules, regulations or other official interpretative guidance under such section, and any amendments or successor provisions to such section, rules, regulations or guidance.

(uu) "Stock Appreciation Right" or "SAR" means an Award granted under Section 8 of this Plan which meets all of the requirements of Section 1.409A-1(b)(5)(i)(B) of the Treasury Regulations.

(vv) "Stock Bonus Award" means an Award granted under Section 10 of this Plan.

(ww) "Strike Price" means, except as otherwise provided by the Committee in the case of Substitute Awards, (i) in the case of a SAR granted in tandem with an Option, the Exercise Price of the related Option, or (ii) in the case of a SAR granted independent of an Option, the Fair Market Value on the Date of Grant.

(xx) "Subsidiary" means, with respect to any specified Person:

(i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Outstanding Company Voting Securities (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(ii) any partnership or limited liability company (or any comparable foreign entity) (a) the sole general partner or managing member (or functional equivalent thereof) or the managing general partner of which is such Person or Subsidiary of such Person or (b) the only general partners or managing members (or functional equivalents thereof) of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

(yy) "Substitute Award" has the meaning given such term in Section 5(e).

(zz) "Treasury Regulations" means any regulations, whether proposed, temporary or final, promulgated by the U.S. Department of Treasury under the Code, and any successor provisions.

3. *Effective Date; Duration.* The Plan shall be effective as of the Effective Date, but no Award shall be exercised or paid (or, in the case of a stock Award, shall be granted unless contingent on stockholder approval) unless and until this Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months after the Effective Date. The expiration date of this Plan, on and after which date no Awards may be granted hereunder, shall be the tenth anniversary of the Effective Date; provided, however, that such expiration shall not affect Awards then outstanding, and the terms and conditions of this Plan shall continue to apply to such Awards.

4. *Administration.*

(a) The Committee shall administer this Plan. To the extent required to comply with the provisions of Rule 16b-3 promulgated under the Exchange Act (if the Board is not acting as the Committee under this Plan) or necessary to obtain the exception for performance-based compensation under Section 162(m) of the Code, as applicable, it is intended that each member of the Committee shall, at the time he takes any action with respect to an Award under this Plan, be an Eligible Director. However, the fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Award granted by the Committee that is otherwise validly granted under this Plan. The acts of a majority of the members present at any meeting at which a quorum is present or acts approved in writing by a majority of the Committee shall be deemed the acts of the Committee. Whether a quorum is present shall be determined based on the Committee's charter as approved by the Board.

(b) Subject to the provisions of this Plan and applicable law, the Committee shall have the sole and plenary authority, in addition to other express powers and authorizations conferred on the Committee by this Plan and its charter, to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant; (iii) determine the number of Common Shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Common Shares, other securities, other Awards or other property, or canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances the delivery of cash, Common Shares, other securities, other Awards or other property and other amounts payable with respect to an Award; (vii) interpret, administer, reconcile any inconsistency in, settle any controversy regarding, correct any defect in and/or complete any omission in this Plan and any instrument or agreement relating to, or Award granted under, this Plan; (viii) establish, amend, suspend, or waive any rules, conditions and regulations and appoint such agents as the Committee shall deem appropriate for the proper administration of this Plan; (ix) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, Awards; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this Plan.

(c) The Committee may delegate to one or more officers of the Company or any Affiliate the authority to act on behalf of the Committee with respect to any matter, right, obligation, or election that is the responsibility of or that is allocated to the Committee herein, and that may be so delegated as a matter of law, except for grants of Awards to persons (i) subject to Section 16 of the Exchange Act or (ii) who are, or who are reasonably expected to be, "covered employees" for purposes of Section 162(m) of the Code.

(d) Unless otherwise expressly provided in this Plan, all designations, determinations, interpretations, and other decisions under or with respect to this Plan or any Award or any documents evidencing Awards granted pursuant to this Plan shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons or entities, including, without limitation, the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, and any stockholder of the Company.

(e) No member of the Board, the Committee, delegate of the Committee or any employee, advisor or agent of the Company or the Board or the Committee (each such person, an “*Indemnifiable Person*”) shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to this Plan or any Award hereunder. Each Indemnifiable Person shall be indemnified and held harmless by the Company against and from (and the Company shall pay or reimburse on demand for) any loss, cost, liability, or expense (including attorneys’ fees) that may be imposed upon or incurred by such Indemnifiable Person in connection with or resulting from any action, suit or proceeding to which such Indemnifiable Person may be a party or in which such Indemnifiable Person may be involved by reason of any action taken or omitted to be taken under this Plan or any Award agreement and against and from any and all amounts paid by such Indemnifiable Person with the Company’s approval, in settlement thereof, or paid by such Indemnifiable Person in satisfaction of any judgment in any such action, suit or proceeding against such Indemnifiable Person, provided, that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company’s choice. The foregoing right of indemnification shall not be available to an Indemnifiable Person to the extent that a final judgment or other final adjudication (in either case not subject to further appeal) binding upon such Indemnifiable Person determines that the acts or omissions of such Indemnifiable Person giving rise to the indemnification claim resulted from such Indemnifiable Person’s bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company’s Certificate of Incorporation or Bylaws. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such Indemnifiable Persons may be entitled under the Company’s Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such Indemnifiable Persons or hold them harmless.

(f) Notwithstanding anything to the contrary contained in this Plan, the Board may, in its sole discretion, at any time and from time to time, grant Awards and administer this Plan with respect to such Awards. In any such case, the Board shall have all the authority granted to the Committee under this Plan.

5. *Grant of Awards; Shares Subject to this Plan; Limitations.*

(a) The Committee may, from time to time, grant Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Stock Bonus Awards and/or Performance Compensation Awards to one or more Eligible Persons.

(b) Subject to Section 3, Section 11 and Section 12 of this Plan, the Committee is authorized to deliver under this Plan an aggregate of Four Million (4,000,000) Common Shares. Each Common Share subject to an Option or a Stock Appreciation Right will reduce the number of Common Shares available for issuance by one share, and each Common Share underlying an Award of Restricted Stock, Restricted Stock Units, Stock Bonus Awards and Performance Compensation Awards will reduce the number of Common Shares available for issuance by one shares.

(c) Common Shares underlying Awards under this Plan that are forfeited, cancelled, expire unexercised, or are settled in cash shall be available again for Awards under this Plan at the same ratio at which they were previously granted. Notwithstanding the foregoing, the following Common Shares shall not be available again for Awards under the Plan: (i) shares tendered or held back upon the exercise of an Option or settlement of an Award to cover the Exercise Price of an Award; (ii) shares that are used or withheld to satisfy tax obligations of the Participant; and (iii) shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the SAR upon exercise thereof.

(d) Common Shares delivered by the Company in settlement of Awards may be authorized and unissued shares, shares held in the treasury of the Company, shares purchased on the open market or by private purchase, or a combination of the foregoing.

(e) Subject to compliance with Section 1.409A-3(f) of the Treasury Regulations, Awards may, in the sole discretion of the Committee, be granted under this Plan in assumption of, or in substitution for, outstanding awards previously granted by an entity acquired by the Company or with which the Company combines (“*Substitute Awards*”). The number of Common Shares underlying any Substitute Awards shall be counted against the aggregate number of Common Shares available for Awards under this Plan.

6. *Eligibility.* Participation shall be limited to Eligible Persons who have entered into an Award agreement or who have received written notification from the Committee, or from a person designated by the Committee, that they have been selected to participate in this Plan.

7. *Options.*

(a) *Generally.* Each Option granted under this Plan shall be evidenced by an Award agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each Option so granted shall be subject to the conditions set forth in this Section 7, and to such other conditions not inconsistent with this Plan as may be reflected in the applicable Award agreement. All Options granted under this Plan shall be Nonqualified Stock Options unless the applicable Award agreement expressly states that the Option is intended to be an Incentive Stock Option. Notwithstanding any designation of an Option, to the extent that the aggregate Fair Market Value of Common Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company or any Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonqualified Stock Options. Incentive Stock Options shall be granted only to Eligible Persons who are employees of the Company and its Affiliates, and no Incentive Stock Option shall be granted to any Eligible Person who is ineligible to receive an Incentive Stock Option under the Code. No Option shall be treated as an Incentive Stock Option unless this Plan has been approved by the stockholders of the Company in a manner intended to comply with the stockholder approval requirements of Section 422(b)(1) of the Code, provided that any Option intended to be an Incentive Stock Option shall not fail to be effective solely on account of a failure to obtain such approval, but rather such Option shall be treated as a Nonqualified Stock Option unless and until such approval is obtained. In the case of an Incentive Stock Option, the terms and conditions of such grant shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code. If for any reason an Option intended to be an Incentive Stock Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option or portion thereof shall be regarded as a Nonqualified Stock Option appropriately granted under this Plan.

(b) *Exercise Price.* The exercise price ("*Exercise Price*") per Common Share for each Option shall not be less than 100% of the Fair Market Value of such share determined as of the Date of Grant; *provided, however*, that in the case of an Incentive Stock Option granted to an employee who, at the time of the grant of such Option, owns shares representing more than 10% of the voting power of all classes of shares of the Company or any Affiliate, the Exercise Price per share shall not be less than 110% of the Fair Market Value per share on the Date of Grant; *and, provided further*, that notwithstanding any provision herein to the contrary, the Exercise Price shall not be less than the par value per Common Share.

(c) *Vesting and Expiration.* Options shall vest and become exercisable in such manner and on such date or dates determined by the Committee and as set forth in the applicable Award agreement, and shall expire after such period, not to exceed ten (10) years from the Date of Grant, as may be determined by the Committee (the "*Option Period*"); *provided, however*, that the Option Period shall not exceed five (5) years from the Date of Grant in the case of an Incentive Stock Option granted to a Participant who on the Date of Grant owns shares representing more than 10% of the voting power of all classes of shares of the Company or any Affiliate; *and, provided, further*, that notwithstanding any vesting dates set by the Committee, the Committee may, in its sole discretion, accelerate the exercisability of any Option, which acceleration shall not affect the terms and conditions of such Option other than with respect to exercisability. Unless otherwise provided by the Committee in an Award agreement:

(i) an Option shall vest and become exercisable with respect to 100% of the Common Shares subject to such Option on the third (3rd) anniversary of the Date of Grant;

(ii) the unvested portion of an Option shall expire upon termination of employment or service of the Participant granted the Option, and the vested portion of such Option shall remain exercisable for:

(A) one year following termination of employment or service by reason of such Participant's death or Disability (with the determination of Disability to be made by the Committee on a case by case basis), but not later than the expiration of the Option Period;

(B) for directors, officers and employees of the Company only, for the remainder of the Option Period following termination of employment or service by reason of such Participant's Retirement (it being understood that any Incentive Stock Option held by the Participant shall be treated as a Nonqualified Stock Option if exercise is not undertaken within 90 days of the date of Retirement);

(C) 90 calendar days following termination of employment or service for any reason other than such Participant's death, Disability or Retirement, and other than such Participant's termination of employment or service for Cause, but not later than the expiration of the Option Period; and

(iii) both the unvested and the vested portion of an Option shall immediately expire upon the termination of the Participant's employment or service by the Company for Cause.

(d) Method of Exercise and Form of Payment. No Common Shares shall be delivered pursuant to any exercise of an Option until payment in full of the Exercise Price therefor is received by the Company and the Participant has paid to the Company an amount equal to any federal, state, local and non-U.S. income and employment taxes required to be withheld. Options that have become exercisable may be exercised by delivery of written or electronic notice of exercise to the Company in accordance with the terms of the Award agreement accompanied by payment of the Exercise Price. The Exercise Price shall be payable (i) in cash, check (subject to collection), cash equivalent and/or vested Common Shares valued at the Closing Price at the time the Option is exercised (including, pursuant to procedures approved by the Committee, by means of attestation of ownership of a sufficient number of Common Shares in lieu of actual delivery of such shares to the Company); provided, however, that such Common Shares are not subject to any pledge or other security interest and are Mature Shares and; (ii) by such other method as the Committee may permit in accordance with applicable law, in its sole discretion, including without limitation: (A) in other property having a fair market value (as determined by the Committee in its discretion) on the date of exercise equal to the Exercise Price or (B) if there is a public market for the Common Shares at such time, by means of a broker-assisted "cashless exercise" pursuant to which the Company is delivered a copy of irrevocable instructions to a stockbroker to sell the Common Shares otherwise deliverable upon the exercise of the Option and to deliver promptly to the Company an amount equal to the Exercise Price or (C) by a "net exercise" method whereby the Company withholds from the delivery of the Common Shares for which the Option was exercised that number of Common Shares having a Closing Price equal to the aggregate Exercise Price for the Common Shares for which the Option was exercised. Any fractional Common Shares shall be settled in cash.

(e) Notification upon Disqualifying Disposition of an Incentive Stock Option. Each Participant awarded an Incentive Stock Option under this Plan shall notify the Company in writing immediately after the date he makes a disqualifying disposition of any Common Shares acquired pursuant to the exercise of such Incentive Stock Option. A disqualifying disposition is any disposition (including, without limitation, any sale) of such Common Shares before the later of (A) two years after the Date of Grant of the Incentive Stock Option or (B) one year after the date of exercise of the Incentive Stock Option. The Company may, if determined by the Committee and in accordance with procedures established by the Committee, retain possession of any Common Shares acquired pursuant to the exercise of an Incentive Stock Option as agent for the applicable Participant until the end of the period described in the preceding sentence.

(f) Compliance With Laws, etc. Notwithstanding the foregoing, in no event shall a Participant be permitted to exercise an Option in a manner that the Committee determines would violate the Sarbanes-Oxley Act of 2002, if applicable, or any other applicable law or the applicable rules and regulations of the Securities and Exchange Commission or the applicable rules and regulations of any securities exchange or inter-dealer quotation system on which the securities of the Company are listed or traded.

8. Stock Appreciation Rights.

(a) *Generally.* Each SAR granted under this Plan shall be evidenced by an Award agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each SAR so granted shall be subject to the conditions set forth in this Section 8, and to such other conditions not inconsistent with this Plan as may be reflected in the applicable Award agreement. Any Option granted under this Plan may include tandem SARs. The Committee also may award SARs to Eligible Persons independent of any Option.

(b) *Vesting and Expiration.* A SAR granted in connection with an Option shall become exercisable and shall expire according to the same vesting schedule and expiration provisions as the corresponding Option. A SAR granted independent of an Option shall vest and become exercisable and shall expire in such manner and on such date or dates determined by the Committee and shall expire after such period, not to exceed ten years, as may be determined by the Committee (the "*SAR Period*"); *provided, however*, that notwithstanding any vesting dates set by the Committee, the Committee may, in its sole discretion, accelerate the exercisability of any SAR, which acceleration shall not affect the terms and conditions of such SAR other than with respect to exercisability. Unless otherwise provided by the Committee in an Award agreement:

(i) a SAR shall vest and become exercisable with respect to 100% of the Common Shares subject to such SAR on the third anniversary of the Date of Grant;

(ii) the unvested portion of a SAR shall expire upon termination of employment or service of the Participant granted the SAR, and the vested portion of such SAR shall remain exercisable for:

(A) one year following termination of employment or service by reason of such Participant's death or Disability (with the determination of Disability to be made by the Committee on a case by case basis), but not later than the expiration of the SAR Period;

(B) for directors, officers and employees of the Company only, for the remainder of the SAR Period following termination of employment or service by reason of such Participant's Retirement;

(C) 90 calendar days following termination of employment or service for any reason other than such Participant's death, Disability or Retirement, and other than such Participant's termination of employment or service for Cause, but not later than the expiration of the SAR Period; and

(iii) both the unvested and the vested portion of a SAR shall expire immediately upon the termination of the Participant's employment or service by the Company for Cause.

(c) *Method of Exercise.* SARs that have become exercisable may be exercised by delivery of written or electronic notice of exercise to the Company in accordance with the terms of the Award, specifying the number of SARs to be exercised and the date on which such SARs were awarded. Notwithstanding the foregoing, if on the last day of the Option Period (or in the case of a SAR independent of an option, the SAR Period), the Closing Price exceeds the Strike Price, the Participant has not exercised the SAR or the corresponding Option (if applicable), and neither the SAR nor the corresponding Option (if applicable) has expired, such SAR shall be deemed to have been exercised by the Participant on such last day and the Company shall make the appropriate payment therefor.

(d) *Payment.* Upon the exercise of a SAR, the Company shall pay to the Participant an amount equal to the number of shares subject to the SAR that are being exercised multiplied by the excess, if any, of the Closing Price of one Common Share on the exercise date over the Strike Price, less an amount equal to any federal, state, local and non-U.S. income and employment taxes required to be withheld. The Company shall pay such amount in cash, in Common Shares valued at fair market value, or any combination thereof, as determined by the Committee. Any fractional Common Share shall be settled in cash.

9. Restricted Stock and Restricted Stock Units.

(a) *Generally.* Each grant of Restricted Stock and Restricted Stock Units shall be evidenced by an Award agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each such grant shall be subject to the conditions set forth in this Section 9, and to such other conditions not inconsistent with this Plan as may be reflected in the applicable Award agreement.

(b) Restricted Accounts; Escrow or Similar Arrangement. Upon the grant of Restricted Stock, a book entry in a restricted account shall be established in the Participant's name at the Company's transfer agent and, if the Committee determines that the Restricted Stock shall be held by the Company or in escrow rather than held in such restricted account pending the release of the applicable restrictions, the Committee may require the Participant to additionally execute and deliver to the Company (i) an escrow agreement satisfactory to the Committee, if applicable, and (ii) the appropriate share power (endorsed in blank) with respect to the Restricted Stock covered by such agreement. If a Participant shall fail to execute an agreement evidencing an Award of Restricted Stock and, if applicable, an escrow agreement and blank share power within the amount of time specified by the Committee, the Award shall be null and void *ab initio*. Subject to the restrictions set forth in this Section 9 and the applicable Award agreement, the Participant generally shall have the rights and privileges of a stockholder as to such Restricted Stock, including without limitation the right to vote such Restricted Stock and the right to receive dividends, if applicable. To the extent shares of Restricted Stock are forfeited, any share certificates issued to the Participant evidencing such shares shall be returned to the Company, and all rights of the Participant to such shares and as a stockholder with respect thereto shall terminate without further obligation on the part of the Company.

(c) Vesting; Acceleration of Lapse of Restrictions. Unless otherwise provided by the Committee in an Award agreement: (i) the Restricted Period shall lapse with respect to 100% of the Restricted Stock and Restricted Stock Units on the third (3rd) anniversary of the Date of Grant; and (ii) the unvested portion of Restricted Stock and Restricted Stock Units shall terminate and be forfeited upon termination of employment or service of the Participant granted the applicable Award.

(d) Delivery of Restricted Stock and Settlement of Restricted Stock Units. (i) Upon the expiration of the Restricted Period with respect to any shares of Restricted Stock, the restrictions set forth in the applicable certificate shall be of no further force or effect with respect to such shares, except as set forth in the applicable Award agreement. If an escrow arrangement is used, upon such expiration, the Company shall deliver to the Participant, or his beneficiary, without charge, the share certificate evidencing the shares of Restricted Stock that have not then been forfeited and with respect to which the Restricted Period has expired (rounded down to the nearest full share). Dividends, if any, that may have been withheld by the Committee and attributable to any particular share of Restricted Stock shall be distributed to the Participant in cash or, at the sole discretion of the Committee, in Common Shares having a Closing Price equal to the amount of such dividends, upon the release of restrictions on such share and, if such share is forfeited, the Participant shall have no right to such dividends (except as otherwise set forth by the Committee in the applicable Award agreement).

(ii) Unless otherwise provided by the Committee in an Award agreement, upon the expiration of the Restricted Period with respect to any outstanding Restricted Stock Units, the Company shall deliver to the Participant, or his beneficiary, without charge, one Common Share for each such outstanding Restricted Stock Unit; provided, however, that the Committee may, in its sole discretion and subject to the requirements of Section 409A of the Code, elect to (i) pay cash or part cash and part Common Share in lieu of delivering only Common Shares in respect of such Restricted Stock Units or (ii) defer the delivery of Common Shares (or cash or part Common Shares and part cash, as the case may be) beyond the expiration of the Restricted Period if such delivery would result in a violation of applicable law until such time as is no longer the case. If a cash payment is made in lieu of delivering Common Shares, the amount of such payment shall be equal to the Closing Price of the Common Shares as of the date on which the Restricted Period lapsed with respect to such Restricted Stock Units, less an amount equal to any federal, state, local and non-U.S. income and employment taxes required to be withheld.

10. Stock Bonus Awards. The Committee may issue unrestricted Common Shares, or other Awards denominated in Common Shares, under this Plan to Eligible Persons, either alone or in tandem with other awards, in such amounts as the Committee shall from time to time in its sole discretion determine. Each Stock Bonus Award granted under this Plan shall be evidenced by an Award agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each Stock Bonus Award so granted shall be subject to such conditions not inconsistent with this Plan as may be reflected in the applicable Award agreement.

11. *Performance Compensation Awards.*

(a) *Generally.* The Committee shall have the authority, at the time of grant of any Award described in Sections 7 through 10 of this Plan, to designate such Award as a Performance Compensation Award intended to qualify as “performance-based compensation” under Section 162(m) of the Code. The Committee shall have the authority to make an award of a cash bonus to any Participant and designate such Award as a Performance Compensation Award intended to qualify as “performance-based compensation” under Section 162(m) of the Code.

(b) *Discretion of Committee with Respect to Performance Compensation Awards.* With regard to a particular Performance Period, the Committee shall have sole discretion to select the length of such Performance Period, the type(s) of Performance Compensation Awards to be issued, the Performance Criteria that will be used to establish the Performance Goal(s), the kind(s) and/or level(s) of the Performance Goals(s) that is (are) to apply and the Performance Formula. Within the first 90 calendar days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code, if applicable), the Committee shall, with regard to the Performance Compensation Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence and record the same in writing.

(c) *Performance Criteria.* The Performance Criteria that will be used to establish the Performance Goal(s) shall be based on the attainment of specific levels of performance of the Company and/or one or more Affiliates, divisions or operational units, or any combination of the foregoing, as determined by the Committee. Any one or more of the Performance Criteria adopted by the Committee may be used on an absolute or relative basis to measure the performance of the Company and/or one or more Affiliates as a whole or any business unit(s) of the Company and/or one or more Affiliates or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Criteria may be compared to the performance of a selected group of comparison companies, or a published or special index that the Committee, in its sole discretion, deems appropriate, or as compared to various stock market indices. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of Performance Goals pursuant to the Performance Criteria specified in this paragraph. To the extent required under Section 162(m) of the Code, the Committee shall, within the first 90 calendar days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code), define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period and thereafter promptly communicate such Performance Criteria to the Participant.

(d) *Modification of Performance Goal(s).* In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Criteria without obtaining stockholder approval of such alterations, the Committee shall have sole discretion to make such alterations without obtaining stockholder approval. The Committee is authorized at any time during the first 90 calendar days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code, if applicable), or at any time thereafter to the extent the exercise of such authority at such time would not cause the Performance Compensation Awards granted to any Participant for such Performance Period to fail to qualify as “performance-based compensation” under Section 162(m) of the Code, in its sole discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period, based on and in order to appropriately reflect the following events: (i) asset write-downs; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results; (iv) any reorganization and restructuring programs; (v) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 (or any successor pronouncement thereto) and/or in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s annual report to stockholders for the applicable year; (vi) acquisitions or divestitures; (vii) any other specific unusual or nonrecurring events, or objectively determinable category thereof; (viii) foreign exchange gains and losses; and (ix) a change in the Company’s fiscal year.

(e) *Payment of Performance Compensation Awards.*

(i) *Condition to Receipt of Payment.* Unless otherwise provided in the applicable Award agreement, a Participant must be employed by the Company on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award for such Performance Period.

(ii) Limitation. A Participant shall be eligible to receive payment in respect of a Performance Compensation Award only to the extent that: (A) the Performance Goals for such period are achieved; and (B) all or some of the portion of such Participant's Performance Compensation Award has been earned for the Performance Period based on the application of the Performance Formula to such achieved Performance Goals.

(iii) Certification. Following the completion of a Performance Period, the Committee shall review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, calculate and certify in writing that amount of the Performance Compensation Awards earned for the period based upon the Performance Formula. The Committee shall then determine the amount of each Participant's Performance Compensation Award actually payable for the Performance Period and, in so doing, may apply Negative Discretion.

(iv) Use of Negative Discretion. In determining the actual amount of an individual Participant's Performance Compensation Award for a Performance Period, the Committee may reduce or eliminate the amount of the Performance Compensation Award earned under the Performance Formula in the Performance Period through the use of Negative Discretion if, in its sole judgment, such reduction or elimination is appropriate. The Committee shall not have the discretion, except as is otherwise provided in this Plan, to (A) grant or provide payment in respect of Performance Compensation Awards for a Performance Period if the Performance Goals for such Performance Period have not been attained; or (B) increase a Performance Compensation Award above the applicable limitations set forth in Section 5 of this Plan.

(f) Timing of Award Payments. Performance Compensation Awards granted for a Performance Period shall be paid to Participants as soon as administratively practicable following completion of the certifications required by this Section 11, but in no event later than two-and-one-half months following the end of the fiscal year during which the Performance Period is completed in order to comply with the short-term deferral rules under Section 1.409A-1(b)(4) of the Treasury Regulations. Notwithstanding the foregoing, payment of a Performance Compensation Award may be delayed, as permitted by Section 1.409A-2(b)(7)(i) of the Treasury Regulations, to the extent that the Company reasonably anticipates that if such payment were made as scheduled, the Company's tax deduction with respect to such payment would not be permitted due to the application of Section 162(m) of the Code.

12. Changes in Capital Structure and Similar Events. In the event of (a) any dividend or other distribution (whether in the form of cash, Common Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, amalgamation, consolidation, split-up, split-off, combination, repurchase or exchange of Common Shares or other securities of the Company, issuance of warrants or other rights to acquire Common Shares or other securities of the Company, or other similar corporate transaction or event (including, without limitation, a Change in Control) that affects the Common Shares, or (b) unusual or nonrecurring events (including, without limitation, a Change in Control) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, such that in either case an adjustment is determined by the Committee in its sole discretion to be necessary or appropriate, then the Committee shall make any such adjustments that are equitable, including without limitation any or all of the following:

(i) adjusting any or all of (A) the number of Common Shares or other securities of the Company (or number and kind of other securities or other property) that may be delivered in respect of Awards or with respect to which Awards may be granted under this Plan (including, without limitation, adjusting any or all of the limitations under Section 5 of this Plan) and (B) the terms of any outstanding Award, including, without limitation, (1) the number of Common Shares or other securities of the Company (or number and kind of other securities or other property) subject to outstanding Awards or to which outstanding Awards relate, (2) the Exercise Price or Strike Price with respect to any Award or (3) any applicable performance measures (including, without limitation, Performance Criteria and Performance Goals);

(ii) providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event; and

(iii) subject to the requirements of Section 409A of the Code, canceling any one or more outstanding Awards and causing to be paid to the holders thereof, in cash, Common Shares, other securities or other property, or any combination thereof, the value of such Awards, if any, as determined by the Committee (which if applicable may be based upon the price per Common Share received or to be received by other stockholders of the Company in such event), including without limitation, in the case of an outstanding Option or SAR, a cash payment in an amount equal to the excess, if any, of the fair market value (as of a date specified by the Committee) of the Common Shares subject to such Option or SAR over the aggregate Exercise Price or Strike Price of such Option or SAR, respectively (it being understood that, in such event, any Option or SAR having a per share Exercise Price or Strike Price equal to, or in excess of, the fair market value of a Common Share subject thereto may be canceled and terminated without any payment or consideration therefor); provided, however, that in the case of any “equity restructuring” (within the meaning of the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004) or ASC Topic 718, or any successor thereto), the Committee shall make an equitable or proportionate adjustment to outstanding Awards to reflect such equity restructuring. Any adjustment in Incentive Stock Options under this Section 12 (other than any cancellation of Incentive Stock Options) shall be made only to the extent not constituting a “modification” within the meaning of Section 424(h)(3) of the Code, and any adjustments under this Section 12 shall be made in a manner that does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

13. *Effect of Change in Control.* Except to the extent otherwise provided in an Award agreement or as determined by the Committee in its sole discretion, in the event of a Change in Control, notwithstanding any provision of this Plan to the contrary, with respect to all or any portion of a particular outstanding Award or Awards:

(a) all of the then outstanding Options and SARs may immediately vest and may become immediately exercisable as of a time prior to the Change in Control;

(b) the Restricted Period may expire as of a time prior to the Change in Control (including without limitation a waiver of any applicable Performance Goals);

(c) Performance Periods in effect on the date the Change in Control occurs may end on such date, and the Committee (i) shall determine the extent to which Performance Goals with respect to each such Performance Period have been met based upon such audited or unaudited financial information or other information then available as it deems relevant and (ii) may cause the Participant to receive partial or full payment of Awards for each such Performance Period based upon the Committee’s determination of the degree of attainment of the Performance Goals, or assuming that the applicable “target” levels of performance have been attained or on such other basis determined by the Committee.

To the extent practicable, any actions taken by the Committee under the immediately preceding clauses (a) through (c) shall occur in a manner and at a time which allows affected Participants the ability to participate in the Change in Control transactions with respect to the Common Shares subject to their Awards. In the event no action is taken by the Committee to allow for the changes set forth in immediately preceding clauses (a) through (c), then no changes to the Award shall be effected.

14. *Amendments and Termination.*

(a) Amendment and Termination of this Plan. The Board may amend, alter, suspend, discontinue, or terminate this Plan or any portion thereof at any time; provided, that (i) no amendment to the definition of Eligible Employee in Section 2, Section 5(i), Section 11(c) or Section 14(b) (to the extent required by the proviso in such Section 14(b)) shall be made without stockholder approval and (ii) no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to this Plan (including, without limitation, as necessary to comply with any rules or requirements of any securities exchange or inter-dealer quotation system on which the Common Shares may be listed or quoted or to prevent the Company from being denied a tax deduction under Section 162(m) of the Code); and, provided, further, that any such amendment, alteration, suspension, discontinuance or termination that would materially and adversely affect the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the prior written consent of the affected Participant, holder or beneficiary.

(b) Amendment of Award Agreements. The Committee may, to the extent consistent with the terms of any applicable Award agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted or the associated Award agreement, prospectively or retroactively; provided, however that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely affect the rights of any Participant with respect to any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant; and, provided, further, that without stockholder approval, except as otherwise permitted under Section 12 of this Plan, (i) no amendment or modification may reduce the Exercise Price of any Option or the Strike Price of any SAR, (ii) the Committee may not cancel any outstanding Option or SAR and replace it with a new Option or SAR, another Award or cash or take any action that would have the effect of treating such Award as a new Award for tax or accounting purposes and (iii) the Committee may not take any other action that is considered a “repricing” for purposes of the stockholder approval rules of the applicable securities exchange or inter-dealer quotation system on which the Common Shares are listed or quoted.

15. General.

(a) Award Agreements. Each Award under this Plan shall be evidenced by an Award agreement, which shall be delivered to the Participant (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)) and shall specify the terms and conditions of the Award and any rules applicable thereto, including without limitation, the effect on such Award of the death, Disability or termination of employment or service of a Participant, or of such other events as may be determined by the Committee. The Company’s failure to specify any term of any Award in any particular Award agreement shall not invalidate such term, provided such terms was duly adopted by the Board or the Committee.

(b) Nontransferability; Trading Restrictions.

(i) Each Award shall be exercisable only by a Participant during the Participant’s lifetime, or, if permissible under applicable law, by the Participant’s legal guardian or representative. No Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or an Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(ii) Notwithstanding the foregoing, the Committee may, in its sole discretion, permit Awards (other than Incentive Stock Options) to be transferred by a Participant, with or without consideration, subject to such rules as the Committee may adopt consistent with any applicable Award agreement to preserve the purposes of this Plan, to: (A) any person who is a “family member” of the Participant, as such term is used in the instructions to Form S-8 under the Securities Act (collectively, the “Immediate Family Members”); (B) a trust solely for the benefit of the Participant and his or her Immediate Family Members; or (C) a partnership or limited liability company whose only partners or stockholders are the Participant and his or her Immediate Family Members; or (D) any other transferee as may be approved either (I) by the Board or the Committee in its sole discretion, or (II) as provided in the applicable Award agreement (each transferee described in clauses (A), (B) (C) and (D) above is hereinafter referred to as a “Permitted Transferee”); provided, that the Participant gives the Committee advance written notice describing the terms and conditions of the proposed transfer and the Committee notifies the Participant in writing that such a transfer would comply with the requirements of this Plan.

(iii) The terms of any Award transferred in accordance with the immediately preceding sentence shall apply to the Permitted Transferee and any reference in this Plan, or in any applicable Award agreement, to a Participant shall be deemed to refer to the Permitted Transferee, except that (A) Permitted Transferees shall not be entitled to transfer any Award, other than by will or the laws of descent and distribution; (B) Permitted Transferees shall not be entitled to exercise any transferred Option unless there shall be in effect a registration statement on an appropriate form covering the Common Shares to be acquired pursuant to the exercise of such Option if the Committee determines, consistent with any applicable Award agreement, that such a registration statement is necessary or appropriate; (C) the Committee or the Company shall not be required to provide any notice to a Permitted Transferee, whether or not such notice is or would otherwise have been required to be given to the Participant under this Plan or otherwise; and (D) the consequences of the termination of the Participant’s employment by, or services to, the Company or an Affiliate under the terms of this Plan and the applicable Award agreement shall continue to be applied with respect to the Participant, including, without limitation, that an Option shall be exercisable by the Permitted Transferee only to the extent, and for the periods, specified in this Plan and the applicable Award agreement.

(iv) The Committee shall have the right, either on an Award-by-Award basis or as a matter of policy for all Awards or one or more classes of Awards, to condition the delivery of vested Common Shares received in connection with such Award on the Participant's agreement to such restrictions as the Committee may determine.

(c) Tax Withholding.

(i) A Participant shall be required to pay to the Company or any Affiliate, or the Company or any Affiliate shall have the right and is hereby authorized to withhold, from any cash, Common Shares, other securities or other property deliverable under any Award or from any compensation or other amounts owing to a Participant, the amount (in cash, Common Shares, other securities or other property) of any required withholding taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under this Plan and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such withholding and taxes.

(ii) Without limiting the generality of clause (i) above, the Committee may, in its sole discretion, permit a Participant to satisfy, in whole or in part, the foregoing withholding liability by (A) the delivery of Common Shares (which are not subject to any pledge or other security interest and are Mature Shares) owned by the Participant having a fair market value equal to such withholding liability or (B) having the Company withhold from the number of Common Shares otherwise issuable or deliverable pursuant to the exercise or settlement of the Award a number of shares with a fair market value equal to such withholding liability (but no more than the minimum required statutory withholding liability).

(d) No Claim to Awards; No Rights to Continued Employment; Waiver. No employee of the Company or an Affiliate, or other person, shall have any claim or right to be granted an Award under this Plan or, having been selected for the grant of an Award, to be selected for a grant of any other Award. There is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated. Neither this Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ or service of the Company or an Affiliate, nor shall it be construed as giving any Participant any rights to continued service on the Board. The Company or any of its Affiliates may at any time dismiss a Participant from employment or discontinue any consulting relationship, free from any liability or any claim under this Plan, unless otherwise expressly provided in this Plan or any Award agreement. By accepting an Award under this Plan, a Participant shall thereby be deemed to have waived any claim to continued exercise or vesting of an Award or to damages or severance entitlement related to non-continuation of the Award beyond the period provided under this Plan or any Award agreement, notwithstanding any provision to the contrary in any written employment contract or other agreement between the Company and its Affiliates and the Participant, whether any such agreement is executed before, on or after the Date of Grant.

(e) International Participants. With respect to Participants who reside or work outside of the United States of America and who are not (and who are not expected to be) "covered employees" within the meaning of Section 162(m) of the Code, the Committee may in its sole discretion amend the terms of this Plan or outstanding Awards (or establish a sub-plan) with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant, the Company or its Affiliates.

(f) Designation and Change of Beneficiary. Each Participant may file with the Committee a written designation of one or more persons as the beneficiary(ies) who shall be entitled to receive the amounts payable with respect to an Award, if any, due under this Plan upon his or her death. A Participant may, from time to time, revoke or change his or her beneficiary designation without the consent of any prior beneficiary by filing a new designation with the Committee. The last such designation filed with the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by a Participant, the beneficiary shall be deemed to be his or her spouse or, if the Participant is unmarried at the time of death, his or her estate. Upon the occurrence of a Participant's divorce (as evidenced by a final order or decree of divorce), any spousal designation previously given by such Participant shall automatically terminate.

(g) Termination of Employment/Service. Unless determined otherwise by the Committee at any point following such event: (i) neither a temporary absence from employment or service due to illness, vacation or leave of absence nor a transfer from employment or service with the Company to employment or service with an Affiliate (or vice-versa) shall be considered a termination of employment or service with the Company or an Affiliate; and (ii) if a Participant's employment with the Company and its Affiliates terminates, but such Participant continues to provide services to the Company and its Affiliates in a non-employee capacity (or vice-versa), such change in status shall not be considered a termination of employment with the Company or an Affiliate.

(h) No Rights as a Stockholder. Except as otherwise specifically provided in this Plan or any Award agreement, no person shall be entitled to the privileges of ownership in respect of Common Shares that are subject to Awards hereunder until such shares have been issued or delivered to that person.

(i) Government and Other Regulations.

(i) The obligation of the Company to settle Awards in Common Shares or other consideration shall be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Award to the contrary, the Company shall be under no obligation to offer to sell or to sell, and shall be prohibited from offering to sell or selling, any Common Shares pursuant to an Award unless such shares have been properly registered for sale pursuant to the Securities Act with the Securities and Exchange Commission or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale under the Securities Act any of the Common Shares to be offered or sold under this Plan. The Committee shall have the authority to provide that all certificates for Common Shares or other securities of the Company or any Affiliate delivered under this Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under this Plan, the applicable Award agreement, the federal securities laws, or the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or inter-dealer quotation system upon which such shares or other securities are then listed or quoted and any other applicable federal, state, local or non-U.S. laws, and, without limiting the generality of Section 9 of this Plan, the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. Notwithstanding any provision in this Plan to the contrary, the Committee reserves the right to add any additional terms or provisions to any Award granted under this Plan that it in its sole discretion deems necessary or advisable in order that such Award complies with the legal requirements of any governmental entity to whose jurisdiction the Award is subject.

(ii) The Committee may cancel an Award or any portion thereof if it determines, in its sole discretion, that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of Common Shares from the public markets, the Company's issuance of Common Shares to the Participant, the Participant's acquisition of Common Shares from the Company and/or the Participant's sale of Common Shares to the public markets, illegal, impracticable or inadvisable. If the Committee determines to cancel all or any portion of an Award in accordance with the foregoing, unless doing so would violate Section 409A of the Code, the Company shall pay to the Participant an amount equal to the excess of (A) the aggregate fair market value of the Common Shares subject to such Award or portion thereof canceled (determined as of the applicable exercise date, or the date that the shares would have been vested or delivered, as applicable), over (B) the aggregate Exercise Price or Strike Price (in the case of an Option or SAR, respectively) or any amount payable as a condition of delivery of Common Shares (in the case of any other Award). Such amount shall be delivered to the Participant as soon as practicable following the cancellation of such Award or portion thereof. The Committee shall have the discretion to consider and take action to mitigate the tax consequence to the Participant in cancelling an Award in accordance with this clause.

(j) Payments to Persons Other Than Participants. If the Committee shall find that any person to whom any amount is payable under this Plan is unable to care for his affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs the Company, be paid to his spouse, child, relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(k) Nonexclusivity of this Plan. Neither the adoption of this Plan by the Board nor the submission of this Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options or other equity-based awards otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

(l) No Trust or Fund Created. Neither this Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate, on the one hand, and a Participant or other person or entity, on the other hand. No provision of this Plan or any Award shall require the Company, for the purpose of satisfying any obligations under this Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Participants shall have no rights under this Plan other than as general unsecured creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees under general law.

(m) Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in acting or failing to act, as the case may be, and shall not be liable for having so acted or failed to act in good faith, in reliance upon any report made by the independent public accountant of the Company and its Affiliates and/or any other information furnished in connection with this Plan by any agent of the Company or the Committee or the Board, other than himself.

(n) Relationship to Other Benefits. No payment under this Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company except as otherwise specifically provided in such other plan.

(o) Governing Law. The Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to the conflict of laws provisions.

(p) Severability. If any provision of this Plan or any Award or Award agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or entity or Award, or would disqualify this Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws in the manner that most closely reflects the original intent of the Award or the Plan, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of this Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, person or entity or Award and the remainder of this Plan and any such Award shall remain in full force and effect.

(q) Obligations Binding on Successors. The obligations of the Company under this Plan shall be binding upon any successor corporation or organization resulting from the merger, amalgamation, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company.

(r) Code Section 162(m) Approval. If so determined by the Committee, the provisions of this Plan regarding Performance Compensation Awards shall be disclosed and reapproved by stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which stockholders previously approved such provisions, in each case in order for certain Awards granted after such time to be exempt from the deduction limitations of Section 162(m) of the Code. Nothing in this clause, however, shall affect the validity of Awards granted after such time if such stockholder approval has not been obtained.

(s) Expenses; Gender; Titles and Headings. The expenses of administering this Plan shall be borne by the Company and its Affiliates. Masculine pronouns and other words of masculine gender shall refer to both men and women. The titles and headings of the sections in this Plan are for convenience of reference only, and in the event of any conflict, the text of this Plan, rather than such titles or headings shall control.

(t) Other Agreements. Notwithstanding the above, the Committee may require, as a condition to the grant of and/or the receipt of Common Shares under an Award, that the Participant execute lock-up, stockholder or other agreements, as it may determine in its sole and absolute discretion.

(u) Section 409A. The Plan and all Awards granted hereunder are intended to comply with, or otherwise be exempt from, the requirements of Section 409A of the Code. The Plan and all Awards granted under this Plan shall be administered, interpreted, and construed in a manner consistent with Section 409A of the Code to the extent necessary to avoid the imposition of additional taxes under Section 409A(a)(1)(B) of the Code. Notwithstanding anything in this Plan to the contrary, in no event shall the Committee exercise its discretion to accelerate the payment or settlement of an Award where such payment or settlement constitutes deferred compensation within the meaning of Section 409A of the Code unless, and solely to the extent that, such accelerated payment or settlement is permissible under Section 1.409A-3(j)(4) of the Treasury Regulations. If a Participant is a "specified employee" (within the meaning of Section 1.409A-1(i) of the Treasury Regulations) at any time during the twelve (12)-month period ending on the date of his termination of employment, and any Award hereunder subject to the requirements of Section 409A of the Code is to be satisfied on account of the Participant's termination of employment, satisfaction of such Award shall be suspended until the date that is six (6) months after the date of such termination of employment.

(v) Payments. Participants shall be required to pay, to the extent required by applicable law, any amounts required to receive Common Shares under any Award made under this Plan.

NORTHANN CORP.

Code of Ethics and Business Conduct

1. Introduction.

1.1 The Board of Directors (the "**Board**") of Northann Corp. (the "**Company**") has adopted this Code of Ethics and Business Conduct (the "**Code**") in order to:

- (a) promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- (b) promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (the "**SEC**") and in other public communications made by the Company;
- (c) promote compliance with applicable governmental laws, rules and regulations;
- (d) promote the protection of Company assets, including corporate opportunities and confidential information;
- (e) promote fair dealing practices;
- (f) deter wrongdoing; and
- (g) ensure accountability for adherence to the Code.

1.2 All directors, officers and employees are required to be familiar with the Code, comply with its provisions and report any suspected violations as described below in Section **10**, Reporting and Enforcement.

2. Honest and Ethical Conduct.

2.1 The Company's policy is to promote high standards of integrity by conducting its affairs honestly and ethically.

2.2 Each director, officer and employee must act with integrity and observe the highest ethical standards of business conduct in his or her dealings with the Company's customers, suppliers, partners, service providers, competitors, employees and anyone else with whom he or she has contact in the course of performing his or her job.

3. Conflicts of Interest.

3.1 A conflict of interest occurs when an individual's private interest (or the interest of a member of his or her family) interferes, or even appears to interfere, with the interests of the Company as a whole. A conflict of interest can arise when an employee, officer or director (or a member of his or her family) takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest also arise when an employee, officer or director (or a member of his or her family) receives improper personal benefits as a result of his or her position in the Company.

3.2 Loans by the Company to, or guarantees by the Company of obligations of, employees or their family members are of special concern and could constitute improper personal benefits to the recipients of such loans or guarantees, depending on the facts and circumstances. Loans by the Company to, or guarantees by the Company of obligations of, any director or executive officer or their family members are expressly prohibited.

3.3 Whether or not a conflict of interest exists or will exist can be unclear. Conflicts of interest should be avoided unless specifically authorized as described in Section 3.4.

3.4 Persons other than directors and executive officers who have questions about a potential conflict of interest or who become aware of an actual or potential conflict should discuss the matter with, and seek a determination and prior authorization or approval from, their supervisor or the Chief Financial Officer. A supervisor may not authorize or approve conflict of interest matters or make determinations as to whether a problematic conflict of interest exists without first providing the Chief Financial Officer with a written description of the activity and seeking the Chief Financial Officer's written approval. If the supervisor is himself involved in the potential or actual conflict, the matter should instead be discussed directly with the Chief Financial Officer.

Directors and executive officers must seek determinations and prior authorizations or approvals of potential conflicts of interest exclusively from the Audit Committee.

4. Compliance.

4.1 Employees, officers and directors should comply, both in letter and spirit, with all applicable laws, rules and regulations in the cities, states and countries in which the Company operates.

4.2 Although not all employees, officers and directors are expected to know the details of all applicable laws, rules and regulations, it is important to know enough to determine when to seek advice from appropriate personnel. Questions about compliance should be addressed to the Legal Department.

4.3 No director, officer or employee may purchase or sell any Company securities while in possession of material nonpublic information regarding the Company, nor may any director, officer or employee purchase or sell another company's securities while in possession of material nonpublic information regarding that company. It is against Company policies and illegal for any director, officer or employee to use material nonpublic information regarding the Company or any other company to:

- (a) obtain profit for himself or herself; or
- (b) directly or indirectly "tip" others who might make an investment decision on the basis of that information.

5. Disclosure.

5.1 The Company's periodic reports and other documents filed with the SEC, including all financial statements and other financial information, must comply with applicable federal securities laws and SEC rules.

5.2 Each director, officer and employee who contributes in any way to the preparation or verification of the Company's financial statements and other financial information must ensure that the Company's books, records and accounts are accurately maintained. Each director, officer and employee must cooperate fully with the Company's accounting and internal audit departments, as well as the Company's independent public accountants and counsel.

5.3 Each director, officer and employee who is involved in the Company's disclosure process must:

- (a) be familiar with and comply with the Company's disclosure controls and procedures and its internal control over financial reporting; and
- (b) take all necessary steps to ensure that all filings with the SEC and all other public communications about the financial and business condition of the Company provide full, fair, accurate, timely and understandable disclosure.

6. Protection and Proper Use of Company Assets.

6.1 All directors, officers and employees should protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability and are prohibited.

6.2 All Company assets should be used only for legitimate business purposes. Any suspected incident of fraud or theft should be reported for investigation immediately.

6.3 The obligation to protect Company assets includes the Company's proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business and marketing plans, engineering and manufacturing ideas, designs, databases, records and any nonpublic financial data or reports. Unauthorized use or distribution of this information is prohibited and could also be illegal and result in civil or criminal penalties.

7. Corporate Opportunities. All directors, officers and employees owe a duty to the Company to advance its interests when the opportunity arises. Directors, officers and employees are prohibited from taking for themselves personally (or for the benefit of friends or family members) opportunities that are discovered through the use of Company assets, property, information or position. Directors, officers and employees may not use Company assets, property, information or position for personal gain (including gain of friends or family members). In addition, no director, officer or employee may compete with the Company.

8. Confidentiality. Directors, officers and employees should maintain the confidentiality of information entrusted to them by the Company or by its customers, suppliers or partners, except when disclosure is expressly authorized or is required or permitted by law. Confidential information includes all nonpublic information (regardless of its source) that might be of use to the Company's competitors or harmful to the Company or its customers, suppliers or partners if disclosed.

9. Fair Dealing. Each director, officer and employee must deal fairly with the Company's customers, suppliers, partners, service providers, competitors, employees and anyone else with whom he or she has contact in the course of performing his or her job. No director, officer or employee may take unfair advantage of anyone through manipulation, concealment, abuse or privileged information, misrepresentation of facts or any other unfair dealing practice.

10. Reporting and Enforcement.

10.1 Reporting and Investigation of Violations.

(a) Actions prohibited by this Code involving directors or executive officers must be reported to the Audit Committee.

(b) Actions prohibited by this Code involving anyone other than a director or executive officer must be reported to the reporting person's supervisor or the Chief Financial Officer.

(c) After receiving a report of an alleged prohibited action, the Audit Committee, the relevant supervisor or the Chief Financial Officer must promptly take all appropriate actions necessary to investigate.

(d) All directors, officers and employees are expected to cooperate in any internal investigation of misconduct.

10.2 Enforcement.

(a) The Company must ensure prompt and consistent action against violations of this Code.

(b) If, after investigating a report of an alleged prohibited action by a director or executive officer, the Audit Committee determines that a violation of this Code has occurred, the Audit Committee will report such determination to the Board.

(c) If, after investigating a report of an alleged prohibited action by any other person, the relevant supervisor or the Chief Financial Officer determines that a violation of this Code has occurred, the supervisor or the Chief Financial Officer will report such determination to the Board.

(d) Upon receipt of a determination that there has been a violation of this Code, the Board will take such preventative or disciplinary action as it deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the law, notification of appropriate governmental authorities.

10.3 Waivers.

(a) The Board may, in its discretion, waive any violation of this Code.

(b) Any waiver for a director or an executive officer shall be disclosed as required by SEC and Nasdaq rules.

10.4 Prohibition on Retaliation.

The Company does not tolerate acts of retaliation against any director, officer or employee who makes a good faith report of known or suspected acts of misconduct or other violations of this Code.

Northann Corp.**Insider Trading Policy**

This Insider Trading Policy describes the standards of Northann Corp. and its subsidiaries (the "**Company**") on trading, and causing the trading of, the Company's securities or securities of certain other publicly traded companies while in possession of confidential information. This Policy is divided into two parts: the first part prohibits trading in certain circumstances and applies to all directors, officers and employees and their respective immediate family members of the Company and the second part imposes special additional trading restrictions and applies to all (i) directors of the Company, (ii) executive officers of the Company (together with the directors, "**Company Insiders**"), and (iii) certain other employees that the Company may designate from time to time as "Covered Persons" because of their position, responsibilities or their actual or potential access to material information.

One of the principal purposes of the federal securities laws is to prohibit so-called "insider trading." Simply stated, insider trading occurs when a person uses material nonpublic information obtained through involvement with the Company to make decisions to purchase, sell, give away or otherwise trade the Company's securities or the securities of certain other companies or to provide that information to others outside the Company. The prohibitions against insider trading apply to trades, tips and recommendations by virtually any person, including all persons associated with the Company, if the information involved is "material" and "nonpublic." These terms are defined in this Policy under Part I, Section 3 below. The prohibitions would apply to any director, officer or employee who buys or sells securities on the basis of material nonpublic information that he or she obtained about the Company, its customers, suppliers, partners, competitors or other companies with which the Company has contractual relationships or may be negotiating transactions.

PART I**1. Applicability**

This Policy applies to all trading or other transactions in (i) the Company's securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company's securities, whether or not issued by the Company and (ii) the securities of certain other companies, including common stock, options and other securities issued by those companies as well as derivative securities relating to any of those companies' securities.

This Policy applies to all employees of the Company, all officers of the Company and all members of the Company's board of directors, officers, employees, and their respective family members.

2. General Policy: No Trading or Causing Trading While in Possession of Material Nonpublic Information

(a) No director, officer or employee or any of their immediate family members may purchase or sell, or offer to purchase or sell, any Company security, whether or not issued by the Company, while in possession of material nonpublic information about the Company. (The terms "material" and "nonpublic" are defined in Part I, Section 3(a) and (b) below.)

(b) No director, officer or employee or any of their immediate family members who knows of any material nonpublic information about the Company may communicate that information to ("**tip**") any other person, including family members and friends, or otherwise disclose such information without the Company's authorization.

(c) No director, officer or employee or any of their immediate family members may purchase or sell any security of any other publicly-traded company while in possession of material nonpublic information that was obtained in the course of his or her involvement with the Company. No director, officer or employee or any of their immediate family members who knows of any such material nonpublic information may communicate that information to, or tip, any other person, including family members and friends, or otherwise disclose such information without the Company's authorization.

(d) For compliance purposes, you should never trade, tip or recommend securities (or otherwise cause the purchase or sale of securities) while in possession of information that you have reason to believe is material and nonpublic unless you first consult with, and obtain the advance approval of, the Compliance Officer (which is defined in Part I, Section 3(c) below).

(e) Covered Persons must "pre-clear" all trading in securities of the Company in accordance with the procedures set forth in Part II, Section 3 below.

3. Definitions

(a) Material. Insider trading restrictions come into play only if the information you possess is "material." Materiality, however, involves a relatively low threshold. Information is generally regarded as "material" if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found material in particular situations:

- (i) significant changes in the Company's prospects;
- (ii) significant write-downs in assets or increases in reserves;
- (iii) developments regarding significant litigation or government agency investigations;
- (iv) liquidity problems;
- (v) changes in earnings estimates or unusual gains or losses in major operations;
- (vi) major changes in the Company's management or the board of directors;
- (vii) changes in dividends;
- (viii) extraordinary borrowings;
- (ix) major changes in accounting methods or policies;
- (x) award or loss of a significant contract;
- (xi) cybersecurity risks and incidents, including vulnerabilities and breaches;

- (xii) changes in debt ratings;
- (xiii) proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets; and
- (xiv) offerings of Company securities.

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular nonpublic information is material, you should presume it is material. **If you are unsure whether information is material, you should either consult the Compliance Officer before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates or assume that the information is material.**

(b) Nonpublic. Insider trading prohibitions come into play only when you possess information that is material and "nonpublic." The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be "public" the information must have been disseminated in a manner designed to reach investors generally, and the investors must be given the opportunity to absorb the information. Even after public disclosure of information about the Company, you must wait until the close of business on the second trading day after the information was publicly disclosed before you can treat the information as public.

Nonpublic information may include:

- (i) information available to a select group of analysts or brokers or institutional investors;
- (ii) undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and
- (iii) information that has been entrusted to the Company on a confidential basis until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information, normally two trading days.

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Compliance Officer or assume that the information is nonpublic and treat it as confidential.

(c) Compliance Officer. The Company has appointed the Chief Financial Officer as the Compliance Officer for this Policy. The duties of the Compliance Officer include, but are not limited to, the following:

- (i) assisting with implementation and enforcement of this Policy;
- (ii) circulating this Policy to all employees and ensuring that this Policy is amended as necessary to remain up-to-date with insider trading laws;

- (iii) pre-clearing all trading in securities of the Company by Covered Persons in accordance with the procedures set forth in Part II, Section 3 below; and
- (iv) providing approval of any Rule 10b5-1 plans under Part II, Section 1(c) below and any prohibited transactions under Part II, Section 4 below.
- (v) providing a reporting system with an effective whistleblower protection mechanism.

4. Exceptions

The trading restrictions of this Policy do not apply to exercising stock options granted under the Company's current or future equity incentive plans or option plans for cash or the delivery of previously owned Company stock. However, the sale of any shares issued on the exercise of Company-granted stock options and any cashless exercise of Company-granted stock options are subject to trading restrictions under this Policy.

5. Violations of Insider Trading Laws

Penalties for trading on or communicating material nonpublic information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

(a) Legal Penalties. A person who violates insider trading laws by engaging in transactions in a company's securities when he or she has material nonpublic information can be sentenced to a substantial jail term and required to pay a criminal penalty of several times the amount of profits gained or losses avoided.

In addition, a person who tips others may also be liable for transactions by the tippers to whom he or she has disclosed material nonpublic information. Tippers can be subject to the same penalties and sanctions as the tpees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial civil penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," which would apply to the Company and/or management and supervisory personnel. These control persons may be held liable for up to the greater of \$1 million or three times the amount of the profits gained or losses avoided. Even for violations that result in a small or no profit, the SEC can seek penalties from a company and/or its management and supervisory personnel as control persons.

(b) Company-Imposed Penalties. Employees who violate this Policy may be subject to disciplinary action by the Company, including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Compliance Officer and must be provided before any activity contrary to the above requirements takes place.

6. Inquiries

If you have any questions regarding any of the provisions of this Policy, please contact the Compliance Officer at +65 6287 5252, 3E Gul Circle, Singapore, 629633.

PART II

1. Blackout Periods

All Covered Persons are prohibited from trading in the Company's securities during blackout periods as defined below.

(a) Quarterly Blackout Periods. Trading in the Company's securities is prohibited during the period beginning at the close of the market on two weeks before the end of each fiscal quarter and ending at the close of business on the second trading day following the date the Company's financial results are publicly disclosed. During these periods, Covered Persons generally possess or are presumed to possess material nonpublic information about the Company's financial results.

(b) Other Blackout Periods. From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers, acquisitions or dispositions, investigation and assessment of cybersecurity incidents or new product developments) may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which Covered Persons are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, it will notify the Covered Persons affected.

(c) Exception. These trading restrictions do not apply to transactions under a pre-existing written plan, contract, instruction, or arrangement under Rule 10b5-1 under the Securities Exchange Act of 1934 (an "**Approved 10b5-1 Plan**") that:

(i) has been reviewed and approved at least one month in advance of any trades thereunder by the Compliance Officer (or, if revised or amended, such revisions or amendments have been reviewed and approved by the Compliance Officer at least one month in advance of any subsequent trades);

(ii) was entered into in good faith by the Covered Person at a time when the Covered Person was not in possession of material nonpublic information about the Company; and

(iii) gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Covered Person, so long as such third party does not possess any material nonpublic information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions.

2. Trading Window

Covered Persons are permitted to trade in the Company's securities when no blackout period is in effect. Generally, this means that Covered Persons can trade during the period beginning on DAY THAT BLACKOUT PERIOD UNDER SECTION 1(A) ENDS and ending on DAY THAT NEXT BLACKOUT PERIOD UNDER SECTION 1(A) BEGINS. However, even during this trading window, a Covered Person who is in possession of any material nonpublic information should not trade in the Company's securities until the information has been made publicly available or is no longer material. In addition, the Company may close this trading window if a special blackout period under Part II, Section 1(b) above is imposed and will re-open the trading window once the special blackout period has ended.

3. Pre-Clearance of Securities Transactions

(a) Because Company Insiders are likely to obtain material nonpublic information on a regular basis, the Company requires all such persons to refrain from trading, even during a trading window under Part II, Section 2 above, without first pre-clearing all transactions in the Company's securities.

(b) Subject to the exemption in subsection (d) below, no Company Insider may, directly or indirectly, purchase or sell (or otherwise make any transfer, gift, pledge or loan of) any Company security at any time without first obtaining prior approval from the Compliance Officer. These procedures also apply to transactions by such person's spouse, other persons living in such person's household and minor children and to transactions by entities over which such person exercises control.

(c) The Compliance Officer shall record the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading two business days following the day on which it was granted. If the transaction does not occur during the two-day period, pre-clearance of the transaction must be re-requested.

(d) Pre-clearance is not required for purchases and sales of securities under an Approved 10b5-1 Plan. With respect to any purchase or sale under an Approved 10b5-1 Plan, the third party effecting transactions on behalf of the Company Insider should be instructed to send duplicate confirmations of all such transactions to the Compliance Officer.

4. Prohibited Transactions

(a) Company Insiders are prohibited from trading in the Company's equity securities during a blackout period imposed under an "individual account" retirement or pension plan of the Company, during which at least 50% of the plan participants are unable to purchase, sell or otherwise acquire or transfer an interest in equity securities of the Company, due to a temporary suspension of trading by the Company or the plan fiduciary.

(b) Covered Persons, including any person's spouse, other persons living in such person's household and minor children and entities over which such person exercises control, are prohibited from engaging in the following transactions in the Company's securities unless advance approval is obtained from the Compliance Officer:

(i) Short-term trading. Company Insiders who purchase Company securities may not sell any Company securities of the same class for at least six months after the purchase;

(ii) Short sales. Company Insiders/Covered Persons may not sell the Company's securities short;

(iii) Options trading. Covered Persons may not buy or sell puts or calls or other derivative securities on the Company's securities;

(iv) Trading on margin or pledging. Covered Persons may not hold Company securities in a margin account or pledge Company securities as collateral for a loan; and

(v) Hedging. Covered Persons may not enter into hedging or monetization transactions or similar arrangements with respect to Company securities.

5. Acknowledgment and Certification

All Covered Persons are required to sign the attached acknowledgment and certification.

ACKNOWLEDGMENT AND CERTIFICATION

The undersigned does hereby acknowledge receipt of the Company's Insider Trading Policy. The undersigned has read and understands (or has had explained) such Policy and agrees to be governed by such Policy at all times in connection with the purchase and sale of securities and the confidentiality of nonpublic information.

(Signature)

(Please print name)

Date: _____



WWC, P.C. CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Northann Corp.

LETTER IN LIEU OF CONSENT FOR REVIEW REPORT

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Northann Corp and its subsidiaries for the three-month periods ended March 31, 2023 and 2022, as indicated in our report dated July 14, 2023; because we did not perform an audit, we expressed no opinion on that information.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

San Mateo, California
July 14, 2023

WWC, P.C.
WWC, P.C.
Certified Public Accountants
PCAOB ID No. 1171

Northann Corp.

List of Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Northann Building Solutions LLC	Delaware
Northann (Changzhou) Construction Products Co., Ltd.	People’s Republic of China
Northann Distribution Center Inc	California
Dotfloor, Inc.	California
Benchwich Construction Products Co., Limited	Hong Kong
Crazy Industry (Chengzhou) Industry Technology Co., Ltd.	People’s Republic of China
Changzhou Ringold International Trading Co., Ltd.	People’s Republic of China
Changzhou Marco Merit International Trading Co., Ltd.	People’s Republic of China



WWC, P.C. CERTIFIED PUBLIC ACCOUNTANTS

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation of our report dated July 14, 2023 in Amendment No. 6 to the Public Registration Statement on Form S-1 (No. 333-), relating to the audit of the consolidated balance sheets of Northann Corp and its subsidiaries (collectively the "Company") as of December 31, 2022, 2021 and 2020, and the related consolidated statements of income and comprehensive income (loss), stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively referred to as the financial statements).

We also consent to the Company's reference to WWC, P.C., Certified Public Accountants, as experts in accounting and auditing.

San Mateo, California
July 14, 2023

WWC, P.C.

WWC, P.C.
Certified Public Accountants
PCAOB ID: 1171

2010 PIONEER COURT, SAN MATEO, CA 94403 TEL.: (650) 638-0608 FAX.: (650) 638-0878
E-MAIL: INFO@WWCCPA.COM WEBSITE: WWW.WWCCPA.COM



5·7·8/F, Block B, 309 Hanzhongmen Street, Nanjing, China, 210036

Tel: 86-25-89660900

Fax: 86-25-89660966

May 23, 2023

LEGAL OPINION

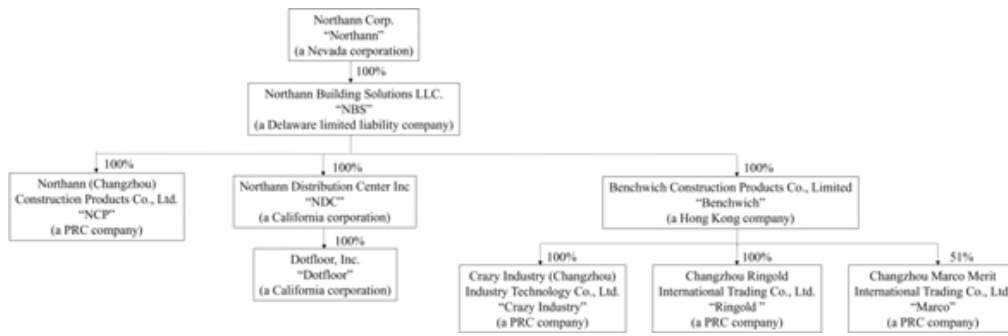
To: Northann Corp.
c/o Northann Distribution Center Inc.
9820 Dino Drive, Suite 110
Elk Grove, CA 95624

Re: PRC Legal opinion on Certain PRC Legal Matters

Dear Sir or Madam,

We are qualified lawyers of the People's Republic of China (the "**PRC**" excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan for purpose of this opinion), and as such are qualified to issue this legal opinion (this "**Opinion**") on the PRC laws, regulations or rules effective on the date hereof.

We have acted as the PRC counsel for Northann Corp. (the "**Company**"), a company incorporated under the laws of the State of Nevada who intends to list the common stock of the Company on Nasdaq Capital Market (the "**Listing**"), in connection with (i) the registration statement of the Company on Form S-1, including all amendments or supplements thereto (the "**Registration Statement**"), filed with the U.S. Securities and Exchange Commission under the U.S. Securities Act of 1933, as amended, relating to the offering by the Company, and (ii) the proposed Listing. We have been requested to provide to you our opinion on certain matters relating to the current status of the Company's subsidiaries in China (the "**PRC Companies**"), including (i) Northann (Changzhou) Construction Products Co., Ltd. (), (ii) Crazy (Changzhou) Industry Technology Co., Ltd. (), (iii) Changzhou Ringold International Trading Co., Ltd. () and (iv) Changzhou Marco Merit International Trading Co., Ltd. (). The current corporate structure is as follows:



I. Definitions.

As used herein, the following terms are defined as follows:

- (a) **“PRC Laws”** means any and all applicable laws, regulations, rules, orders, decrees, notices, guidelines, and supreme court’s judicial interpretations of the PRC currently in force and available to the public in the PRC on the date of this Opinion;
- (b) **“PRC Authorities”** means any national, provincial or local governmental, regulatory or administrative authority, agency or commission in the PRC, or any court, tribunal or any other judicial or arbitral body in the PRC, or anybody exercising, or entitled to exercise, any administrative, judicial, legislative, policy, regulatory, or taxing authority or power of similar nature in the PRC;
- (c) **“Governmental Authorizations”** means all approvals, contents, waivers, sanctions, certificates, authorizations, filings, registrations, exemptions, permissions, annual inspections, qualifications, permits and licenses required by any PRC Authorities pursuant to any PRC Laws;
- (d) **“M&A Rules”** means the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors jointly promulgated by the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration of Industry and Commerce, China Securities Regulatory Commission (the “CSRC”) and the State Administration of Foreign Exchange of the PRC on August 8, 2006 and became effective on September 8, 2006, as amended by the Ministry of Commerce on June 22, 2009.
- (e) **“SAMR”** means the State Administration for Market Regulation or its local counterpart in the PRC, which is the successor of the State Administration for Industry and Commerce or its local counterpart in the PRC;
- (f) **“SAFE”** means the State Administration of Foreign Exchange.
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II. PRC LAWS

This Opinion is rendered on the basis of the PRC laws, regulations, rules, orders, decrees, guidelines or notices effective and publicly available in the PRC as of the date hereof and there is no assurance that any PRC Laws will not be changed, amended or replaced in the future with or without retrospective effect.

We do not purport to be an expert on or to be generally familiar with or qualified to express legal opinions based on any laws other than the PRC Laws. Accordingly, we express or imply no opinion directly or indirectly on the laws of any jurisdiction other than the PRC.

III. ASSUMPTIONS

For the purpose of giving this Opinion, we have examined the originals or copies, certified or otherwise identified to our satisfaction, of corporate records, agreements, instruments or other documents provided to us by or on behalf of the PRC Companies and such other Governmental Authorizations issued by PRC Authorities or representations made by officials of PRC Authorities in the PRC and officers or representatives of the Company as we have deemed necessary or advisable for the purposes of rendering this Opinion (collectively, the “**Documents**”).

In examination of the documents and for the purpose of giving this Opinion, we have relied upon the following assumptions, which we have not independently verified: (i) all signatures, seals and chops are genuine and made or affixed with due authority; (ii) all Documents submitted to us as originals are authentic and all Documents submitted to us as copies are complete and conform to their authentic originals; (iii) none of the Documents as they were presented to us has been revoked, amended, varied or supplemented, without us being notified or made aware thereof or otherwise being indicated in such Documents; (iv) all the information (including factual statements) provided to us by the PRC Companies in response to our enquiries for the purpose of this Opinion is true, accurate, complete and not misleading, and nothing has been withheld by PRC Companies that, if disclosed to us, would reasonably cause us to alter this Opinion in whole or in part; (v) all Governmental Authorizations and other official statement or documentation were obtained from competent PRC Authorities by lawful means; (vi) all the Documents are legal, valid, binding and enforceable under all such laws as governing or related to them, other than PRC Laws; and (vii) this Opinion is limited to matters of the PRC Laws effective as the date thereof and we do not express or imply any opinion on accounting, auditing, or laws of any other jurisdiction..

IV. OPINIONS

Based upon the foregoing examinations and assumptions and subject to the qualifications set forth herein, we are of the opinion that, as of the date hereof, so far as PRC Laws are concerned:

- (i) Each of the PRC Companies has been duly incorporated and validly exists as a company with limited liability and enterprise legal person status under the PRC Laws. Each of the PRC Companies exists with full legal person status and in good standing under the PRC Laws. The current articles of association and the business license of each of the PRC Companies comply with the requirement of the applicable PRC Laws and are in full force and effect. The registered capital of each PRC Companies has been duly paid or subscribed for in accordance with respective articles of association as amended from time to time and the Foreign Investment Law of the People's Republic of China, the Implementation Regulations for the Foreign Investment Law of the People's Republic of China and other relevant PRC Laws. The description of the ownership structure described under the caption “Corporate History and Structure” in the Prospectus is true and accurate in all material respects and insofar as related to PRC Laws, nothing has been omitted from such description which would make the same misleading in any material respects.
-

(ii) All the equity interests in the registered capital of each of the PRC Companies is owned by its shareholders currently registered with the competent SAMR. To the best of our knowledge after due and reasonable inquiries, such equity interests are free and clear of all security interest, encumbrances, mortgage, pledge, liens, equities or claims. There are no outstanding rights, warrants or options to acquire or instruments convertible into or exchangeable for, nor any agreements or other obligations to issue or other rights to convert any obligation into, any equity interest in any of the PRC Companies. All governmental authorizations required for the ownership by the shareholders of their respective equity interests in each of the PRC Companies have been duly obtained.

(iii) The M&A Rules purport, among other things, to require an offshore special purpose vehicles controlled by PRC Companies or individuals and formed for overseas listing purposes through acquisitions of PRC domestic interest held by such PRC Companies or individuals, to obtain the approval from the CSRC prior to publicly listing their securities on an overseas stock exchange. Based on our understanding of the currently effective PRC Laws, the CSRC's approval is not required for the approval of the listing and trading of the Company's shares on the Nasdaq Capital Market, given that (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings under the Prospectus are subject to the M&A Rules; and (ii) each of the PRC Companies was incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC Companies or individuals as defined under the M&A Rules. However, uncertainties still exist as to how the M&A Rules will be interpreted and implemented in the future and our opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules.

(iv) To the best of our knowledge after due and reasonable inquiries, none of the PRC Companies has taken any action nor has any steps been taken or any legal, governmental or administrative proceedings been commenced or, threatened to commence for the winding up, dissolution, bankruptcy or liquidation, or for the appointment of a liquidation committee or similar officers in respect of any of the PRC Companies or its assets, or for the suspension, withdrawal, revocation or cancellation of any of the business licenses of any PRC Companies.

(v) According to the statements made by the PRC Companies and the verifications performed by us, titles to major properties and assets owned by the PRC Companies are definite and clear. However, NCP's manufacturing facilities located in Changzhou, Jiangsu Province, China is subject to a mortgage and the total mortgage amount is 49,000,000 yuan. Except the above-mentioned mortgage disclosed in the due diligence report, there are no other conditions involving the assets or property of the PRC Companies that are pledged or seized, frozen, detained or auctioned, or are with legal disputes or potential disputes, or other rights that are under restriction. There are no legal obstacles for the PRC Companies to exercise their ownership or right to use.

Crazy Industry Lingold and Marco legally own the right to use the leased premises by signing a lease contract with the lessor. According to Article 54 of Law of the People's Republic of China on Administration of Urban Real Estate (2019 Amendment), the lease contract shall be registered and filed with the real estate administration authorities. However, Crazy Industry Lingold and Marco failed to perform the formalities of registration filing that may be subject to administrative penalties from the real estate authority. This issue will not affect the performance and validity of the lease contract.

(vi) According to the public official records on patent, copyright, or trademark matters of the PRC Companies, they legally own the intellectual property disclosed in the due diligence report and there is no dispute or restriction of rights.

(vi) The statements set forth under the caption "Regulation - People's Republic of China - Regulations Relating to Taxation" in the Registration Statement insofar as they constitute statements of PRC tax law and regulations, are accurate in all material respects and constitute our opinion.

(vii) According to the representations made by the PRC Companies and the verification conducted by us, none of the PRC Companies have violated any relevant laws or regulations on labor security. Terms and clauses for each material contracts of the PRC Companies are explicit and clear, and the content and form of such contracts are legitimate and in full force and effect. With respect to any of such material contracts, no legal risk involving with failure to establish a contract or avoidance of a contract exists because of any violation of any laws, regulations and other relevant rules.

(viii) During the reporting period, in addition to NCP, all the environmental matters of the PRC Companies are in compliance with the relevant laws and regulations. NCP and Crazy Industry have received the registration receipts of stationary pollution source discharge pursuant to the List of Classified Management of Pollution Permits for Stationary Pollution Sources (2019 Edition). And none of the product quality standards or the technical standards employed and implemented by the PRC Companies is in violation with any relevant provisions of any laws and regulations. We believe that as of the date of this Opinion, all the necessary certificates, licenses, approvals and government letters noted under this Opinion concerning with the business and operation of such companies have been obtained.

According to the decision letter of administrative punishment received by NCP and the inquiries made by us on the websites of Credit China (<http://www.creditchina.gov.cn>), Changzhou Ecological Environment Bureau and Jiangsu Ecological Environment Department, NCP has received two cases of administrative punishment for violation of relevant laws and regulations of environmental protection as the date of this Opinion: the Changzhou Ecological Environment Bureau issued two administrative penalty decisions on May 9, 2022: NCP was fined 20,000 yuan for violating the Article 93(2) of Law of the People's Republic of China on Prevention and Control of Water Pollution (Amended in 2017) and was fined 220,000 yuan for violating the Article 23 of Administrative Regulations on Environmental Protection for Construction Projects(Revision 2017) . NCP has already paid the fines.

(ix) The PRC Companies have no pending or foreseeable major litigation and arbitration cases as of the date of the Opinion. In addition, according to our reasonable inquiry, explanations made by the PRC Companies and the findings discovered by us through the official websites of China Judgments Online (<http://www.court.gov.cn/zgcpwsw/>) and National Inquiries on Dishonest Persons Subject to Enforcement (<http://zxgk.court.gov.cn/>), as far as competent Chinese courts or arbitration institutions are concerned, there are no significant lawsuits or arbitration cases that have not yet been concluded or that are foreseeable. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions.

(x) All statements set forth in the Registration Statement, including the statements in the Prospectus under the captions “Prospectus Summary”, “Risk Factors”, “Corporate History and Structure”, “Business”, “Legal Proceedings”, “Enforceability of Civil Liabilities”, “Regulation”, “Dividend Policy” and “Legal Matters” insofar as such statements constitute summaries of the PRC legal matters, documents or proceedings referred to therein, in each case insofar as such statements describe or summarize PRC legal or regulatory matters, or documents, agreements or proceedings governed by PRC Laws, are true and accurate in all material aspects, and are fairly disclosed and correctly set forth therein, and nothing has been omitted from such statements which would make the same misleading in all material aspects.

This Opinion is subject to the following qualifications:

- (a) This Opinion is limited to matters of the PRC Laws in effect on the date of this Opinion.
 - (b) We have not investigated and do not express or imply any opinion on accounting, auditing, or laws of any other jurisdictions.
 - (c) This Opinion is subject to the effects of (i) certain legal or statutory principles affecting the enforceability of contractual rights generally under the concepts of public interest, national security, good faith and fair dealing, applicable statutes of limitation, and the limitations of bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditor’s rights generally; (ii) any circumstance in connection with the formulation, execution or performance of any legal documents that would be deemed materially mistaken, clearly unconscionable or fraudulent; (iii) judicial discretion with respect to the availability of injunctive relief, the calculation of damages, and any entitlement to attorneys’ fees and other costs; and (iv) the discretion of any competent PRC legislative, administrative or judicial bodies in exercising their authority in connection with the interpretation, implementation and application of relevant PRC Laws.
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This Opinion is given for the benefit of the persons to whom it is addressed upon the request by, and in its capacity as PRC legal counsel to, the Company. It may not, except with the prior permission of the Company and us, be relied upon by anyone other than the Company, the underwriters and their legal and financial advisors in connection with this Listing in overseas capital markets or used for any other purpose.

This Opinion is intended to be used in the context which is specifically referred to herein and each paragraph should be considered as a whole, and no part should be extracted and referred to independently.

We hereby consent to the quotation or summarization of this Opinion in, and the filing hereof, as an exhibit to the Registration Statement. We further consent to all references to us, if any, in the Registration Statement and any amendments thereto.

This Opinion is limited to the matters referred to herein and shall not be construed as extending to any other matter or document not referred to herein.

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[Signature Page]

Yours faithfully,

GRANDALL LAW FIRM (NANJING)

**CHARTER OF THE AUDIT COMMITTEE OF
NORTHANN CORP.**

Membership

The Audit Committee (the "**Committee**") of the board of directors (the "**Board**") of Northann Corp. (the "**Company**") shall consist of three or more directors. Each member of the Committee shall be independent in accordance with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934 and the rules of the Nasdaq Stock Market. No member of the Committee can have participated in the preparation of the Company's or any of its subsidiaries' financial statements at any time during the past three years.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. At least one member of the Committee must be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert will also be presumed to have financial sophistication.

The members of the Committee shall be appointed by the Board based on recommendations from the nominating and corporate governance committee of the Board. The members of the Committee shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any member from the Committee at any time with or without cause.

Purpose

The purpose of the Committee is to oversee the Company's accounting and financial reporting processes and the audit of the Company's financial statements.

The primary role of the Committee is to oversee the financial reporting and disclosure process. To fulfill this obligation, the Committee relies on: management for the preparation and accuracy of the Company's financial statements; for establishing effective internal controls and procedures to ensure the Company's compliance with accounting standards, financial reporting procedures and applicable laws and regulations; and the Company's independent auditors for an unbiased, diligent audit or review, as applicable, of the Company's financial statements and the effectiveness of the Company's internal controls. The members of the Committee are not employees of the Company and are not responsible for conducting the audit or performing other accounting procedures.

Duties and Responsibilities

The Committee shall have the following authority and responsibilities:

To (1) select and retain an independent registered public accounting firm to act as the Company's independent auditors for the purpose of auditing the Company's annual financial statements, books, records, accounts and internal controls over financial reporting, (2) set the compensation of the Company's independent auditors, (3) oversee the work done by the Company's independent auditors and (4) terminate the Company's independent auditors, if necessary.

To select, retain, compensate, oversee and terminate, if necessary, any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

To approve all audit engagement fees and terms; and to pre-approve all audit and permitted non-audit and tax services that may be provided by the Company's independent auditors or other registered public accounting firms, and establish policies and procedures for the Committee's pre-approval of permitted services by the Company's independent auditors or other registered public accounting firms on an on-going basis.

At least annually, to obtain and review a report by the Company's independent auditors that describes (1) the accounting firm's internal quality control procedures, (2) any issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the firm and any steps taken to deal with any such issues, and (3) all relationships between the firm and the Company or any of its subsidiaries; and to discuss with the independent auditors this report and any relationships or services that may impact the objectivity and independence of the auditors.

At least annually, to evaluate the qualifications, performance and independence of the Company's independent auditors, including an evaluation of the lead audit partner; and to assure the regular rotation of the lead audit partner at the Company's independent auditors and consider regular rotation of the accounting firm serving as the Company's independent auditors.

To review and discuss with the Company's independent auditors (1) the auditors' responsibilities under generally accepted auditing standards and the responsibilities of management in the audit process, (2) the overall audit strategy, (3) the scope and timing of the annual audit, (4) any significant risks identified during the auditors' risk assessment procedures and (5) when completed, the results, including significant findings, of the annual audit.

To review and discuss with the Company's independent auditors (1) all critical accounting policies and practices to be used in the audit; (2) all alternative treatments of financial information within generally accepted accounting principles ("**GAAP**") that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the auditors; and (3) other material written communications between the auditors and management.

To review and discuss with the Company's independent auditors and management (1) any audit problems or difficulties, including difficulties encountered by the Company's independent auditors during their audit work (such as restrictions on the scope of their activities or their access to information), (2) any significant disagreements with management and (3) management's response to these problems, difficulties or disagreements; and to resolve any disagreements between the Company's auditors and management.

To review with management and the Company's independent auditors: any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles; any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods; and the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements.

To keep the Company's independent auditors informed of the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the company; and to review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.

To review with management and the Company's independent auditors the adequacy and effectiveness of the Company's financial reporting processes, internal control over financial reporting and disclosure controls and procedures, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's processes, controls and procedure] and any special audit steps adopted in light of any material control deficiencies, and any fraud involving management or other employees with a significant role in such processes, controls and procedures, and review and discuss with management and the Company's independent auditors disclosure relating to the Company's financial reporting processes, internal control over financial reporting and disclosure controls and procedures, the independent auditors' report on the effectiveness of the Company's internal control over financial reporting and the required management certifications to be included in or attached as exhibits to the Company's annual report on Form 20-F, as applicable.

To review and discuss with the Company's independent auditors any other matters required to be discussed by applicable requirements of the PCAOB and the SEC.

To review and discuss with the Company's independent auditors and management the Company's annual audited financial statements (including the related notes), the form of audit opinion to be issued by the auditors on the financial statements and the disclosure under "Operating and Financial Review and Prospects" to be included in the Company's annual report on Form 20-F before the Form 20-F is filed.

To recommend to the Board that the audited financial statements be included in the Company's Form 20-F and whether the Form 20-F should be filed with the SEC; and to produce the audit committee report required to be included in the Company's proxy statement.

To establish and oversee procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

To monitor compliance with the Company's Code of Business Conduct and Ethics (the "**Code**"), to investigate any alleged breach or violation of the Code, and to enforce the provisions of the Code.

To review, with the General Counsel and outside legal counsel, legal and regulatory matters, including legal cases against or regulatory investigations of the Company and its subsidiaries, that could have a significant impact on the Company's financial statements.

To review, approve and oversee any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K) and any other potential conflict of interest situations on an ongoing basis, in accordance with Company policies and procedures, and to develop policies and procedures for the Committee's approval of related party transactions.

Outside Advisors

The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of independent outside counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of any outside counsel and other advisors.

The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to the Company's independent auditors, any other accounting firm engaged to perform services for the Company, any outside counsel and any other advisors to the Committee.

Structure and Operations

The Board shall designate a member of the Committee as the chairperson. The Committee shall meet at least two times a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report after each committee meeting to the Board on its discussions and actions, including any significant issues or concerns that arise at its meetings, and shall make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Committee shall meet separately, and periodically, with management, and representatives of the Company's independent auditors, and shall invite such individuals to its meetings as it deems appropriate, to assist in carrying out its duties and responsibilities. However, the Committee shall meet regularly without such individuals present.

The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.

Delegation of Authority

The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

Performance Evaluation

The Committee shall conduct an annual evaluation of the performance of its duties under this Charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

**CHARTER OF THE NOMINATING COMMITTEE OF
NORTHANN CORP.**

Membership

The Nominating Committee (the "**Committee**") of the board of directors (the "**Board**") of Northann Corp. (the "**Company**") shall consist of three or more directors. Each member of the Committee shall be independent in accordance with the rules of the Nasdaq Stock Market.

The members of the Committee shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any member from the Committee at any time with or without cause.

Purpose

The purpose of the Committee is to carry out the responsibilities delegated by the Board relating to the Company's director nominations process and procedures, developing and maintaining the Company's corporate governance policies and any related matters required by the federal securities laws.

Duties and Responsibilities

The Committee shall have the following authority and responsibilities:

To identify and screen individuals qualified to become members of the Board, consistent with criteria approved by the Board. The Committee shall consider any director candidates recommended by the Company's shareholders pursuant to the procedures set forth in the Company's described in the Company's proxy statement.

To make recommendations to the Board regarding the selection and approval of the nominees for director to be submitted to a shareholder vote at the annual meeting of shareholders.

To oversee the Company's corporate governance practices and procedures, including identifying best practices and reviewing and recommending to the Board for approval any changes to the documents, policies and procedures in the Company's corporate governance framework, including its certificate of incorporation and by-laws.

To review the Board's committee structure and composition and to make recommendations to the Board regarding the appointment of directors to serve as members of each committee and committee chairmen annually.

If a vacancy on the Board and/or any Board committee occurs, to identify and make recommendations to the Board regarding the selection and approval of candidates to fill such vacancy either by election by shareholders or appointment by the Board.

To develop and recommend to the Board for approval standards for determining whether a director has a relationship with the Company that would impair its independence.

To review and discuss with management disclosure of the Company's corporate governance practices, including information regarding the operations of the Committee and other Board committees, director independence and the director nominations process, and to recommend that this disclosure be included in the Company's proxy statement or annual report on Form 20-F, as applicable.

To develop and recommend to the Board for approval a Company Code of Business Conduct and Ethics (the "**Code**"), to monitor compliance with the Company's Code, to investigate any alleged breach or violation of the Code, to enforce the provisions of the Code and to review the Code periodically and recommend any changes to the Board.

Outside Advisors

The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice of a director search firm as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall set the compensation and oversee the work of the director search firm. The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of outside counsel, an executive search firm and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation and oversee the work of its outside counsel, the executive search firm and any other advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its search consultants, outside counsel and any other advisors.

Structure and Operations

The Board shall designate a member of the Committee as the chairperson. The Committee shall meet at least two times a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.

Delegation of Authority

The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

Performance Evaluation

The Committee shall conduct an annual evaluation of the performance of its duties under this charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

**CHARTER OF THE COMPENSATION COMMITTEE OF
NORTHANN CORP.**

Membership

The Compensation Committee (the "**Committee**") of the board of directors (the "**Board**") of Northann Corp. (the "**Company**") shall consist of three or more directors. Each member of the Committee shall be independent in accordance with the rules of the Nasdaq Stock Market.

Each member of the Committee must qualify as "non-employee directors" for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

The members of the Committee shall be appointed by the Board based on recommendations from the nominating and corporate governance committee of the Board. The members of the Committee shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any member from the Committee at any time with or without cause.

Purpose

The purpose of the Committee is to carry out the responsibilities delegated by the Board relating to the review and determination of executive compensation.

Duties and Responsibilities

The Committee shall have the following authority and responsibilities:

To review and approve annually the corporate goals and objectives applicable to the compensation of the chief executive officer ("**CEO**"), evaluate at least annually the CEO's performance in light of those goals and objectives, and recommend to the Board for approval the CEO's compensation level based on this evaluation. The CEO cannot be present during any voting or deliberations by the Committee on his or her compensation.

To review and make recommendations to the Board regarding the compensation of all other executive officers.

To review, and make recommendations to the Board regarding, incentive compensation plans and equity-based plans, and where appropriate or required, recommend for approval by the shareholders of the Company, which includes the ability to adopt, amend and terminate such plans. The Committee shall also have the authority to administer the Company's incentive compensation plans and equity-based plans, including designation of the employees to whom the awards are to be granted, the amount of the award or equity to be granted and the terms and conditions applicable to each award or grant, subject to the provisions of each plan.

To review, and make recommendations to the Board regarding, any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans.

To review all director compensation and benefits for service on the Board and Board committees at least once a year and to recommend any changes to the Board as necessary.

To oversee, in conjunction with the Board, engagement with shareholders and proxy advisory firms on executive compensation matters.

Outside Advisors

The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice of a compensation consultant as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall set the compensation, and oversee the work, of the compensation consultant. The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of outside legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of its outside legal counsel and other advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its compensation consultants, outside legal counsel and any other advisors. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisor to the compensation committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.

In retaining or seeking advice from compensation consultants, outside counsel and other advisors (other than the Company's in-house counsel), the Committee must take into consideration the factors specified in Nasdaq Listing Rule 5605(d)(1)(D). The Committee may retain, or receive advice from, any compensation advisor they prefer, including ones that are not independent, after considering the specified factors. The Committee is not required to assess the independence of any compensation consultant or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant or advisor, and about which the consultant or advisor does not provide advice.

The Committee shall evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K. Any compensation consultant retained by the Committee to assist with its responsibilities relating to executive compensation or director compensation shall not be retained by the Company for any compensation or other human resource matters.

Structure and Operations

The Board shall designate a member of the Committee as the chairperson. The Committee shall meet at least two times a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Committee may invite such members of management to its meetings as it deems appropriate. However, the Committee shall meet regularly without such members present, and in all cases the CEO and any other such officers shall not be present at meetings at which their compensation or performance is discussed or determined.

The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.

Delegation of Authority

The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

Performance Evaluation

The Committee shall conduct an annual evaluation of the performance of its duties under this charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

CONSENT OF SCOTT POWELL

Northann Corp. (the "Company") intends to file a Registration Statement on Form S-1 (together with any amendments or supplements thereto, the "Registration Statement") registering securities for issuance in its initial public offering. As required by Rule 438 under the Securities Act of 1933, as amended, the undersigned hereby consents to being named in the Registration Statement as a director appointee.

Dated: May 24, 2023

Signature: /s/ Scott Powell
Name: Scott Powell



Consent Form

We are a qualified law firm and lawyers in the People's Republic of China (the "PRC") and we have been engaged by Northann Corp., a Nevada corporation (the "Company"), to advise on certain legal matters related to the PRC laws and regulations.

We hereby consent to the use of this consent as an exhibit to the Registration Statement on Form S-1, as amended (the "Registration Statement"), to be filed with the U.S. Securities and Exchange Commission, covering an underwritten public offering of the Company. We further consent to the use of our name and to all references made to us in the Registration Statement and in the prospectus forming a part thereof.

/s/ Ying Huang

Ying Huang

Beijing Gaopeng (Nanjing) Law Firm

23rd May, 2023

Calculation of Filing Fee Tables

S-1
(Form Type)
Northann Corp.

(Exact Name of Registrant as Specified in its Charter)

(Translation of Registrant's Name into English)

Table 1: Newly Registered and Carry Forward Securities

	Security Type	Security Class Title	Fee Calculation or Carry Forward Rule	Amount Registered	Proposed Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	Fee Rate	Amount of Registration Fee	Carry Forward Form Type	Carry Forward File Number	Carry Forward Initial effective date	Filing Fee Previously Paid In Connection with Unsold Securities to be Carried Forward
Newly Registered Securities												
Fees to Be Paid	Equity	Common Stock, par value 0.001(1)	457(o)	—	—	\$ 17,250,000	\$ 0.0001102	\$ 1,900.95				
Fees to Be Paid	Other	Underwriter Warrants(2)	other	—	—	—	—	—				
Fees to Be Paid	Equity	Common Stock, 0.001 par value, underlying the Underwriter' warrants(2)	457(o)	—	—	\$ 1,293,750	\$ 0.0001102	\$ 142.57				
Fees Previously Paid												
Carry Forward Securities												
Carry Forward Securities												
		Total Offering Amounts				\$ 18,543,750						
		Total Fees Previously Paid				\$ 0						
		Total Fee Offsets				\$ 0						
		Net Fee Due				\$ 2,043.52						

- (1) The registration fee for securities is based on an estimate of the Proposed Maximum Aggregate Offering Price of the securities, assuming the sale of the common stock at the highest expected offering price, and such estimate is solely for the purpose of calculating the registration fee pursuant to Rule 457(o). In accordance with Rule 416(a), the Registrant is also registering an indeterminate number of additional shares of common stock that shall be issuable pursuant to Rule 416 to prevent dilution resulting from share splits, share dividends or similar transactions.
- (2) The Registrant will issue to the underwriter warrants to purchase a number of common stock equal to an aggregate of 6% of the shares of common stock sold in the offering (the "Underwriter' Warrants"). The exercise price of the Underwriter' Warrants is equal to 125% of the offering price of the common stock offered hereby. The Underwriter' Warrants are exercisable at any time, and from time to time, in whole or in part, within 5 years from the commencement of sales of the offering. See "Underwriting."