Dear Potential Investor,

The concept of turning our deceased into soil is both completely practical and deeply moving. It asks us to reconsider our relationship with the dead and to allow them to be productive one last time. It recognizes the inherent need all humans share to connect with nature, especially as we die or experience the death of a loved one.

It is a great honor to work within the field of death care, and we are incredibly proud of the work we have done so far. We have designed a new way to care for our bodies after we die and a new experience for the families and friends who will grieve for us when we do. We have demonstrated the safety and ecological benefits of this method and have shown that a passionate market exists for it. And we are changing policy in Washington State to allow people to be recomposed: to give back with our last gesture on earth.

We are grateful to you for taking the time to consider investing in this work, and we hope you find this project as exciting as we do.

All the best,

Katrina and the Recompose Team

RECOMPOSE

# CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
## Up to 4,464,286 Shares of Series A-2 Preferred Stock
## ($1.5124 per share)

Recompose, PBC, a Delaware public benefit corporation ("we," "us," "our," or "Recompose"), is offering up to 4,464,286 shares of its Series A-2 preferred stock, par value $0.0001 per share (the "Shares"), at a price of $1.5124 per share to accredited investors only. The Shares are being offered in minimum investment amounts of $100,000 each, although Recompose reserves the right to accept lower investments in its sole discretion. As a condition to purchasing the Shares, investors would enter into a Subscription Agreement in the form attached as *Exhibit A* (the "Subscription Agreement"), and the Stockholder Agreement in the form attached hereto as *Exhibit B* (the "Stockholder Agreement"). We anticipate an initial closing for the sale of the Shares on May 15, 2019. Following the initial closing, additional closings will occur at our discretion until the offering is completed.

IN MAKING AN INVESTMENT DECISION IN THE SHARES, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF RECOMPOSE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SHARES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY AND NO SUCH AUTHORITY HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL THE SHARES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER.

WE ARE OFFERING THE SHARES PURSUANT TO EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AND APPLICABLE STATE SECURITIES LAWS. THE SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE SHARES FOR AN INDEFINITE PERIOD OF TIME. IN ADDITION, CERTAIN TRANSFERS OF THE SHARES ARE RESTRICTED BY TERMS OF THE STOCKHOLDERS AGREEMENT.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS INVESTMENT, TAX, OR LEGAL ADVICE. INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF RECOMPOSE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED, IN MAKING AN INVESTMENT DECISION REGARDING THE SHARES. THIS MEMORANDUM AND THE EXHIBITS HERETO, AS WELL AS THE NATURE OF THE INVESTMENT, SHOULD BE REVIEWED BY EACH PROSPECTIVE INVESTOR'S PROFESSIONAL ADVISOR(S), IF ANY, HIS OR HER INVESTMENT, TAX OR OTHER ADVISOR(S), AND/OR HIS OR HER ACCOUNTANT(S) OR LEGAL COUNSEL(S). THE OFFERING MAY BE WITHDRAWN AT ANY TIME AND IS SPECIFICALLY MADE SUBJECT TO THE TERMS DESCRIBED IN THIS MEMORANDUM. RECOMPOSE RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART IN ITS DISCRETION.

**This private placement memorandum is dated as of April 30 , 2019, and revised as of June 4, 2019.**

## IMPORTANT NOTICE TO INVESTORS

We have supplied this Confidential Private Placement Memorandum (this "Memorandum"), including the financial data contained in *Exhibit E*, and are solely responsible for its contents. We have not authorized any person, except for our officers, to give any information or to make any representations other than as contained in this Memorandum. **The projections contained in this Memorandum are for illustrative purposes only and are based upon assumptions and events over which we have only partial, or no, control. The selection of assumptions requires the exercise of judgment and is subject to uncertainty due to the effects that economic, market, legislative and other changes may have on future events. Variations in the assumptions could significantly affect the attainment of the projections. To the extent that assumed events do not materialize, actual results will vary, and may vary materially from the projected results.**

**No representation or warranty of any kind is or can be made with respect to the accuracy or completeness of the projections, or the assumptions or hypotheses that underlie them. No representation or warranty is or can be made as to future operations or the amount of any future income or loss of Recompose. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE AND UNANTICIPATED EVENTS AND CIRCUMSTANCES WILL OCCUR. ACCORDINGLY, THE ACTUAL RESULTS ACHIEVED DURING THE PROJECTED PERIODS WILL VARY FROM THE PROJECTIONS AND THE VARIATIONS ARE LIKELY TO BE MATERIAL.**

We will make available to you, prior to your purchase of the shares, the opportunity to ask questions of our directors and officers about the terms and conditions of the offering. We will also provide to you, to the extent that we possess or can acquire it without unreasonable effort or expense, any additional information that you need to verify the accuracy of the information in this memorandum. Questions, inquiries and requests for information may be directed to Katrina Spade at katrina@recompose.life. Our address and telephone number are: 202 13th Avenue East, Seattle, WA 98102; 206-551-4563.

The information contained in this Memorandum is accurate only as of the date on the cover, regardless of the date and time of delivery. Our business, financial conditions, results of operations and prospects may have changed since that date. We assume no obligation to update the information contained herein after that date.

**THIS MEMORANDUM IS CONFIDENTIAL**

This Memorandum contains confidential and proprietary information of Recompose and constitutes an offer only to the prospective investor identified on the cover or to a related entity meeting the requirements herein. Distribution of this Memorandum is strictly limited to the officers, directors and professional advisors of the prospective investor. Except as provided in the previous sentence, you may not deliver this Memorandum to any other person, may not reproduce this Memorandum, and may not divulge any of its contents, without our prior written consent.

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## BRIEF DESCRIPTION OF OFFERING AND THE SHARES

| | |
|---|---|
| *Issuer:* | Recompose, PBC, a Delaware public benefit corporation |
| *Amount of the offering:* | $6,750,000, subject to overallotment |
| *Shares being offered:* | Series A-2 Preferred Stock of Recompose (the "*Shares*") |
| *Price per Share:* | The Shares are being offered at a price of $1.5124 per Share |
| *Valuation of Recompose:* | The price per Share reflects a pre-money valuation of Recompose of $12,530,206, calculated on a fully-diluted basis |
| *Investors:* | Accredited Investors, as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act (each, an "*Investor*") |
| *Initial closing date:* | May 15, 2019 |
| *Use of funds:* | Proceeds from the offering will be used for capital expenditures and working capital related to the opening of Recompose\|SEATTLE and to finance our future growth and expansion, as further described herein. |
| *Liquidation preference:* | The Shares will have seniority over shares of our Common Stock, and shall be *pari passu* with the Series A-1 Preferred Stock, with respect to the distribution of proceeds in the event of any Deemed Liquidation in an amount equal to the original purchase price of the Shares, plus accrued and unpaid dividends at the Dividend Rate (as defined below). |
| *Dividend preference:* | Holders of the Shares will be entitled to receive annual cumulative dividends of 6% (the "Preferred Dividend Rate"), when, as, and if declared by the Board, out of any funds and assets of the Company legally available therefor. In any year, unless each holder of Preferred receives a dividend of at least the Preferred Dividend Rate per share, no dividend shall be paid or declared on the Common Stock. The dividend payable with regards to the Shares will be pari passu with the annual cumulative dividend of 6% payable on the Series A-1 Preferred Stock of the Company. |
| *Conversion right:* | The Shares may be converted at any time, at the option of the holder thereof, into shares of our Common Stock. The |

| | |
|---|---|
| | conversion rate will initially be 1:1, subject to anti-dilution and other customary adjustments. |
| *Automatic conversion:* | Each Share will automatically convert into Common Stock, at the then applicable conversion rate, upon (i) the closing of a firmly underwritten public offering of our Common Stock with gross offering proceeds in excess of $35,000,000 or (ii) the consent of the holders of a majority of the then outstanding Shares. |
| *Anti-dilution right:* | Subject to customary exceptions, the conversion price of the Shares will be subject to adjustment, on a broad-based weighted average basis, if we issue additional equity securities at a price per share less than the then applicable conversion price of the Shares. |
| *General voting rights:* | Each Share will have the right to a number of votes equal to the number of shares of our Common Stock issuable upon conversion of each Share. The Shares will vote with our Common Stock on all matters except as specifically provided in our Restated Certificate of Incorporation, which is attached hereto as *Exhibit C* (the "Restated Certificate") or as otherwise required by law. |
| *Protective provisions:* | So long as 50% of the Shares issued in the Offering remain outstanding, consent of the holders of a majority of the outstanding Shares will be required for any action that: (i) alters any provision of the Restated Certificate if it would adversely alter the rights, preferences, or privileges of the Shares; (ii) increases or decreases the authorized number of Shares; or (iii) authorizes or creates (by reclassification or otherwise) any new class or series of shares having rights, preferences, or privileges with respect to dividends or liquidation senior to the Shares. |
| *Right to maintain proportionate ownership:* | As set forth in the Stockholder Agreement, each holder of then outstanding Shares will have a right to purchase its *pro rata* share of any offering by us of new securities, subject to customary exceptions. The *pro rata* share will be based on the ratio of (x) the number of shares of our capital stock held by such holder (on an as-converted basis) to (y) our fully-diluted capitalization (on an as-converted and as-exercised basis). This right will terminate immediately prior to any initial public offering. |

| | |
|---|---|
| *Right of first refusal:* | As set forth in the Stockholder Agreement, in the event our founders propose to transfer shares of their Common Stock, first Recompose and then the holders of the Shares (on a *pro rata* basis) will have a right of first refusal to purchase the shares to be sold on the same terms as the proposed transfer. The rights of first refusal will be subject to customary exceptions and will terminate on any initial public offering. |
| *Co-sale agreement:* | As set forth in the Stockholder Agreement, to the extent the rights of first refusal are not exercised, in the event our founders propose to transfer shares of their Common Stock, the holders of the Shares will have the right to participate in the proposed transfer on a *pro rata* basis (as among the transferee and the holders of the Shares). The co-sale rights will be subject to customary exceptions and will terminate on any initial public offering. |
| *Information rights:* | As set forth in the Stockholder Agreement, we will deliver to each Investor: (i) unaudited annual financial statements within 120 days following year-end; (ii) unaudited quarterly financial statements within 45 days following quarter-end; and (iii) annual business plans. The Investors will be entitled to reasonable inspection rights. The information rights will terminate upon our initial public offering. |
| *Board composition:* | The holders of the Shares will agree to vote the Shares to elect the designees of Katrina Spade to the Board at each meeting of the stockholders or each consent relating to the election of directors. |

**THE SHARES OFFERED HEREBY ARE HIGHLY SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK.** Please see "Risk Factors" on page 36 for additional information about these risks.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Memorandum constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of Recompose, PBC to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements made in this Memorandum are based on assumptions and judgments of management regarding future events and results. These assumptions and judgments may prove to be inaccurate as a result of a number of factors, many of which are beyond the control of Recompose, PBC, and Recompose, PBC's actual results may differ materially from the results contemplated in such forward-looking statements. Such factors include, among others:

- legal and regulatory status of natural organic reduction for human beings,
- our access to sufficient capital,
- consumer willingness to adopt natural organic reduction,
- conditions in the funeral and death care industry,
- our ability to protect our intellectual property, and
- the ability of our competitors to create comparable solutions.

Additional risks are detailed under the heading of "Risk Factors" beginning on page 36.

Further, our management may alter our business plan and strategies to compensate for factors that affect our operations in the future. The altered strategies may cause us to confront issues we have not identified.

We have based our forward-looking statements on our current expectations about future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Memorandum to conform these statements to actual results.

## ABOUT RECOMPOSE, PBC

*"We are in the midst of a death care revolution, and most people don't even know it. American cultural practices surrounding the memorialization and disposition of our dead are changing at an astonishing rate."*

-Tanya Marsh, Professor of Law
Wake Forest University

With every death, there are two big considerations: what to do with the physical remains, and how to mark the life of the person who has died. Recompose has created a connected solution for both.

Recompose, PBC was incorporated in May 2017 as a Public Benefit Corporation under Delaware law 8 DE Code § 362 by Katrina Spade, its founder and CEO.

The Recomposition System is our patent-pending technology that transforms human remains into soil via accelerated natural decomposition. It is a regenerative system with the potential to disrupt the funeral industry and bring meaning, transparency, and ecological healing to this shared human event. Our Recomposition System uses one eighth the energy of cremation and saves over one metric ton of CO2 emissions per person. The sole product of the Recomposition System is clean, usable soil.

"Natural organic reduction" is the term used by experts to describe the process that occurs when a body undergoes recomposition. The legal use of "natural organic reduction" as a disposition option for humans has passed the Washington State legislature and was signed into law by the governor of Washington State in May 2019.

Recompose, PBC's business consists of three strategic components:

- **Recompose|PLACE** opens and operates centers where our Recomposition System can be offered to the public. The first of its kind will be Recompose|SEATTLE.
- **Recompose|THRIVE** plans for and manages our expansion via new centers and out-licensing our Recompose System to industry partners.
- **Recompose|SUSTAIN** supports low-income families by providing funding to allow them to access our Recomposition System services.

## HISTORY OF RECOMPOSITION AND RECOMPOSE

Farmers and agricultural institutions have been composting livestock for decades as a safe and effective method of disposing of animal carcasses. In 2012, while in graduate school, our founder and CEO, Katrina Spade, began designing a human disposition option based on the principles of livestock mortality composting. This system, the Recomposition System, which is now patent-pending, gently transforms human remains into soil in approximately 30 days.

In 2014, Katrina received the Echoing Green Fellowship and seed funding from Echoing Green and began working on the concept full time. She founded the Urban Death Project, a 501c3 charitable organization and raised additional funds from donors and a Kickstarter campaign. The organization performed model human decomposition studies, forged partnerships, generated international media coverage, and created a network of supporters. This pre-development and planning phase lasted 3 years, and the intellectual property developed by the Urban Death Project was assigned to and purchased by Recompose in 2017.

In 2017, Katrina founded Recompose as a public benefit corporation. Recompose raised an initial "community" investment round of $693,000. Between 2017 and early 2019, Recompose used those funds to accomplish three specific and significant goals: 1) proving the safety and efficacy of the natural organic reduction process by sponsoring research with human subjects with Washington State University; 2) developing its patent-pending Recomposition System; and 3) working with legislators to legalize natural organic reduction.

Currently, we are working toward opening Recompose|SEATTLE at the end of 2020 and then expanding to locations throughout the world.

## THE FUNERAL INDUSTRY IS FAILING US

> *"[T]here's still been no significant change in funeral services in the last 150 years…[T]he baby boomers are here, and they don't want embalming, caskets, your chapel, or even you…The industry wants to sell buggy whips - it likes buggy whips, is good at them and they've been profitable. But the market wants cars."*
>
> -F. Todd Winninger, Funeral Director

Our relationship with death practices is failing us socially, emotionally, and environmentally. Annually, 2.7 million people die in the United States, and 55 million die worldwide. Where once the event was an intimate ceremony of the deceased's family and friends; it has become a process choreographed by a $20 billion (U.S.) funeral industry, marked by the sale of caskets, urns, and grave liners to people at their most vulnerable, that allows for little to no engagement among the deceased's family and friends. The experience when a loved one dies can be impersonal and bewildering, with little consideration for participation by families and little meaningful ritual involved.

The vast majority of our dead are buried or cremated, and both of these processes pollute the planet and contribute to climate change. All of this deepens our fear of and lack of connection with death - a profound event in which we will all inevitably participate.

## ENVIRONMENTAL ISSUES

*CEMETERIES: LAND USE AND WASTE*

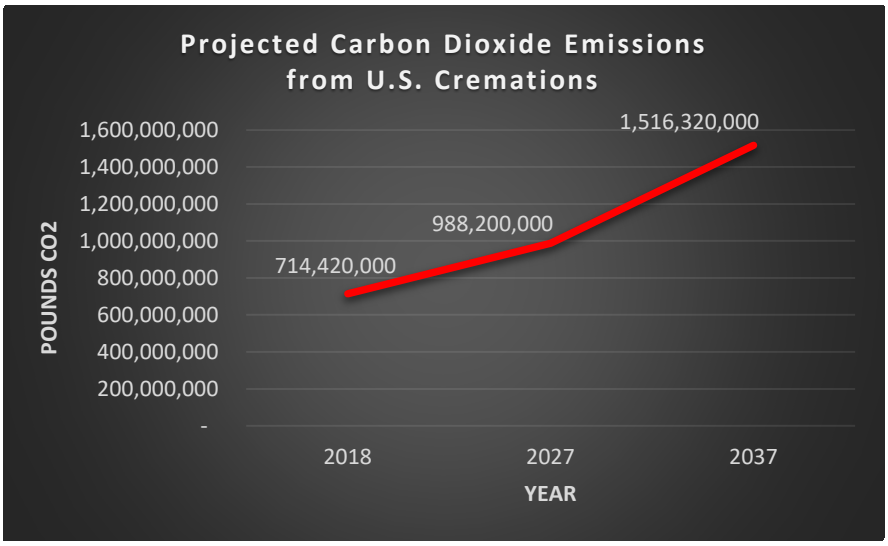
Conventional burial is the choice of 48% of Americans. Caskets, grave liners, and the process of embalming are all designed to stave off natural decomposition in a direct affront to nature's perfect design. Each year in U.S. cemeteries, we bury approximately:

- 30 million board-feet of hardwood
- 90,000 tons of steel
- 1.6 million tons of concrete
- Millions of gallons of formaldehyde-laden embalming fluid

Beyond the waste of conventional burial is the massive amount of embodied energy created by the manufacture and transport of caskets, headstones, and grave liners as well as the mowing and maintenance of acres of lawn. In addition, burial requires land, a finite resource. Urban cemeteries are reaching capacity all over the world. In some places, such as Seattle and San Francisco, there are moratoriums on building new cemeteries because land is considered too precious to house the dead. In New York City, most cemeteries have run out of plots to sell. It is becoming clear that the concept of owning an individual piece of land for eternity is flawed and unsustainable.

*ENERGY-INTENSIVE CREMATION*

Cremation rates have risen from 3% (U.S.) in 1960 to almost 50% today. Although it is often assumed to be less environmentally harmful than burial, cremation is an energy-intensive process that turns bodies into ash, releasing carbon dioxide, mercury, and particulates into the atmosphere. The energy required to cremate a body is roughly equal to the amount of fuel it takes to drive 4,800 miles. Annually, cremation emits a staggering 700 million pounds of CO2 in the U.S. alone. Adding in China, the UK, Canada, and the Netherlands increases that figure to nearly 4 billion pounds of carbon dioxide annually.




*Source: U.S. Census, Funeral Consumers Alliance*

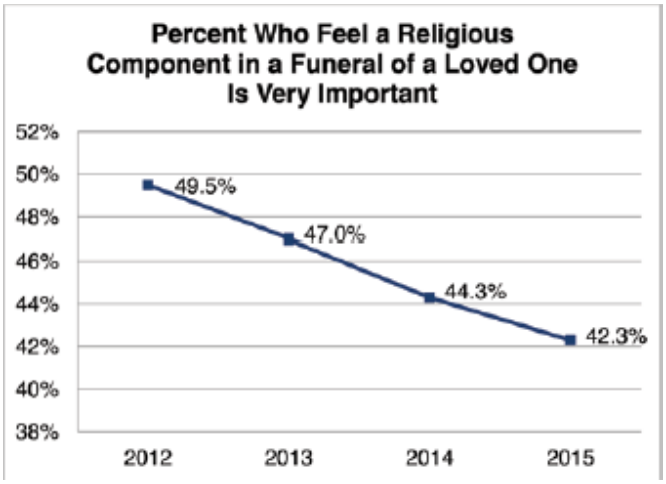
If left to the status quo, the last gesture that most of us will make on this earth is toxic. As the global population swells and cremation rates rise, the emergence of an ecological disposition option becomes more critical.

## SOCIAL/EMOTIONAL SHORTFALLS

For most of human history, people have created rituals to give meaning to the treatment of dead bodies, whether they are burned, buried, or left for scavenging animals. In the past, these rituals helped ground us in the grieving process, and they allowed us to fully partake in one of life's most pivotal moments - the death of a loved one. Yet for many in Western Society, today's available methods - and whatever remains of the rituals that accompany them - sorely lack meaning. This is due to a number of factors, including decreasing subscription to religious faith, rising cremation rates, and a failure by the funeral industry to stay relevant.

### *DECREASE IN RELIGIOUS PRACTICE*

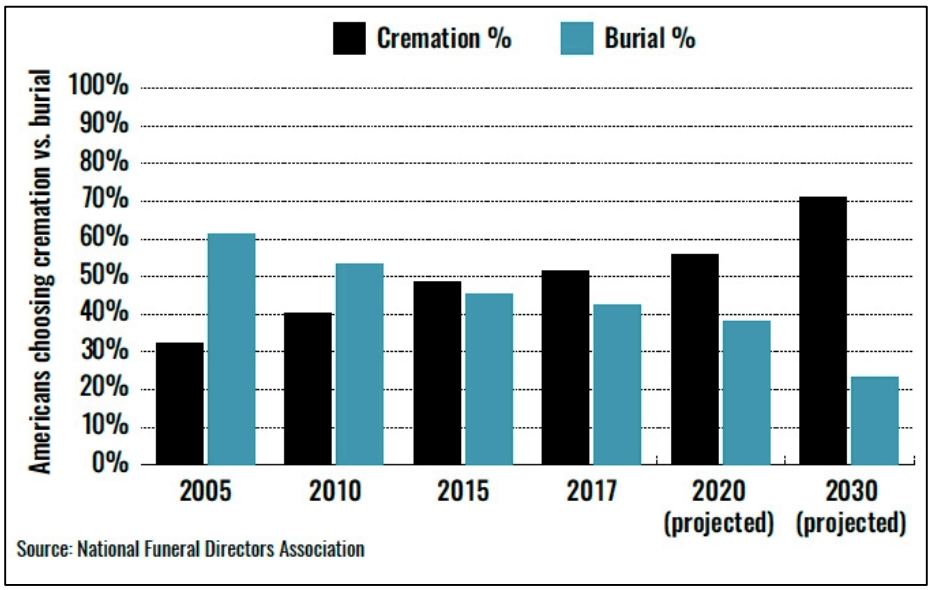
The percentage of people who subscribe to a religious faith is decreasing. According to the American Religious Identification Surveys (ARIS), 34.2 million Americans claimed no religion in 2008. Worldwide, France, New Zealand, and the Netherlands now have majority secular populations. Of course, having a religious faith does not guarantee that a funeral will feel meaningful, but most religious practices contain some type of death-related ceremony, whether it is praying, sitting with the body, or suggesting a certain form of disposition. This in turn can provide context, substance, and/or comfort to the grieving. Without a custom to follow, friends and family are left to create a self-directed ritual or to follow the instructions of a funeral director. Unfortunately, funeral homes are not providing meaning for people. And with people at their most vulnerable when a loved one dies, it can be overwhelming to organize something that feels meaningful.




*Source: National Funeral Directors Association, 2017 Consumer Awareness and Preferences Study*

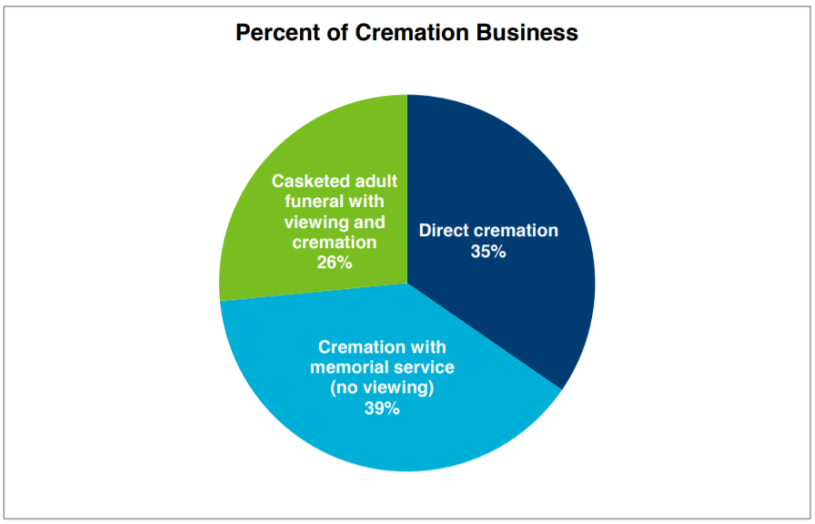
*RISING CREMATION RATES*

Increasing cremation rates have contributed to a growing lack of meaningful ritual. Conventional burial - with the viewing of the body, procession to the cemetery, pallbearing of the casket, and shoveling of dirt into the grave – provides a framework for ritual, a custom to follow when a death occurs. Before the funeral industry made embalming a common practice in the late-1800s, families would wash and prepare their dead at home and usually help to bury them. However, burial rates are decreasing throughout the world due to land use considerations, concerns about toxicity and pollution, and a general lack of interest in the practice. The U.S. cremation rate is expected to rise to 72% by 2030.




As of 2015, 35% of all American cremations were "direct," meaning that a funeral home or crematory provides *only* the cremation with no additional services (viewing, funeral) or goods (urns, cremation caskets.) A direct cremation includes incineration of the body, grinding of bone fragments into "ash,"

and returning the cremains to the family. Families choose direct cremation for a number of reasons, including cost and simplicity. Many people have stories of feeling pressured to buy a fancy casket or urn to "honor their loved one" or of having to choose from a complicated menu of goods and services. Direct cremation lets them avoid this. But unless friends and family create it, no ritual happens. And cremated remains can become a burden, carried around in the trunk of a car or tucked into the attic.




Source: National Funeral Directors Association, 2014

A 2005 study of American attitudes toward ritualization and memorialization by Wirthlin Worldwide found that 89% of people who would choose cremation reported interest in having some sort of ceremony. In other words, people still crave meaningful ritual.

*LACK OF MEANINGFUL GATHERING PLACES*

Passed down from generation to generation, most American funeral homes were built in the early 1900s and modeled on the concept of an old-fashioned living room or "parlor." More recently constructed funeral homes can feel like a bank lobby or waiting room. A 2017 Consumer Awareness Survey by the National Funeral Directors Association found that half of respondents had attended a memorial service outside a funeral home.

Crematories in the U.S. are largely of utilitarian design and are often located in industrial zones on the outskirts of cities. Some crematories offer witness cremations where the family can attend, but the setting can be disturbing and depressing.

There is a dearth of authentic-feeling, inspiring settings in which to commemorate the loss of a life.

*PURCHASING PRESSURE BY FUNERAL HOMES*

There is consensus among insiders that the funeral industry has failed to stay relevant to consumers' changing desires. The rise of cremation was consumer-driven and took many funeral

homes by surprise. Industry trade shows advertised solutions to "the cremation problem" as recently as the early 2000s. Because the financial model of funeral homes evolves around the sale of burial goods and services, the rise of cremations has led to shrunken profit margins. Where once a family would enter a funeral home expecting to purchase a plot, casket, embalming, and a funeral service, today families may come in asking for "direct cremation." In other words, to achieve historical profit margins, today's funeral homes have to upsell harder.

When we lose a loved one, we are at our most vulnerable. Being pressured to buy goods and services to "honor a loved one" is disempowering. It feels awful. It's no wonder the public narrative around funeral homes is so negative.

The factors above all contribute to a dramatic shift in death care at a time when it is important to get things right. In the next few decades, more people will die than ever before. Worldwide, the number of people age 65 and over is projected to reach 1.6 billion by 2050, and the funeral industry is at a crossroads created by a trio of cultural factors: a deepening interest in sustainability, an aging population, and a rising consciousness around end-of-life issues.

## THE SOLUTION: RECOMPOSE

Death – though heart-wrenching – can be beautiful. Its rituals can be meaningful, and disposition of the body can be simple, gentle, and natural. The Recompose model is an antidote to the existing funeral industry, offering an authentic, participatory experience for families and a natural return to the earth for the dead.

*NATURE'S PRINCIPLES*

*I bequeath myself to the dirt to grow from the grass I love,*
*If you want me again look for me under your boot-soles.*
- Walt Whitman

At the heart of the Recompose model is a system that gently converts bodies into soil. By creating the right environment for naturally-occurring microbes to thrive, we accelerate natural decomposition. Recomposition is a way for our bodies to return to the earth after we die. The entire body is converted into soil, including bones and teeth.

Recompose's process happens inside our proprietary hexagonal vessels, one body per vessel. Each vessel is filled with a mixture of natural materials – primarily wood chips, alfalfa, and straw – and aerated. The process takes approximately one month, after which time the vessels are cleaned and used again.

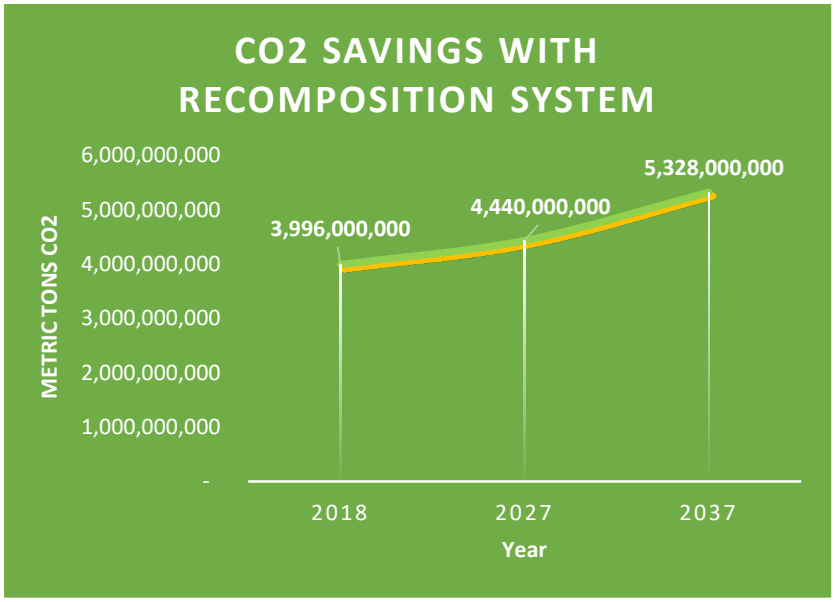
The soil created by the Recomposition System is clean and nutrient-rich; its appearance and feel are much like the topsoil one would buy at a nursery. The approximate volume created per body is one cubic yard. Family and friends may choose to take home some or all of the soil to plant a

tree or nourish a garden. Recompose will care for any surplus soil through partnerships with local conservation groups.

*ENVIRONMENTAL BENEFITS*

The environmental benefits of natural organic reduction by the Recomposition System are admirable:

- A fundamentally aerobic process, natural organic reduction does not produce methane, a potent greenhouse gas. (Methane is produced by anaerobic processes, such as the putrefaction of an embalmed corpse in a sealed concrete vault buried six feet underground).
- Natural organic reduction avoids the greenhouse gasses that are produced by the manufacture of concrete grave liners, caskets, and coffins and by the burning of fossil fuels for cremation.
- The process results in a reduction of waste from burials and of particulates and mercury emissions from cremation.
- Less arable land is used for cemeteries, resulting in a reduction of mowing, fertilizing, and watering.
- Natural soil is created.
- Natural organic reduction by the Recomposition System saves over one metric ton of carbon per person.




*Source: MSc Industrial Ecology Research Group, Leiden University, 2017*

*CARBON DRAWDOWN*

Our model is an important tool in the carbon drawdown toolkit. Due to a combination of avoiding carbon output and sequestering carbon, the Recomposition System saves over one metric ton of carbon per person. This savings was determined by a Life Cycle Assessment (LCA) produced in partnership by Leiden University, Delft University of Technology, and Troy Hottle, PhD, Senior LCA Analyst at Eastern Research Group, Inc. (ERG). 55 million people die each year in the world. If everyone chose to be recomposed after death, we calculate that we could avoid emitting approximately 80 million metric tons of carbon per year.

*SAFE AND EFFECTIVE*

Natural organic reduction has been proven safe and effective through rigorous research by Washington State University. It is based on decades of research on livestock mortality composting and has been affirmed with research using human bodies.

During natural organic reduction, the tissues and DNA of the human body are broken down by microorganisms – this change occurs on a molecular level. By the end of the process, these elements are part of trillions of microorganisms and have recombined into complex organic molecules.

During natural organic reduction, pathogens, soluble metals, and pharmaceuticals are reduced. Pathogen reduction occurs due to high temperatures created by microbial activity. Metal elements become less soluble as they are bound in organo-metallic compounds with humic acids. Pharmaceuticals reduction occurs due to decomposition by microorganisms.

Natural organic reduction meets current safety thresholds as outlined by the Washington State Department of Ecology (DOE) and Department of Health (DOH.) Any heavy metals, including arsenic, cadmium, copper, zinc, lead, and mercury that are returned to the soil from the deceased following natural organic reduction are well under EPA limits.

*A REPLICABLE SYSTEM*

Our Recomposition System has been designed to be replicated. Vessels can be stacked vertically, scaling up as demand grows. Our controls system “talks” to each vessel in the facility, measuring temperature and ensuring that the proper records are kept. Down the road, as we license our system to industry partners, licensees’ controls systems will talk back to ours so that we can collect data and track proper operations and regulatory compliance of the systems.

*A FRAMEWORK FOR RITUAL*

> *When death looms, we are all lost children. This is when we long for ritual and ceremony to help us honor our humanity and feel held by something larger.*
>
> -Amy Cunningham and Kateyanne Unilisi

Before the birth of the American funeral industry, people were intimately familiar with death. When a person died, their family members and community cared for the body. They washed it and clothed it and prepared its final resting place. However difficult, these actions were profound, providing ritual, connectedness, and closure. Today, there is a resurgence of interest in taking back the practice of death. Recompose is at the forefront of this movement.

Participation by family and friends is the heart of the Recompose "framework for ritual." When a person dies, the body is transported to Recompose|SEATTLE, and a gathering date is scheduled. On the chosen day, families and friends arrive. The closest to the deceased join staff in a shrouding room, where they are encouraged (gently and without pressure) to participate in washing and shrouding the body. The body is then brought to a larger space, with gardens and vessels. Family and friends cover the deceased with straw, alfalfa, and woodchips. Words may be said during this time or music played. With the help of staff, friends and family placed the body into the vessel. The vessel door is closed, and the month-long process of returning to the earth begins.

*Recompose facilities will be a place to gather and reflect. Image credit: MOLT Studios for Recompose*

*INTENTION, CLARITY, TRANSPARENCY*

Recompose's model includes unique operational and staffing systems which help facilitate a new relationship with the end-of-life. We build intention, clarity, and transparency into every interaction.

We believe that we can provide simplicity (fewer choices around the type of disposition and transparency of pricing for services) at the same time that we provide a more authentic

experience (clear communication and hands-on involvement.) We want to make death care accessible, authentic, special, and unique: the polar opposite of the stereotypical funeral home experience.

*A FAITH CONSTELLATION*

Recompose's earliest adopters may be chiefly non-religious. However, natural organic reduction is consistent with many faiths. Jews practice natural burial in a pine box and eschew embalming – natural organic reduction may be a similar "return to the earth" in the eyes of many Jewish congregations. Protestants have few requirements around death care, so presumably they can choose to be recomposed. Hindus cremate in order to release the soul "more quickly" than burial; our month-long process may be quick enough for some. The Catholic Church requires all "earthly remains" to stay together, and families can easily meet that requirement with the soil from natural organic reduction. In other words, Recompose is not just an option for the non-religious.

Funeral Director Amy Cunningham describes the "faith constellation" of many people living in Western Society today. Recompose is receptive to all faiths and appreciates the myriad relationships people have with religion. The architecture of Recompose|SEATTLE will be inclusive. One's faith can easily be woven into the framework for ritual that centers around participation and a return of the body to the earth.

*A PLACE TO GATHER*

Good design is at the core of our vision. The built environment plays a critical role in how we feel, and it has tremendous potential to inspire us even during the most difficult times. We want people to be struck by the beauty and authenticity of the physical place that we've created, to experience it as an integral part of their city, and to have it move them, even before they attend a funeral there.

## RECOMPOSE ADVANTAGES

From the experience of families to the deep personal meaning found by returning to the earth after death, we expect the service of Recompose to vastly exceed the expectations of our customers.

Recompose has several clear advantages over its primary competitors, which are conventional funeral homes, crematories, and other alternative death care methods:

- **Innovation and Positioning:** Recompose is unique; no other funeral home or disposition facility in the world offers this service.
- **Vastly improved aesthetic and holistic experience:** from the design of our centers to our staff who meet individuals at the level where they are comfortable, the whole practice is intentionally designed.

- **Perception of organization as benevolent**: We expect that Recompose will be correctly perceived to be benevolent because of its structure as a public benefit corporation and its environmental and social/emotional impact goals.
- **Real ecological benefits/sustainability:** Our Recomposition System uses one eighth the energy of cremation, saving over one metric ton of CO2 per person, and our only residual product is clean, usable soil.

## BUSINESS MODEL

Recompose is organized into three strategic components: PLACE, THRIVE, and SUSTAIN. We will generate revenue via two primary channels: sales of funeral services directly to individuals using our Recomposition System and royalties and consulting fees from licensing our Recomposition System to commercial partners.

*RECOMPOSE|PLACE*

Recompose|PLACE will operate centers where families gather to celebrate the lives of loved ones and where bodies are transformed into soil. We will charge fees for service at these centers.

Recompose|SEATTLE will be Recompose's flagship facility, a showcase for our regenerative, participatory death care model. The space will function legally as a funeral home and disposition center, but we see it as an antidote to current versions of both of these.

We expect that Recompose|SEATTLE will generate more than 99% of Recompose's revenue in the first five years of operations from business-to-consumer direct service sales. A profitable Recompose|SEATTLE is our baseline and our basis for growth, and we expect to learn a tremendous amount in the first few years of operation.

During the first few years as Recompose|SEATTLE grows to capacity, we will partner with funeral homes in other cities for additional business to consumer sales. Bodies of the deceased will be transported to Recompose|SEATTLE, and we will ship the resulting soil back to be given to the family. Several like-minded funeral homes in major cities have already expressed interest in offering the Recompose service to their clients. "Like-minded" refers to a focus on empowering families, offering green options, and supporting home funerals. This model may reduce (but not eliminate) some of the environmental benefits of natural organic reduction; a flight from New York City to Seattle, for example, will reduce the carbon footprint reduction from natural organic reduction by approximately 25%.

*RECOMPOSE|THRIVE*

Creating a successful flagship center is the first step to creating deep change in the funeral industry, but it is only the beginning. To make a real impact, we must replicate and scale. Recompose|THRIVE is focused on significant expansion and growth opportunities. This arm plans

for expansion via new centers, licenses our model to industry partners, and ensures that our proprietary systems are functional and replicable.

*LICENSING AND CONSULTING*

Funeral directors know that the industry is at a crossroads. Funeral homes haven't had a truly innovative option to offer their customers since cremation gained a foothold in the 1960s. Cremations rates are skyrocketing, yet cremation has a much smaller profit margin than conventional burial. According to the Federated Funeral Directors of America, funeral home profit margins declined by almost 50 percent from 1986 to 2006. Likewise, as cemeteries fill up, their revenue stream disappears.

Recompose provides a solution to the problems faced by funeral homes by creating a pathway for them to offer the service of natural organic reduction to their customers. We will work closely with our Channel Partners in other areas to help them overcome regulatory burdens in their jurisdictions. In addition, Recompose will offer exclusive licensing opportunities to funeral homes for its patent pending process, which will be accompanied by Recompose's unique background and support materials. Thus, licensing is expected to be an important element of Recompose's collaborative engagement with existing funeral homes as well as with new practitioners who want to specialize in natural organic reduction.

Licensing partnerships are expected to extend beyond the U.S. Recompose is in early conversations with potential partner funeral homes in the Netherlands and Brazil.

It is Recompose's goal that consulting and licensing fees (Business to Business) will comprise 0% of total revenue generated in year one of operations and 1% in year five, with annual percentage-based growth eventually outpacing direct service sales.

*COMPANY-OWNED FACILITIES*

Once we have opened Recompose|SEATTLE and operated successfully for one to two years, we will seek opportunities to open additional Recompose-owned facilities. Recompose|THRIVE will fund these new facilities with cash flow, debt, and/or new equity investments, support any required policy changes, and manage the development and construction of new centers. Our team is strong in design, construction, and project management with the ability to plan for and manage this arm of the business.

Locations for new centers will be chosen for cultural fit, legality, and demographics. Cities in Washington State, such as Vancouver (close to Portland, OR) and Spokane (on the Eastern side of the state) may be early candidates. California is an obvious "next state" for legalizing natural organic reduction, for various reasons, and will likely be another focus. Cities and locations will be chosen on a case-by-case basis.

*RECOMPOSE|SUSTAIN*

The cost of funeral services can place an undue burden on low-income families. The expense often comes without warning and can be among the largest purchases made in a lifetime. Recompose believes that access to meaningful, sustainable death care is a human right. Recompose|SUSTAIN supports families for whom the full price of our service is a burden using our Community Fund program.

Recompose's Community Fund program will help families who demonstrate financial need when a death occurs. We will strive to cultivate a culture of giving and to communicate with transparency about the workings of the program. The Community Fund program will be funded by several sources:

- Donations from families and the broader community.
- Revenue from Recompose|SEATTLE's retail shop.
- A percentage of Recompose's profits.

## MARKET

*TARGET MARKET*

A 2015 study by the Funeral and Memorial Information Council found that 64 percent of American adults aged 40 and older said they would be interested in "green funeral options," up from 43 percent in 2010. The New York Times recently reported a growing trend in home funerals, with "death midwives" assisting families of the deceased in caring for their own. In addition, many in the baby boomer generation have experienced the death of their parent(s) and have been disappointed by the end-of-life options, both pre- and post-death. There is a movement afoot to own our own death processes and to simplify them, as well as to make them more sustainable.

Our goal is to replace cremation as the default choice. One of Recompose's main responsibilities is to educate the public on the environmental impacts of cremation at the same time that we provide another choice. We expect that our inclusive outreach and education efforts will attract increasing numbers of people who would otherwise have chosen cremation and who are attracted to the services and philosophy of Recompose. Our early market will likely be environmentally-conscious, non-religious, urban funeral consumers.

The target market is divided into two categories:

- People who are actively dying and/or are planning their end of life wishes.
- People who have just had a family member die and are choosing a disposition option for their body.

Our customers will choose Recompose for one or more of several reasons:

- **Environment**: concerned about how their disposition will impact the planet, customers will choose Recompose because it is ecologically beneficial.
- **Meaning**: whether or not they care about their carbon footprint, customers will choose Recompose because the concept of returning to the earth is meaningful to them.
- **Design**: customers will choose Recompose because the design of the space appeals to them. Some will have toured Recompose|SEATTLE or attended a concert or event there.
- **Transparency**: customers will know the price of a Recompose service because we will be clear about pricing in our marketing material, and this transparency will be appealing.
- **Recognition**: many will have seen our advertising campaigns and followed the trajectory of Recompose|SEATTLE from inception through its opening via the press. When a death occurs, Recompose will be top of mind.
- **Uniqueness:** customers will choose the Recompose service because it is one-of-a-kind.

*SEATTLE AREA MARKET*

Seattle (pop. 724,000) – and to a large extent, King County (pop. 2,189,000) - is generally recognized as a progressive and innovative place whose residents care very much about nature and the environment.

Currently, just over 25,000 people die in King County annually. Seattle's Office of Financial Management (OFM) forecasts that the county's population will grow from about 1.9 million people in 2010 to about 2.4 million in 2040, which extrapolates to an estimated 29,000 people dying annually in King County in 2040.

Recompose|SEATTLE is designed for a capacity of 750 customers per year, or just 3% of total King County decedents.

Nearby markets (accessible by car) include:

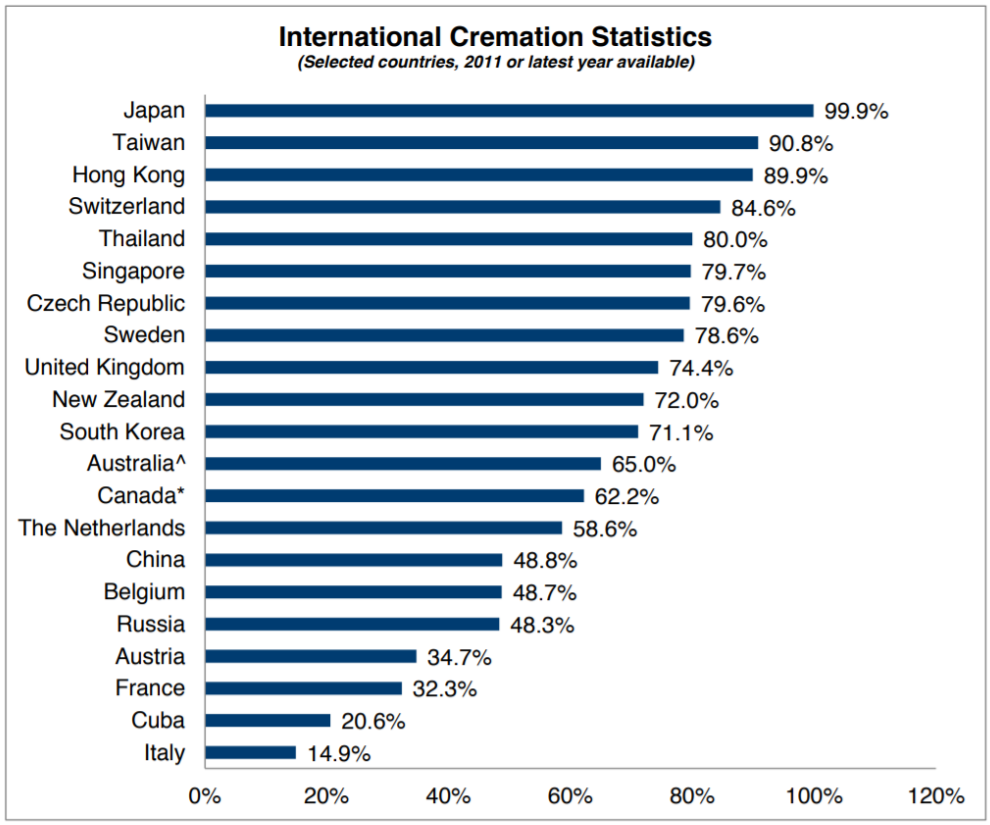
- Olympia, WA (1.5 hours, pop. 51,000)
- Portland, OR (3 hours, pop. 647,000)
- Vancouver, BC (3 hours, pop. 631,000)*

*CDC guidelines allow bodies to be shipped across the U.S. border as long as the cause of death was not a quarantinable communicable disease and the remains are in a leak-proof container.

*U.S. AND INTERNATIONAL MARKET*

By 2050, it is expected that one in five people on earth will be 65 or older. In the United States, because of the baby boomer generation, nearly seven people turn 65 every *minute*, and this will continue until 2030.

Anecdotal data in the form of emails has demonstrated significant international interest. The Netherlands, UK, Australia, Brazil, and Canada are potential early markets for international expansion. Countries with high cremations rates may be the best fit for natural organic reduction.




*Source: The Cremation Society of Great Britain, 2012 Report. * Excludes Quebec. ^ Estimate.*

Recompose's current detailed financial projections are attached hereto as *Exhibit E*.

## PRICING

The National Funeral Directors Association (NFDA) states that the median cost for a U.S. funeral with viewing and burial is $8,755. This does *not* include a headstone and plot, which can range from $3,000 to $25,000. The median cost for a cremation with a funeral and viewing is $6,260. A direct cremation - without viewing, casket, or time in the funeral home - costs between $750 and $4200. The same services and goods can vary widely in price, even in the same city.

A natural burial at Joshua Tree Memorial Park in California costs approximately $7,000, including a plot. Two cemeteries in Los Angeles offer green burials; their prices are $16,000 and higher. A natural burial at White Eagle Cemetery, 3.5 hours from Seattle, costs $5660.

The initial price for a Recompose service is expected to be $5,500. The service will include:

- Care for the body at time of death—pickup and transportation to the Recompose facility
- Storage of the body until the time of service
- Shrouding and placement of the body into the vessel
- Opportunities for loved ones to participate in shrouding and placement
- Availability of facility space for small memorial gatherings (up to 50-75 people)
- Monitoring and managing the process of natural organic reduction
- Removal of the soil material and distribution as agreed upon by family

Funerals are among the most expensive purchases many people make, and often we will go through the decision-making process only once. This means that the consumer often has very little experience, and those making decisions may be under time pressure and significant emotional duress. Upselling is a common practice among many funeral homes, and families struggling to make ends meet can be pushed into debt. "Upselling without Upsetting the Client" is a continuing-education course approved by 27 state boards for funeral directors to maintain their licenses.

In 1970, the Federal Trade Commission (FTC) began an investigation of the funeral industry and created regulations for funeral directors under 16 C.F.R. § 453.1 *et seq.*, known as the "Funeral Rule." Under the Funeral Rule, funeral directors are required to (among others):

- Provide clients with a detailed price list of all goods and services.
- Inform clients that embalming is not required by law.
- Allow families to plan alternative funerals that do not follow traditional patterns.

In 2011, a spot check by the FTC found that one in four funeral homes had serious violations of the Funeral Rule. Overall, the industry suffers from an image problem related to its pricing, with funeral homes seen as taking advantage of grieving, vulnerable people.

Recompose strives to bring transparency to the death care experience. We believe that, by simplifying our service offering, we can bring clarity and even peace to people during what is typically a vulnerable time. There will be no upselling at Recompose|SEATTLE.

Recompose is building a Community Fund to support people who can't afford to pay the full price of our service. An integral and unique part of our marketing strategy will highlight this aspect of

the organization, help create a culture of giving, and remind us that we are all equal, especially after we die.

Our initial pricing reflects the time it takes to recompose a body (one month compared to 4 hours for cremation) and the R&D costs of bringing this new system to the world. From inception we are committed to compensating our staff with full consideration of the care and respect we expect from them as they work with the bodies and those who are grieving. Our goal is to bring the price of natural organic reduction down eventually as we re-coup our research and development costs and initial capital outlays and simplify our operations.

## COMPETITION

Recompose|SEATTLE will be the first place in the world to offer the service of natural organic reduction, the conversion of human remains into soil. It is designed to be the antidote to today's funeral home. Recompose's primary competitors are other death care options, such as cremation and burial, and the funeral homes and crematories that offer those options. It is possible that other companies will develop "natural organic reduction" processes that do not rely upon Recompose's systems, technology, and engineering.

OTHER DEATH CARE OPTIONS

*CREMATION*

Cremation is our #1 competition. As of 2017, more Americans are cremated than buried, and that rate is expected to continue to rise. The WA State cremation rate is 76%; the Seattle rate is 95%.

During a cremation, a body is burned at temperatures of 1400-1800 degrees Fahrenheit for between three and four hours. The remaining brittle bones are crushed into a fine powder using a "cremulator" and given back to families. Consumers report preferring cremation to burial because it is "cheaper," "simpler," and "less environmentally harmful." Anecdotally, few people choose cremation because they love fire.

Cremations are almost invariably cheaper than burial. They are not less environmentally harmful, however; cremation and burial are equal in terms of carbon emissions. Recompose's marketing strategy includes educating the public about cremation's carbon footprint.

Cremations are arguably "simpler" than burials, with fewer choices to make around casket type, plot location, and headstone. However, it is a common experience of people to have a box of ashes in their car trunk, attic, or garage long after a death and to feel a sense of guilt, not knowing what – if anything – to do with them. Removing this burden is a goal of Recompose.

Overall, we believe we can provide an option for consumers that feels both "simple" and "environmentally beneficial." And recomposition moves people – we believe we can create an experience that people will absolutely love.

*ALKALINE HYDROLYSIS*

Also called Bio-cremation or Aquamation, Alkaline Hydrolysis is a process where bodies are dissolved in a stainless steel chamber using a mixture of lye and water. The liquid portion is disposed of and the remaining bone fragments are crushed into a powder similar to cremated remains. Alkaline Hydrolysis uses an eighth of the energy of cremation by fire. The process is legal in 17 U.S. States, including Washington State (as of May 2019). Existing funeral homes and crematories can buy a system for between $150,000 and $400,000.

There is no provider in Washington State yet; however, it is reasonable to expect this option to be available in the near future. So far, U.S. providers have been charging approximately the same as a direct cremation, or approximately $2000.

*NATURAL BURIAL*

During natural burial, a body is buried in a shroud or plain wooden coffin just three to four feet deep in the earth. Embalming is not allowed. Natural burial grounds may be located on conservation land, or they may be adjacent to a conventional cemetery. Typically, native species are planted. Often plain rock markers or GPS coordinates take the place of a headstone.

Although this option is environmentally benign, natural burial requires significant land. Most natural burial grounds are located in rural areas and, as such, the option is not a solution for our entire urban population.

There are four natural burial grounds in Washington State. The closest to Seattle is Woodlawn, a conventional cemetery with a portion set aside for natural burial.

## OTHER COMPANIES

*SERVICES CORPORATION INTERNATIONAL (SCI)*

SCI owns more than 1,500 funeral homes and 400 cemeteries in 43 states, eight Canadian provinces, and Puerto Rico. Its brands include Dignity Memorial® and Dignity Planning® (yes, they've trademarked dignity.) SCI owns a 70% stake in the Neptune Society, one of the largest publicly-traded cremation services providers in the U.S. In the Seattle area, 45 funeral homes are owned by SCI.

In 2013, Bloomberg Businessweek reported that, despite its lower overhead, SCI has higher prices than independent funeral home operators. The report found that for "traditional funerals, SCI charges $6,256 on average (excluding casket and cemetery plot), 42 percent more than independents." In reply, SCI pointed to "overwhelmingly positive responses" on customer surveys and below market wages paid to staff and management, and they stated they provide "top value" at a variety of funeral price points.

*CREMATORIES (such as First Call Plus)*

First Call Plus is a large crematory located in an industrial park in the city of Kent, 19 miles south of Seattle. First Call cremates approximately 8,000 human bodies annually. It is a wholesale processing facility with the majority of its cremations coming from funeral homes in the area.

*LOCALLY-OWNED FUNERAL HOMES (such as Bonney-Watson)*

Bonney-Watson is a family-owned funeral home with four Seattle locations, two crematories, and a cemetery. It has been in business since 1868. Bonney-Watson handled a total of 497 cases in 2014.

### OTHERS OFFERING NATURAL ORGANIC REDUCTION

As of the date of this Memorandum, we know of no other company that is planning to offer natural organic reduction to customers. Of course, other companies may eventually try to offer the service.

We have two patents pending for our Recomposition System, as well as a proprietary and trade secreted process formula that is different from that used on farms. (Agricultural composting often includes manure as a high-nitrogen ingredient.) We believe we have built in sufficient plans and opportunities for collaboration to incentivize interested parties to work with Recompose. We plan to bring on industry partners through attractive licensing and consulting arrangements as well as the opportunity to be part of the Recompose community.

## MARKETING

We expect that our marketing will set us apart from our competition. We aim for messaging that is clear, direct, gentle, and a little bit fun. We will market to people who have just lost someone or for whom a death is imminent. We will also market to people well before they face their own death or a death of someone near to them. We want to be "top of mind" for all people in the Seattle region when a loved one dies.

Our marketing strategy includes:

- Clear and comprehensive website (www.recompose.life)
- Monthly newsletter to list of 11,000+ recipients
- Earned media (e.g. the New York Times, Atlantic, NBC, Wired, and the Seattle Times)
- Strong social media presence (Twitter: @recomposelife; Facebook: @recompose)
- Print ads (e.g. Seattle's light rail)
- Public presentations (TEDx, Assisted Living Facilities, Conferences)
- Collaborations with industry organizations (e.g. End of Life Washington, hospice)

- On-site events (tours, concerts, poetry readings, educational experiences)
- Word of mouth

*EARNED MEDIA*

One of the most cost-efficient and effective ways for us to market to future customers is earned media. Since founding the Urban Death Project (Recompose's precursor) in 2014, we have enjoyed more than 350 unique pieces in print, TV, internet, and radio. Stories about Recompose are usually positive and tap into numerous issues that are important to people, including death and dying, climate change, and limited space in cities. The convergence of these issues has made it possible to earn significant press without being a "flash in the pan" idea.

We have relationships with several local/regional media outlets and have found that they are often receptive to sharing updates with their audiences. In November 2018, just before the legislative session began, we worked with the Seattle Times for a well-timed story on the completed WSU pilot research. That story led to pieces at MSNBC and the New York Times. We expect that media attention will continue to be strong, especially as the project becomes increasingly tangible, Recompose|SEATTLE opens, and we begin to serve families.

It will be important to craft a thoughtful media strategy, as managing press requests requires staff time. Care must be taken to balance value versus cost.

*PRINT ADS*

In addition to earned media, we plan to use creative print advertising to intrigue and excite the Seattle area market as we get closer to opening an operating facility. We will buy ad space on light rail and in the local newspapers. In general, our marketing materials will focus on three themes:

- **Environment**: conventional options are harmful to the earth; natural organic reduction is beneficial and ecologically sustainable.
- **Transparency**: death happens to everyone, and we will be honest with you about it, from the cost of service to the process of transforming a loved one into soil.
- **Meaning**: returning a loved one to nature is a beautiful thing.

*PUBLIC PRESENTATIONS AND ON-SITE EVENTS*

We envision Recompose|SEATTLE as a place of civic interest; for some, it will be a reason to travel to the city. Tours and visitors are a part of our marketing plan. Much like New York City's Highline, both the concept (transforming humans into soil to help grow new life) and the reality (a space designed to encourage a new relationship to death) are compelling, and we believe people will come from all over to experience the place.

The Bullitt Center, an ecologically-designed office building in Seattle's Capitol Hill, is a local precedent. Due to extensive press about the building's sustainability features, the Bullitt Center now organizes daily tours (and charges $5 per person) and has hosted thousands of visitors in the last few years. There will need to be careful choreography of tours and services at Recompose|SEATTLE, and handling of visitors will be an important consideration for our design team.

*PRE-PLANNING VS. PRE-SALES*

Recompose has considered selling pre-needs (aka pre-arrangements) as part of its early business activities. Pre-selling our service could be a good marketing tool, and pre-arranging one's death care is a good way to communicate wishes to family and friends. Recompose has had numerous requests for pre-sales via email and in person.

Pre-sales are fairly common in the funeral industry, but pre-sales do not create much spendable revenue. Depending on the state, 75-90% of pre-need revenue for services must be kept in a trust account until the person dies. The largest funeral company in the U.S., Services Corporation International (SCI), has $4 billion of pre-needs monies in trust funds, earning revenue through dividends and interest and by charging fees to manage the trust funds.

At this time, we believe it would be unwise to pre-sell our service – there are simply too many unknowns. Without testing our pricing model, we can't be sure that the price of the service will stay the same between when we open our doors and ten, twenty, even thirty years in the future (even adjusted for inflation.) In Washington State, only 10% of the pre-sales revenue can be spent, and our core competencies do not include managing a financial trust. Finally, for many consumers, pre-need sales are seen as a touch shady. There are many stories about families who have been taken advantage of when buying a pre-need arrangement.

Instead of selling pre-needs, Recompose will focus on helping people plan for their end-of-life and communicate their wishes to family and friends. Part of our mission as a company is to help folks approach death in a different way, ideally long before they actually die. Recompose is creating a downloadable toolkit to help people make clear that Recompose is their choice. Our marketing will include reminders to tell friends and family – and not just once.

The National Funeral Directors Association found that, as of 2017, 62.5 percent of consumers felt it was very important to communicate their funeral plans and wishes to family members prior to their own death, yet only 21.4 percent had done so. Recompose can help remedy this.

## COLLABORATION OPPORTUNITIES

An important component of our business philosophy is that collaboration will serve us and the public better than competition. We are committed to honesty and transparency, which necessarily requires unfavorable comparisons with conventional funeral practices. However, that

is only part of the picture. Our broad network includes many funeral directors and other death practitioners who are eager to participate in what they deem to be a significant opportunity for their businesses. Recompose has devoted time, energy, and money to designing, engineering, piloting, and legalizing a process that we believe will be applicable throughout the world. While others may choose to engage in a similar but independent research and design process, we believe the more attractive alternative will be to enter into a collaborative arrangement with Recompose through licensing and consulting arrangements. Eventually, we envision a community of practitioners working to improve the death experience for all.

In addition to direct collaborations with funeral homes and practitioners, we will pursue relationships with the makers of several end-of-life apps that are coming onto the market, such as Cake, FreeWill, and GYST. We will also continue to deepen relationships with end-of-life care providers such as hospice organizations.

## MAJOR MILESTONES

*2014-2017 (AS URBAN DEATH PROJECT)*

- Performed six model human decomposition studies with Western Carolina University; the study was written up in the New York Times Science Section (May 2015).
- Completed Life Cycle Assessment comparing the pollution, waste, and health impacts of natural organic reduction, burial, and cremation.
- Filed U.S. Patent No. 15/072,346; "System and Method for the Disposition of the Dead" with law firm Steptoe and Johnson, LLC.
- Received abundant positive media attention (more than 300 unique print/podcasts/radio spots).
- Wrote legal memo for state by state policy strategy in partnership with Wake Forest University School of Law.
- Earned Echoing Green Fellowship (2014,) Buckminster Fuller Prize Semifinalist (2016,) and SVP Seattle Fast Pitch 1st Place and Audience Choice Awards.
- Garnered support from across disciplines and fields of study.

*2017- Q2 2019 (AS RECOMPOSE, PBC)*

- Raised $693,000 from heart-aligned investors.
- Engineered and tested full-scale prototype.
- Filed U.S. Patent No. 62/133,984; "System and Method for the Recomposition of the Dead" with law firm Steptoe and Johnson, LLC.

- Completed research pilot using six human bodies with Washington State University Soil Science Department.
- Designed air handling and controls systems.
- Earned Ashoka Fellowship (2018, Katrina Spade).
- Grew newsletter list to 11,000+.
- Passed Washington State legislation authorizing "natural organic reduction" – the contained, accelerated conversion of human remains to soil – in the State of Washington (April 2019); signed by governor in May 2019.

*Q3 2019-2020 (AS RECOMPOSE, PBC)*

- Raise $6.75 million from heart-aligned investors.
- Hire head of technology and head of services.
- Lease and fit out space in Seattle.
- Manufacture and install 20-vessel system.
- Open Recompose|SEATTLE.
- Serve first families (Q4 2020).

## STATEMENT OF VALUES

As a public benefit corporation, Recompose is committed to the fair and equitable treatment of all stakeholders. Our Statement of Values refines and complements our corporate charter as follows:

Whereas Recompose was founded on the idea that death is deeply profound, momentous, and beyond our understanding.

Whereas we believe that the existing conventional funeral industry is dis-empowering, toxic, and polluting.

Whereas we believe that sustainable, meaningful death care is a human right.

Whereas we believe that all people grieve differently and that death care should be as diverse as the communities we live in.

Whereas we recognize that our global system of capitalism has been built upon systems of patriarchy, racism, and colonization.

Resolved, that Recompose is dedicated to the following core principles:

- Our work - from the process of caring for bodies to the science of natural organic reduction to our business structure – will be transparent.

- We will strive to make our services accessible to all people who want it, regardless of economic status.
- We recognize the multiplicity of impacts of real estate development and seek input from local communities to minimize negative impacts.
- We consider the commercialization of death to be unethical and do not partake in data mining or the sale of personal information.
- We are a feminist organization, advocating and protecting the rights of women, transgender, and gender nonconforming people.
- We are an anti-racist organization, advocating and protecting the rights of people of color and religious minorities.
- Financial profit is not the primary goal of Recompose. It is the oxygen that allows Recompose to thrive and grow organically.
- Creating ecological wealth, caring for people, and completely disrupting the funeral industry are our primary goals, and a financially sustainable business is a necessary tool for meeting those goals.

## BUSINESS PHILOSOPHY

Recompose believes that scaling is necessary to have the impact we want to have in the world – to change the emotional landscape around death care and create environmental wealth at the end-of-life. We can only do that if our system is available in many places, and so we must scale. And our business model must support that growth.

However, the "growth-at-any-cost" mindset of American companies and the corresponding expectations of investors have contributed to a toxic landscape for many businesses and people. Rather than nurture and support new and growing businesses for the long term, the dominant practice has been to accelerate growth in order to make companies appealing acquisition or IPO candidates over a relatively short time horizon (typically five to ten years.) This often comes at the expense of values and mission, employees, communities, the environment, and even investors. Recompose is committed to growing our company organically, carefully, and deliberately with strong and enduring financial results. The nature of our business supports this philosophy, and we are seeking investors who appreciate the long-term potential for natural organic reduction and who are pleased to join Recompose as long-term investors.

## LEADERSHIP AND MANAGEMENT

Over the past four years, we have strived to inspire a movement by demonstrating the enormous potential of a re-designed death care experience. Through this effort, we have attracted an

incredible team of people, all of whom believe that it is time to transform the death care industry and all of whom believe that Recompose is the organization to fulfill that mission.

The team includes paid consultants and pro bono advisors. As of early 2019, Katrina Spade is the only salaried employee.

*KEY STAFF*

**Katrina Spade** is the founder and CEO of Recompose. She is in charge of strategic direction, marketing, system and experience design, and overall vision of Recompose. Since her awakening to the giant problem of the funeral industry during architecture school, Katrina has deeply enjoyed the challenge of re-designing it.

Prior to working in death care, Katrina worked in non-profit finance, architecture, and engineering. She holds a Bachelor of Anthropology from Haverford College and a Master of Architecture from the University of Massachusetts Amherst. Katrina has been featured in Fast Company, NPR, the Atlantic, and the New York Times. She is an Echoing Green Fellow and an Ashoka Fellow.

The following salaried positions will be filled after the closing of the Offering:

The **Director of Systems** will be responsible for the set-up, start-up, and operation of all systems related to the technical process of natural organic reduction at Recompose|SEATTLE. This position will continuously improve Recompose's technical systems and write the operations plan with an eye toward future replication through channel partnerships.

The **Director of Services** (a licensed funeral director) will be responsible for the experience of visitors and the care of bodies at Recompose|SEATTLE. This position will set up and operate all systems related to the services we offer to visitors, including transportation, storage, and ceremony, before the process of natural organic reduction begins.

The **Marketing Manager** will support the CEO in marketing Recompose by building a web presence and managing social media, press strategy, on-site events, and off-site presentations.

*KEY CONSULTANTS*

**Erik Bondo** leads the testing and improvements of the vessel system. Erik has been involved as an advisor and consultant since 2017, and he strongly believes that Recompose can change the world for the better.

Prior to working at Recompose, Erik was a Senior Construction Manager with McKinstry Engineering. He and Katrina became connected because of his work leading the construction of a large-scale animal mortality composting system at Washington State University. Erik has a strong operations background with a Bachelor of Business Administration from Eastern Washington University.

FOUNDING BOARD MEMBERS

**Leslie Christian** has been a leader in social and environmental business for more than 30 years. Most recently, through NorthStar Asset Management, Leslie offers advisory services to individuals and institutions seeking to align their values and their money through an integrated capital approach to investing and philanthropy. She is ardently committed to the values of Recompose and recognizes the humbling and humane role of death awareness and acceptance in our lives.

Leslie helps strategize, fundraise, and refine the business model for Recompose.

**Sara Moorehead** was VP of Cooperative Affairs for BECU until 2019. She led the group charged with protecting and enhancing BECU's reputation, focusing on building engagement with employees, members, media, non-profits, and community partners. Sara's background includes three decades of marketing and communications, primarily for financial institutions and outdoor organizations in the US and UK. She graduated from Whitman College in Walla Walla, WA, with a BA in psychology and did post-graduate study at the University of Cambridge in Cambridge, England.

Sara helps Recompose with strategy, media and communications, and community relations.

*KEY ADVISORS*

**Lynne Carpenter-Boggs** is a Professor of Sustainable and Organic Agriculture at Washington State University, where she has studied livestock mortality composting for many years. Lynne led the pilot research at WSU which proved that mortality composting (aka natural organic reduction) is a safe and effective method of human disposition. She believes that a new relationship with death can heal many of the world's ills.

Lynne supports Recompose staff in improving recipe, process, and system.

**Alan Maskin** is an owner and principal of Olson Kundig, an award winning, Seattle-based design firm. For over two decades he has focused on the design of museums, installations and exhibition projects, including the Bill & Melinda Gates Foundation Visitor Center, Microsoft Cybercrime Center, The Frye Art Museum, and the Bezos Center for Innovation. Maskin's work has been recognized by regional, national and international award programs. He has advised Katrina on design aspects of the organization since they met in 2015.

Alan and his team support Recompose in the design of Recompose|SEATTLE.

**Nora Menkin** is the Executive Director for People's Memorial Association and the Co-op Funeral Home of People's Memorial, the only not-for-profit cooperative funeral home in the United States. With a background in home funerals, Jewish traditions, and a passion for natural burial and modern funeral practices, Nora started as an intern with The Co-op when it opened its doors

in 2007. She became a licensed funeral director in 2009 and was named Managing Funeral Director in 2013.

**Tanya Marsh** has been called "our nation's foremost academic scholar on the law of cemeteries and human remains" and is the author of The Law of Human Remains (2015) and the co-author of the first casebook on Cemetery Law (2015). She is the creator of The Funeral Law Blog and the podcast “Death, et seq.,” and is a frequent contributor to The Huffington Post. Tanya phoned Katrina in 2015 to tell her that what she was proposing to do with human bodies was illegal and has been an integral part of the legal strategy team ever since.

Tanya supports staff and legal/political consultants in strategy for legalization.

**Peterson Sullivan, LLC** is a leading local public accounting and business advisory firm based in Seattle, Washington. The firm supports Recompose with its CPA and tax accounting services.

**Baker & Hostetler LLP**, one of the nation’s largest law firms, was founded in 1916 and currently represents clients around the globe, including some of our nation’s most promising sustainable industry companies. BakerHostetler supports Recompose with legal services related to corporate finance, securities, corporate governance, and licensing.

## MANAGEMENT OWNERSHIP AND COMPENSATION

Katrina Spade, CEO is currently the only full-time staff. She received a $50,000 annual salary in 2017 and 2018. These funds were part of the initial seed round that ended June 30, 2018.

Planned initial hires include the Director of Services and the Director of Systems. The Director of Services will be responsible for the experience of families and the care of bodies prior to natural organic reduction, as well as database and billing systems. The Director of Systems will be responsible for the process of natural organic reduction and all technical systems related to the process.

The planned annual salaries for the CEO, Director of Services, and Director of Systems are $125,000 plus benefits, beginning in 2020.

Funds raised in this Offering may be used to compensate officers of Recompose in the period prior to opening, on an as needed basis, but not at a rate greater than the monthly pro rata of the projected salaries.

Ownership of Recompose is reflected in the cap table attached hereto as *Exhibit F*.

## USE OF PROCEEDS FROM THE OFFERING

We will use the proceeds from the Offering for capital expenditures and working capital costs related to development and opening of Recompose|SEATTLE, and to finance our future growth

and expansion. Until we can fully utilize the proceeds of the Offering, we may invest the net proceeds in insured interest-bearing accounts, U.S. government short-term securities, or other short-term investments of similar quality.

Our first priority will be the development of Recompose|SEATTLE, the showcase for our model of regenerative, participatory death care. We are seeking to lease a 15,000 to 18,000 square foot commercial space in an accessible neighborhood in Seattle. Ideal neighborhoods include SODO, Rainier Valley, and Georgetown. These locations offer affordable lease properties, tall and open interior spaces, dock doors, and industrial zoning. Alternately, we may consider purchasing a property, depending on specific circumstances. Including the development of Recompose|SEATTLE, Recompose anticipates using the proceeds of the Offering as follows:

| **Use of Funds** | |
|---|---|
| Lease of Space | $810,000 |
| Design + Fit Out Space | $2,625,000 |
| Vessel System and Equipment | $1,012,000 |
| Salaries | $622,755 |
| Operating Expenses | $109,250 |
| Development of Partnerships | $1,352,816 |
| **Total Use of Funds** | **$6,531,821** |

## RESTRICTIONS ON TRANSFER OF THE SHARES

The Shares have not been registered under the Securities Act or any applicable state securities laws because they are exempt from the registration requirements of the Securities Act and similar state securities laws. Therefore, the Shares cannot be resold unless they are registered in the future or unless an exemption from registration is available. If the Shares become eligible for sale in the future, any sales may be governed by Rule 144 of the Securities Act.

## SUBSCRIPTION PROCEDURES

We reserve the right to reject any prospective investor's subscription in whole or in part for any reason and subscriptions need not be accepted in the order received. Subscriptions may be rejected for failure to conform to the requirements described in this Memorandum, insufficient documentation, incomplete financial information, or over-subscriptions to the Offering. A subscription may not, at any time after delivery to Recompose, be revoked, canceled or terminated by the Investor. Our officers, directors and current stockholders may also purchase Shares as Investors.

## SUITABILITY STANDARDS

Each person desiring to become an Investor must meet the suitability requirements for purchase of the Shares and must complete, execute, acknowledge and deliver to us the subscription documents in the forms attached as exhibits to this Memorandum, including the Subscription Agreement, the Stockholders Agreement and proof of accredited investor status pursuant to *Exhibit D* (the "Accredited Investor Verification Instructions"). Execution copies of these documents are contained in a separate booklet delivered concurrently with this Memorandum. By executing the Subscription Agreement, the subscriber is agreeing that, if the Subscription Agreement is accepted by us, such subscriber will purchase the Shares specified in the Subscription Agreement and will be bound by the terms of the Subscription Agreement.

We are relying on certain federal and state exemptions from the registration and qualification provisions of the Securities Act and applicable state securities laws in offering the Shares, including Regulation D promulgated under the Securities Act. The Shares are being offered by us to a limited number of persons subject to stringent standards of suitability pursuant to Rule 506(c) of Regulation D. We will offer and sell the Shares only to "accredited investors," as that term is defined in Rule 501(a) promulgated under the Securities Act.

The Shares offered hereby are suitable only for those investors: (a) whose business and investment experience makes them capable of evaluating the merits and risks of their prospective investment in Recompose; (b) who can afford to bear the economic risks of their investment for an indefinite period and do not have a need for liquidity in this investment; and (c) who can afford to assume the risk of receiving less than the anticipated return or a complete loss of their investment.

Each Investor will be required to represent to us that: (a) he or she is acquiring the Shares for his or her own account for investment and not for resale, distribution or on behalf of an undisclosed principal; (b) he or she is aware that the transfer of the Shares purchased through this Offering is restricted by federal and state securities laws and that a market does not exist for the Shares, except as may be permitted under Rule 144A; (c) he or she has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in the Shares; (d) he or she is financially capable of bearing the possible loss of his or her entire investment herein, can afford to bear the economic risks of his or her investment for an indefinite period, and does not have a need for liquidity in this investment; (e) he or she has read this Memorandum, and in making his or her decision to purchase the Shares, all matters related to this Memorandum have been discussed and explained to him or her to his or her satisfaction and he or she understands the highly speculative nature of, and the risks involved in, the proposed investment; (f) he or she is acquiring the Shares purchased by him or her without relying on any sales literature or information other than this Memorandum; (g) he or she is relying upon his or her own business judgment and financial experience; and (h) he or she

recognizes that the purchase of the Shares involves certain significant risks including, but not limited to, those set forth in the section of this Memorandum entitled "Risk Factors" and in the documents incorporated herein by reference.

All Investors will be required to represent under the Accredited Investor Certification that he, she or it comes within any of the following categories at the time of the sale of the Shares offered hereby:

(a) any bank, as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); any insurance company as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940, as amended, or any business development company, as defined in Section 2(a)(48) of that act; any Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; or any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of that act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are accredited investors;

(b) any private business development company, as defined in section 202(a)(22) of the Investment Advisors Act of 1940, as amended;

(c) any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the Shares, with total assets in excess of $5,000,000;

(d) any director or executive officer of Recompose;

(e) any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceeds $1,000,000 (excluding the value of the person's primary residence);

(f) any natural person who had an individual income in excess of $200,000 in each of the two (2) most recent years, or joint income with that person's spouse in excess of $300,000 in each of those years, and has a reasonable expectation of reaching the same income level in the current year;

(g) any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Shares, whose purchase is directed by a sophisticated person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment; and

(h) any entity in which all of the equity owners are accredited investors under subdivisions (a) or (g) of this paragraph.

## INVESTOR ACCREDITATION

In order to invest in the Shares pursuant to this offering, each Investor is required to verify for the Company such Investor's status as an "accredited investor" as such term is defined in Rule 501 as promulgated under the Securities Act. Investors can provide this verification either by registering on verifyinvestor.com, or by selecting their own third-party verification provider. Please see *Exhibit D* for the materials necessary to verify you accredited investor status using either method. Once the verification process is complete, Investors will be able to confirm their investment in the Shares.

## RISK FACTORS

Any continued future success that Recompose might enjoy will depend upon many factors, including factors beyond the control of Recompose and/or which cannot be predicted at this time. These factors may include but are not limited to the pace of changes in the legal and regulatory environment necessary for our business to operate; cost overruns in construction; Recompose's ability to secure a lease; changes in or increased levels of competition, including the entry of additional competitors and increased success by existing competitors; changes in general economic conditions; increases in labor and/or operating costs; Recompose's ability to expand its customer base; and reduced margins caused by increases in costs of goods and/or competitive pressures. These conditions may have a material adverse effect upon Recompose's business, operating results, and financial condition.

### INDUSTRY RISKS

*LEGAL AND REGULATORY*

While the Washington state legislature has passed a bill legalizing natural organic reduction into law, the process will initially be legal only in Washington state. The majority of funeral laws – including the allowable methods of disposition – are regulated on a state-by-state basis, and it is unlikely that a federal law would overrule this. Our growth and expansion strategy requires that we become legal in every state in which we operate. However, partnering with like-minded funeral homes in cities across the United States to transport the deceased to Seattle for natural organic reduction and ship the resulting soil back to the deceased's family will allow us to offer

our services beyond Washington state, to generate national excitement and buzz, and to share marketing costs.

Legal and regulatory changes after legalization of natural organic reduction also poses a risk to Recompose. It is possible that future regulatory restrictions on natural organic reduction will limit Recompose's ability to operate as anticipated in Washington state and elsewhere.

In addition to the legal status of natural organic reduction itself, Recompose will be subject to various federal, state, and local environmental and health laws and regulations that will govern its operations, including the handling and disposal of waste (including biomedical waste) and any potential discharges into the environment. Recompose's activities will involve the controlled use of biological materials and may generate biological waste, and Recompose will be subject to laws and regulations governing the use, manufacture, storage, handling, and disposal of these materials, and laws and regulations imposing liability and clean-up responsibility for improper disposal of these substances. In the event of an accident or if Recompose otherwise fails to comply with applicable regulations, Recompose could lose its permits or approvals to operate or be held financially liable for such failures. Although Recompose will maintain insurance to cover claims related to hazardous materials or environmental liabilities, any claims in excess of this insurance coverage would be paid from Recompose's cash reserves, posing the risk of a material adverse financial impact.

*MARKET ACCEPTANCE*

Even after Recompose is able to begin operations, we still may not generate significant revenue or achieve and sustain profitability if natural organic reduction as a funeral method does not become widely accepted in the marketplace. Although Recompose has seen significant interest in the natural organic reduction process to this date, it is possible that the market for natural organic reduction will not grow beyond this initial client base. As is the case with all new products and services, Recompose must establish a market for natural organic reduction and build and grow that market through publicity, client education, and strategic partnerships with other businesses in the death care industry. Recompose has already received significant earned media attention in Washington state and nationally, and has launched a website to educate potential clients about natural organic reduction. Nonetheless, if obstacles to market acceptance arise, Recompose may need to devote substantial time and money to surmount these obstacles. Failing to achieve sufficient market acceptance of natural organic reduction would limit Recompose's ability to scale to the extent that we expect necessary to be profitable and would have a material adverse impact on Recompose's business and financial condition.

*COMPETITION*

Death care is a multi-billion-dollar industry in the United States. Most of Recompose's competitors, including traditional funeral homes, cemeteries, and crematories, will have

substantially greater financial, technological, managerial, and research and development resources and experience than Recompose. Natural organic reduction will compete with death care offerings from large and well-established companies with greater capital and marketing and sales experience and other capabilities. If Recompose is unable to compete in the death care industry successfully, it may be unable to grow and sustain adequate revenue to maintain operations and continue to compete for mark share.

## RISKS RELATING TO RECOMPOSE AND THE SHARES

*START-UP NATURE OF RECOMPOSE*

Recompose is a start-up with very little operating history and no current revenue. No assurance can be given that an Investor will realize a substantial return on their investment, or any return at all, or that an Investor will not lose a substantial portion or all of their investment in the Shares.

*LIMITED OPERATING HISTORY OF RECOMPOSE*

As of the date of this Memorandum, Recompose has had limited operations and has not yet been able to generate revenue due to the legal status of natural organic reduction. Our operations are subject to all of the risks inherent in a new business, and the likelihood of our success must be considered in light of the risks and problems any business encounters in connection with the development and commercialization of new technologies. Our lack of operating history – particularly as a provider of an entirely new death care service – makes predicting the result of future operations extremely difficult.

*WE ARE NOT CURRENTLY PROFITABLE; WE ANTICIPATE FUTURE LOSSES.*

We cannot be certain that we will be able to generate revenues and achieve profitability. We expect to generate operating losses and have negative cash flow for the foreseeable future due to costs and expenses related to:

the development of our product and service offering;
continuing research and development efforts;
development of relationships with strategic business partners; and
expansion of general and administrative functions to support anticipated growth in operations.

As we continue the development and commercialization of our Recomposition System and related services, our expenses are expected to increase significantly. Our ability to become profitable depends on our ability to generate and sustain net revenues while keeping expenses at reasonable levels. Accordingly, we will need to generate significant revenue to achieve profitability. Because of the numerous risks and uncertainties associated with our product development and commercialization efforts, we are unable to predict when we will become profitable, and we may never become profitable. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. If we are unable to

achieve and then maintain profitability, our business, financial condition and results of operations will be negatively affected and the value and liquidity of the Shares will decline.

*OPERATING MARGINS AND CASH FLOW MAY BE INSUFFICIENT*

Recompose has developed a business plan and forecast based on certain targets and base assumptions about the operating margins and cash flow that Recompose must achieve in order to remain financially solvent and produce sufficient profits to make dividend payments as planned. There is a risk that one or more of the base assumptions used to determine the target operating margins may be incorrect and/or may change in the future in a manner that Recompose cannot anticipate. Such changes may cause Recompose to not achieve its annual targets for operating margins, which may jeopardize Recompose's financial solvency, its ability to pay its employees, vendors, and/or other parties, its ability to meet its debt service obligations, and/or its planned capital expenditures.

*RESTRICTED NATURE OF SHARES LIMITS TRANSFERABILITY AND LIQUIDITY*

The Shares to be sold in this Offering are not being registered under the Securities Act and may not be resold unless they are subsequently registered thereunder or an exemption from registration is available. Consequently, Investors may never be able to liquidate their investment.

*STOCK PRICE MAY NOT REFLECT CURRENT OR FUTURE VALUE*

The offering price of the Shares has been determined by Recompose based on Recompose's business prospects, the size of our target addressable market within the death care industry, an assessment of our management team, our current and future capital needs, and the potential demand for our Recomposition System. The price of the Shares does not necessarily bear any relationship to our current or future earnings, its net tangible assets, or other traditional indicators of value. If the Shares are priced in excess of their current or future value, Investors may not be to recoup their investment.

*COMPANY MAY REQUIRE ADDITIONAL FUNDS*

Recompose currently anticipates that the net proceeds of this Offering will be sufficient to meet its anticipated needs for working capital and other cash requirements for the foreseeable future. However, Recompose may need to raise additional funds in order to fund more rapid expansion, to respond to competitive pressures or to acquire complementary products or businesses, particularly if Recompose is unable to raise the entire amount of the Offering. Recompose's ability to become profitable will depend on its ability to generate and sustain net revenues; because of the numerous risks and uncertainties associated with Recompose's business, we are unable to predict whether or when Recompose will become profitable, and a lack of profitability may impact Recompose's ability to obtain financing in the future. There can be no assurance that additional financing will be available on terms favorable to Recompose, or at all. If adequate

funds are not available or are not available on acceptable terms, Recompose's ability to fund its expansion, take advantage of potential acquisition opportunities, develop or enhance services or products or respond to competitive pressures would be significantly limited. Such limitation may have a material adverse effect on Recompose's business, operating results and financial condition.

*VENDORS LIMITED*

Because natural organic reduction is a new process, Recompose's vendor base for products used in the natural organic reduction process may be limited. If Recompose is unable to find vendors which can produce the quality and quantity of products required for commercial-scale natural organic reduction, or if Recompose's vendors face any disruption or material business impacts of their own, Recompose would be forced to identify and qualify acceptable replacements from other sources. Delays or interruptions in Recompose's supply chain could limit or stop Recompose's ability to meet demand for its services, and any financial losses suffered as a result could exceed coverage under vendors' insurance policies. Each of these risks could have a material adverse effect on Recompose's business and financial condition.

*INTELLECTUAL PROPERTY*

If the patents, trade secrets, contractual provisions, and trademarks Recompose relies on to protect its intellectual property prove inadequate, Recompose's potential market advantage could be jeopardized. The patent for the Recomposition System itself remains pending and Recompose cannot guarantee that it will be granted. Even if the patent is granted, Recompose's intellectual property protections may be challenged, invalidated, or circumvented at a later date, and any rights claimed under these protections may not provide the anticipated competitive advantages to Recompose.

Recompose, PBC owns two patents related to the process of natural organic reduction, both filed by international law firm Steptoe and Johnson, LLC. The first, U.S. Patent No. 15/072,346; "System and Method for the Disposition of the Dead," was filed in March 2015 and is pending. It was originally owned by the Urban Death Project and was purchased by Recompose when the non-profit was dissolved. The second, U.S Patent No. 62/133,984 "System and Method for Recomposition of the Dead," was filed as provisional in July 2017 and re-filed in July 2018. That patent was originally assigned to Katrina Spade, who assigned it to Recompose in August 2018. Both patents cover some aspects of the formula and method for recomposing a human body. The 2018 patent covers the vessel system and engineering details.

The issue of any patent, including the patents for which Recompose has applied, depends upon a detailed interpretation of the specific patent claims with respect to the technology at issue and is highly uncertain generally because of the complex legal and factual consideration involved in each patent. There may be other prior patents for similar technology that Recompose is not aware of, despite its diligent investigations. Because American patent applications are

confidential within the U.S. patent system for at least eighteen months, Recompose cannot be certain that it holds the rights to the technology covered by the pending patent applications listed above, and there is a possibility that third parties may have filed patent applications for technology covered by Recompose's pending patent applications, and Recompose's pending patent applications may or may not have priority. Future changes in patent law, or changes in the interpretation of current patent law by the courts, could affect the strength and scope of patent protections afforded to Recompose even if its patents are granted. If Recompose is not able to protect its intellectual property rights to the fullest extent possible, it may find itself at a competitive disadvantage to others which need not incur the substantial time, effort, and costs needed to create and protect the innovative natural organic reduction process.

In addition, Recompose's ability to commercialize natural organic reduction depends on its ability to develop, market, and sell the natural organic reduction process without infringing on the intellectual property rights of third parties. Although Recompose has conducted a diligent search and to its knowledge is not currently infringing on any third-party intellectual property rights, it is possible that a third party may allege that the natural organic reduction process or Recompose's methods or materials violate its intellectual property rights. Recompose may be sued by a third party seeking to enforce such rights or may need to sue to protect its own intellectual property; in either event, the cost of litigation could be substantial even if Recompose prevails, and such a lawsuit would require substantial time and money which might otherwise be spent growing Recompose's business. If Recompose is found to infringe upon a third party's intellectual property rights, it may be forced to pay damages, purchase a license from the third party, and/or stop the infringing activity. If Recompose fails to obtain a license and cannot design around the invalidated patent, it may be unable to provide some or all of its proposed services, which could have a material adverse effect on its ability to generate revenue sufficient to sustain its operations.

*WORKFORCE CAPABILITY*

Recomposition is a proprietary and innovative process, the first of its kind to be offered anywhere in the United States. As such, Recompose will need to recruit, train, and retain an entirely new group of employees. If initial demand is sufficiently high, a shortage of qualified and trained workers may limit Recompose's early growth. There is no guarantee that Recompose will be successful in hiring or retaining qualified personnel, and the failure to do so may have a material adverse effect on Recompose's business, financial condition, and results of operations.

*DEVELOPMENT COSTS*

Recompose has developed a plan and forecast based on certain assumptions about the architectural and construction costs to design and develop a property. While cost estimates are based on known assumptions and factors affecting construction costs, such as the cost of

materials and the timetable for construction, there is a risk that any one or more base assumptions affecting the cost estimates may be incorrect and/or may change in the future in a manner that Recompose cannot anticipate. Such changes may cause an increase to the costs of construction in excess of Recompose's finances, thus requiring additional capital or revision to the business plan.

*CAPITAL OUTLAYS FOR EQUIPMENT*

Recompose has developed a business plan and forecast based on certain assumptions about the costs of manufacturing its vessel system. While cost estimates are based on known assumptions and factors affecting manufacturing costs, there is a risk that one or more of the base assumptions affecting the cost estimates may be incorrect and/or may change in the future in a manner that Recompose cannot anticipate.

*DEPENDENCE ON KEY PERSONNEL*

Much of Recompose's success depends on the skills, experience, and performance of its key persons. Recompose currently does not have a firm plan fully detailing how to replace any of these persons in the case of death or disability. Despite consulting agreements and employment and noncompetition agreements, all of the arrangements with the principal members of Recompose's executive team may be terminated by Recompose or by the employee or team member. The loss of the services of any of the key members of senior management, other key personnel, or Recompose's inability to recruit, train, and retain senior management or key personnel may have a material adverse effect on Recompose's business, operating results, and financial condition; in addition, the loss of the services of any member of the senior management or scientific advisors may impede the achievement of Recompose's business goals by diverting management's attention to transition matters and identification of a suitable replacement, if any. Finally, Recompose's consultants and advisors may be employed by employers other than us or may have commitments under consulting or advisory contracts with other entities that may limit their availability to Recompose.

*CONTROL OF RECOMPOSE*

Control of Recompose and all of its operations are solely with its board of directors and will remain with them as a Delaware public benefit corporation. Investors must rely upon the judgment and skills of the board and staff. In particular, this control could have the effect of delaying or preventing a change in control or otherwise discouraging or preventing a potential acquirer from attempting to obtain control of Recompose, causing a negative effect on the market price and liquidity of the Shares. Although the anticipated use of the proceeds of this Offering is outlined in this Memorandum, our board of directors will have broad discretion over the use of the proceeds and need not apply them effectively or in a manner consistent with the uses described in this Memorandum.

*OUR FOUNDER AND SOLE DIRECTOR CONTROLS APPROXIMATELY 90% OF OUR CAPITAL STOCK AND CAN EXERT SIGNIFICANT INFLUENCE OVER US.*

Our founder, CEO and sole director controls approximately ninety percent (90%) of our outstanding voting capital stock. Following the completion of the Offering, and assuming the sale of the maximum dollar amount of common stock being offered in the Offering, she will own approximately fifty-five percent (55%) of the outstanding shares of our capital stock. As a result, she will be able to affect the outcome of or exert significant influence over all matters requiring stockholder or board approval, including the election and removal of directors and any change in control. This concentration of ownership of our capital stock could have the effect of delaying or preventing a change of control or otherwise discouraging or preventing a potential acquirer from attempting to obtain control of us. This in turn could have a negative effect on the value or liquidity of the Shares. It could also prevent our stockholders from realizing a premium over the market prices for their Shares.

*PUBLIC BENEFIT CORPORATION*

Recompose is organized as a Delaware public benefit corporation and our business and operations are intended to produce a public benefit and to operate in a sustainable and responsible manner. We are managed in a way that balances the financial interests of our shareholders with environmental, cultural, and financial benefits to the public. As a result of our status as a public benefit corporation, we may choose not to maximize our financial gains if doing so would conflict with our mission and provision of public benefits, which business practice may adversely impact the value of the Shares.

*SITE LEASE*

Recompose has identified general locations in which it would like to locate but does not presently control a lease for a property. Recompose has made its plans based on the assumption that it will secure a lease upon sufficient financing. Property owners of desirable locations may demand lease terms that are beyond Recompose's financial ability, potentially causing Recompose to experience substantial delays in opening our business.

*COST OF GOODS, LABOR AND OPERATIONS*

Recompose has developed a business plan and forecast based on certain assumptions about the costs of goods, labor, and operations such as materials costs, wages, benefits, utilities, taxes, and other overhead costs. While cost estimates are based on known assumptions and factors affecting labor and operating costs, there is a risk that one or more of the base assumptions affecting the cost estimates may be incorrect and/or may change in the future in a manner that Recompose cannot anticipate.

*FAILURE IN OUR INFORMATION TECHNOLOGY AND STORAGE SYSTEMS COULD SIGNIFICANTLY DISRUPT THE OPERATION OF BUSINESS.*

Our ability to execute our business plan depends, in part, on the continued and uninterrupted performance of our information technology systems ("IT systems"), which support our Recomposition Systems. Our IT systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, malicious human acts and natural disasters. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite the precautionary measures we have taken to prevent unanticipated problems that could affect our IT systems, sustained or repeated system failures that interrupt our ability to generate and maintain data, and in particular to operate our proprietary technology platform, could adversely affect our ability to operate our business.

**Exhibits:**

Exhibit A: Form of Subscription Agreement

Exhibit B: Form of Stockholder Agreement

Exhibit C: Form of Restated Certificate

Exhibit D: Accredited Investor Verification Instructions

Exhibit E: Financial Projections

**Sources**

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# EXHIBIT A: FORM OF SUBSCRIPTION AGREEMENT

**SUBSCRIPTION AGREEMENT FOR SERIES A-2 PREFERRED SHARES**
**OF**
**RECOMPOSE, PBC**

1. **Subscription.** Subject to the terms and conditions of this Subscription Agreement for Series A-2 Preferred Shares (this "***Subscription***"), the undersigned subscriber ("***Subscriber***") hereby subscribes to purchase from Recompose PBC, a Delaware Public Benefit Corporation (the "***Company***"), _____ shares of the Company's Series A-2 Preferred Shares, $0.0001 par value per share (the "***Shares***"), at a price of $1.5124 per Share, for a total purchase price of $_____ (the "***Purchase Price***").

2. **Stockholder Agreement; Certain Restrictions**.

(a) The Shares will be subject to the rights, preferences and obligations as set forth in the Company's Second Amended and Restated Certificate of Incorporation (attached hereto as Exhibit A, the "***Amended Certificate***"), as the same may be amended and restated from time to time, the Company's bylaws, as the same may be amended and restated from time to time, and that certain Stockholder Agreement of the Company dated as of April ___, 2019 (attached hereto as Exhibit B, the "***Stockholder Agreement***") and as further amended from time to time, copies of which have been provided to Subscriber.

(b) Subscriber understands and agrees that:

(i) The Shares are being offered in a private offering by the Company to Subscriber and others without registration under the Securities Act of 1933, as amended (the "***Securities Act***"), or qualification under applicable state securities laws; and

(ii) This Subscription may be accepted or rejected by the Company; provided, that the Company shall give written notice to Subscriber of its acceptance or rejection of this Subscription promptly following the Company's receipt of this Subscription and the Purchase Price; and

(iii) The Subscriber will be required to execute and deliver to the Company that certain Adoption Agreement attached hereto as Exhibit C, providing that Subscriber becomes a "Holder" as such term is defined in the Stockholder Agreement, as a condition to the Company's acceptance of this Subscription.

3. **Representations, Warranties and Covenants of Subscriber.** Subscriber hereby represents, warrants and covenants to the Company as follows:

(a) ***Power & Authority.*** Subscriber has full power and authority to execute, deliver and perform this Subscription and to consummate the transactions contemplated hereby. This Subscription has been duly and validly executed and delivered by Subscriber and constitutes the legal, valid and binding obligation of Subscriber, enforceable against Subscriber in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy laws, insolvency, reorganization or other similar laws affecting

creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in equity or at law).

(b) ***No Conflicts.*** Subscriber's execution and delivery of this Subscription and the performance of Subscriber's obligations hereunder do not and will not (i) conflict with, violate or result in any default under any mortgage, indenture, agreement, instrument or other contract to which Subscriber is a party or by which Subscriber or its property is bound, (ii) violate any judgment, order, decree, law, statute, regulation or other judicial or governmental restriction to which Subscriber is subject or (iii) require the authorization, consent or prior approval of any person or governmental authority.

(c) ***No Registration.*** Subscriber understands that the Shares have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of Subscriber's representations as expressed herein or otherwise made pursuant hereto.

(d) ***Investment Intent.*** Subscriber is acquiring the Shares for investment for its own account, not as a nominee or agent, and not with a view to, or for resale in connection with, any distribution thereof. Subscriber has no present intention of selling, granting any participation in, or otherwise distributing the Shares, nor does it have any contract, undertaking, agreement or arrangement for the same. If Subscriber is not a natural person, Subscriber was not organized for the specific purpose of acquiring the Shares.

(e) ***Investment Experience.*** Subscriber has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company, and has such knowledge and experience in financial or business matters so that it is capable of evaluating the merits and risks of its investment in the Company and protecting its own interests.

(f) ***Speculative Nature of Investment.*** Subscriber understands and acknowledges that its investment in the Shares is highly speculative and involves substantial risks. Subscriber can bear the economic risk of its investment and is able, without impairing its financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss of its investment.

(g) ***Knowledge of the Company; Access to Data.*** Subscriber (A) is familiar with the business and operations of the Company, has been provided with sufficient information with respect to the business and operations of the Company and has carefully reviewed the same, (B) has been provided with such additional information with respect to the Company as Subscriber has requested and (C) has had the opportunity to discuss such information with members of the management of the Company and any questions that Subscriber has had with respect thereto have been answered to the full satisfaction of Subscriber. Subscriber believes that it has received all the information that it considers necessary or appropriate for deciding whether to acquire the Shares. Subscriber understands that any such discussions, as well as any information issued by the Company, were intended to describe certain aspects of the Company's business and prospects, but were not necessarily a thorough or exhaustive description. Subscriber acknowledges that any business plans prepared by the Company have been, and continue to be, subject to change and that any projections included in such business plans or otherwise are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results.

(h) ***Accredited Investor.*** Subscriber is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated by the Securities and Exchange Commission, inasmuch as Subscriber is:

***For Natural Persons or Individual Retirement Accounts (IRAs):***

☐ A natural person whose individual net worth, or joint net worth with such person's spouse exceeds $1 million (Note: for purposes of this calculation, you should exclude the value of your primary residence net of any mortgage obligation secured by the property; however, if the mortgage or other indebtedness secured by your primary residence exceeds the value of such residence and the mortgagee or other lender has recourse to you personally for any deficiency, the amount of such excess must be considered a liability and deducted from your net worth);

☐ A natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and who reasonably expects an income in excess of $200,000 (or $300,000, if considering joint income) in the current year;

☐ A director or executive officer of the Company;

☐ An Individual Retirement Account (as defined in the U.S. tax code, an "***IRA***") in the name of an individual who is an accredited investor within the meaning of at least one of the three categories listed above (Note: please also check the box or boxes for the categories above that would apply to the individual); or

☐ None of the above.

***For Entities (other than Natural Persons or IRAs):***

☐ A bank or savings and loan association, as defined in the Securities Act, whether acting in its individual or fiduciary capacity;

☐ A broker or dealer registered pursuant to the Securities Exchange Act of 1934, as amended (the "***Exchange Act***");

☐ An insurance company, as defined in the Securities Act;

☐ An investment company registered under the Investment Company Act of 1940, as amended;

☐ A business development company, as defined in the Investment Company Act of 1940, as amended;

☐ A Small Business Investment Company licensed by the U.S. Small Business Administration;

☐ A plan established and maintained by a state, its political subdivisions, or an agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of $5,000,000;

☐ An employee benefit plan within the meaning of Title I of the Employment Retirement Income Security Act of 1974 ("***ERISA***"), if the investment decision with respect to this investment is made by a plan fiduciary, as defined in ERISA, which is either a

bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of $5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

☐ A private business development company, as defined in the Investment Advisers Act of 1940, as amended;

☐ A tax-exempt organization defined in Section 501(c)(3) of the Internal Revenue Code, or a corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

☐ A trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the Securities Act;

☐ An entity all the equity owners of which may respond affirmatively to any of the preceding paragraphs; or

☐ None of the above.

(i) ***Citizenship; Residency.*** Subscriber is (i) a resident of the state as set forth on the signature page hereto (or, if not a U.S. citizen, is a citizen of the country listed thereon), and (ii) if a natural person, at least 21 years of age.

(j) ***Restrictions on Resales.*** Subscriber acknowledges that the Shares are restricted securities. Sales (including all forms of transfers) of restricted securities must comply with SEC rules and regulations, including the requirement that such securities be registered or that a sale is exempt from registration. Subscriber is aware of the provisions of Rule 144 promulgated under the Securities Act, which permit resale of securities purchased in a private placement subject to the satisfaction of certain conditions, which may include some or all of the following, among other things: the availability of certain current public information about the Company; the resale occurring not less than a specified period after a party has purchased and paid for the security to be sold; the number of shares being sold during any three-month period not exceeding specified limitations; the sale being effected through a "broker's transaction," a transaction directly with a "market maker" or a "riskless principal transaction" (as those terms are defined in the Securities Act or the Exchange Act, and the rules and regulations promulgated thereunder); and the filing of a Form 144 notice, if applicable. Subscriber acknowledges and understands that the Company may not be providing the public information needed to enable reliance on Rule 144 at the time Subscriber wishes to sell the Shares and that, in such event, Subscriber may not be able to rely on Rule 144 if the information requirement of Rule 144 applies to such resale of the Shares, even if the other applicable requirements of Rule 144 have been satisfied. Subscriber understands and acknowledges that, in the event the applicable elements of Rule 144 are not met, registration under the Securities Act or an exemption from registration will be required for any disposition of the Shares. Subscriber understands that, although Rule 144 is not exclusive, the Securities and Exchange Commission has expressed its opinion that persons proposing to sell restricted securities received in a private offering other than in a registered offering or pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for those offers or sales and that those persons and the brokers who participate in the transactions do so at their own risk.

(k) ***Restrictions under the Stockholder Agreement.*** In addition to the restrictions imposed by applicable state and federal securities laws, the Shares will be subject to transfer restrictions contained in the Stockholder Agreement as amended from time to time and any other governing documents of the Company or any successor entity. Subscriber acknowledges its receipt, review and understanding of the Stockholder Agreement.

(l) ***No Public Market.*** Subscriber understands and acknowledges that no public market now exists for any of the securities issued by the Company and that the Company has made no assurances that a public market will ever exist for the Company's securities.

(m) ***Brokers and Finders.*** Subscriber has not engaged any brokers, finders or agents in connection with the Shares, and the Company has not incurred nor will incur, directly or indirectly, as a result of any action taken by Subscriber, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with the Shares.

(n) ***Legal Counsel.*** Subscriber has had the opportunity to review this Subscription, the Amended Certificate, the Company's bylaws, the Stockholder Agreement, and the Confidential Private Placement Memorandum of the Company delivered in connection with its sale of the Shares (the "***PPM***") with its own legal counsel. Subscriber is not relying on any statements or representations of the Company or its agents for legal advice with respect to this Subscription or the transactions contemplated by this Subscription.

(o) ***Tax Advisors.*** Subscriber has had the opportunity to review with its own tax advisors the U.S. federal, state and local and non-U.S. tax consequences of this Subscription and the transactions contemplated by this Subscription. With respect to such matters, Subscriber relies solely on any such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Subscriber understands that it (and not the Company) shall be responsible for its own tax liability that may arise as a result of this investment and the transactions contemplated by this Subscription.

(p) ***Transfer Restrictions.*** Subscriber acknowledges that the certificates evidencing the Shares, and any substitutions or replacements thereof, shall bear legends in substantially the following form:

> "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICABLE REGISTRATION REQUIREMENTS OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS."
>
> "THESE SECURITIES ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFERABILITY AND RESALE AS SET FORTH IN THE SUBSCRIPTION AGREEMENT COVERING THESE SECURITIES, THE ISSUER'S STOCKHOLDER AGREEMENT, AS AMENDED FROM TIME TO TIME, AND ANY OTHER GOVERNING DOCUMENTS OF THE ISSUER OF THESE SECURITIES AND ANY SUCCESSOR ENTITY. A COPY OF ANY SUCH

DOCUMENT IS ON FILE WITH THE ISSUER AND IS AVAILABLE UPON REQUEST."

(q) ***Accurate Information Provided by Subscriber.*** All information which Subscriber has furnished and is furnishing to the Company, including, without limitation, the representation as to Subscriber's status as an "accredited investor" within the meaning of Rule 501 promulgated under the Securities Act and all other representations contained in this Subscription, are true, correct and complete as of the date of this Subscription, and if there should be any material change in such information prior to Subscriber's receipt of the Shares, Subscriber will immediately furnish such revised or corrected information to the Company. Subscriber is executing and delivering this Subscription with full awareness of its implications and in recognition of the fact that the Company is relying on Subscriber's representations and warranties contained herein in selling the Shares to Subscriber, and that the Company and other investors may be damaged if such representations and warranties are false, incorrect or incomplete.

(r) ***Market Stand-off.*** If requested by the Company or an underwriter of the Shares or shares of common stock (or other securities) of the Company (or its successor), Subscriber shall not sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, of such securities of the Company held by Subscriber (other than those included in the registration) during the one hundred eighty (180) day period following the effective date of the registration statement for the Company's initial public offering filed under the Securities Act (or such other period as may be requested by the Company or an underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in FINRA Rule 2241, or any successor provisions or amendments thereto). The obligations described in this section shall not apply to a registration relating solely to employee benefit plans on Form S-l or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions and may stamp each certificate with a legend with respect to the shares of common stock (or other securities) subject to the foregoing restriction until the end of such one hundred eighty (180) day (or other) period. Subscriber agrees to execute a market stand-off agreement with the relevant underwriters in customary form consistent with the provisions of this section.

4. **Subscriber Acknowledgements of Risks Associated with Subscription.** This Subscription involves a high degree of risk, including the possible loss of Subscriber's entire investment in the Shares. Some of the risks include, without limitation, those set forth in the PPM, which Subscriber has read and understands.

5. **Indemnification.** Subscriber agrees to indemnify and hold harmless the Company and its officers, members of its board of directors and affiliates and each other person, if any, who controls any thereof, within the meaning of Section 15 of the Securities Act, against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all expenses reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based upon any false representation or warranty made by Subscriber, or breach or failure by Subscriber to comply with any covenant or agreement made by Subscriber in this Subscription, the Stockholder Agreement or any other document furnished by Subscriber to the Company in connection with this Subscription.

6. **Arbitration.** Subscriber agrees that any controversy between or among Subscriber and the Company arising out of this Subscription, shall be submitted to arbitration in Seattle, Washington before the American Arbitration Association in accordance with its rules. Arbitration must be commenced by service upon the other party of a written demand for arbitration or a written notice of intention to arbitrate, therein electing the arbitration tribunal. In the event Subscriber does not make such election within five (5) days of such demand

or notice, Subscriber authorizes the Company to do so on behalf of Subscriber as its attorney-in-fact. Subscriber acknowledges that such arbitration shall be final and binding on the parties hereto and that **Subscriber is waiving its right to seek remedies in court, including the right to a jury trial**. Subscriber also acknowledges that pre-arbitration discovery is generally more limited than and different from court proceedings, that the arbitrators' award is not required to include factual findings or legal reasoning and that any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited. The prevailing party in such arbitration shall be entitled to recover from the other party all reasonable fees, costs and expenses of enforcing any rights of the prevailing party, including without limitation, reasonable attorneys' fees and expenses.

7. **No Revocation.** This Subscription may not be cancelled, terminated or revoked by Subscriber and the representations, warranties and covenants made by Subscriber in this Subscription shall survive indefinitely. This Subscription is not transferable or assignable by Subscriber; *provided,* that this Subscription shall survive the death or disability of Subscriber and shall be binding upon Subscriber's heirs, executors, administrators, successors and permitted assigns.

8. **Governing Law.** This Agreement shall be enforced, governed and construed in all respects in accordance with the laws of the State of Delaware, exclusive of its conflict of law rules.

9. **Jurisdiction and Venue.** Subscriber irrevocably consents to the exclusive jurisdiction and venue of any court within King County, Washington, in connection with any matter based upon or arising out of this Subscription or the matters contemplated herein, and agrees that process may be served upon them in any manner authorized by the laws of the State of Washington for such persons.

10. **Additional Information.** Within five (5) days after receipt of a written request from the Company, Subscriber agrees to provide such information and to execute and deliver such documents as reasonably may be necessary to comply with any and all laws, regulations and ordinances to which the Company is subject.

11. **Entire Agreement.** This Subscription constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by the parties hereto. Each provision of this Subscription is intended to be severable from every other provision, and the invalidity or illegality of any portion hereof shall not affect the validity or legality of the remainder hereof.

*(signature page follows)*

**SUBSCRIPTION AGREEMENT FOR SERIES A-2 PREFERRED SHARES – SIGNATURE PAGE**

IN WITNESS WHEREOF, I hereby represent and warrant that I have reviewed and executed this Subscription:

_____
(Subscriber Name)

_____
(Signature)

_____
(Printed name and title, for entities)

_____
(Street Address)

_____
(City, State, Zip)

_____
(Telephone Number)

_____
(Date)

ACCEPTED AND AGREED:

**RECOMPOSE, PBC**
a Delaware public benefit corporation

By: _____

Name: _____

Title: _____

Effective Date: _____

# EXHIBIT B: FORM OF STOCKHOLDER AGREEMENT

**RECOMPOSE, PBC**

**STOCKHOLDER AGREEMENT**

**April ___, 2019**

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**RECOMPOSE, PBC**

**STOCKHOLDER AGREEMENT**

This Stockholder Agreement (this "***Agreement***") is made as of April ___, 2019 by and among Recompose, PBC, a Delaware public benefit corporation (the "***Company***"), and the persons listed on Schedule I attached hereto, as updated from time to time (each a "***Holder***," and collectively the "***Holders***").

**SECTION 1**

**SHARES AND HOLDERS SUBJECT TO AGREEMENT**

**1.1 Shares.** During the term of this Agreement, each of the Holders agrees to vote all shares of the Company's capital stock held by them, whether beneficially or otherwise (collectively, the "***Shares***") in accordance with the provisions of this Agreement. In the event that subsequent to the date of this Agreement any shares or other securities (other than pursuant to a Change of Control Transaction) are issued on, or in exchange for, any of the Shares by reason of any stock dividend, stock split, consolidation of shares, reclassification or consolidation involving the Company, such shares or securities shall be deemed to be Shares for purposes of this Agreement.

**1.2 Holders.** The Company agrees to use commercially reasonable efforts to have any person acquiring Shares after the date of this Agreement execute (together with such person's spouse, if applicable) an Adoption Agreement in the form attached hereto as Exhibit A.

**1.3 Certain Definitions.**

(a) "***Board of Directors***" means the Board of Directors of the Company.

(b) "***Change of Control Transaction***" means either: (a) the acquisition of the Company by another entity by means of any transaction or series of related transactions to which the Company is party (including, without limitation, any stock acquisition, reorganization, merger or consolidation, but excluding any sale of stock for capital raising purposes) that results in the voting securities of the Company outstanding immediately prior thereto failing to represent immediately after such transaction or series of transactions (either by remaining outstanding or by being converted into voting securities of the surviving entity or the entity that controls such surviving entity) a majority of the total voting power represented by the outstanding voting securities of the Company, such surviving entity or the entity that controls such surviving entity; or (b) a sale, lease or other conveyance of all or substantially all of the assets of the Company.

(c) "***Common Stock***" means the common stock of the Company.

(d) "***Convertible Securities***" means all then outstanding options, warrants, rights, convertible notes, preferred stock or other securities of the Company directly or indirectly convertible into or exercisable for shares of capital stock, of any class or series.

(e) Shares "***held***" by a Holder shall mean any Shares directly or indirectly owned (of record or beneficially) by such Holder or as to which such Holder has voting power.

(f) "***Initial Public Offering***" means a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock in which the gross cash proceeds to the Company (before underwriting discounts, commissions and fees) are at least $35,000,000.

(g) "***Preferred Stock***" means the preferred stock of the Company.

(h) "***Seller***" means any Holder proposing to Transfer Shares of Common Stock.

(i) "***Transfer***," "***Transferring***," "***Transferred***," and words of similar import, whether capitalized or not, mean and include any sale, assignment, encumbrance, hypothecation, pledge, conveyance in trust, gift, transfer by bequest, devise or descent, or other transfer or disposition of any kind, including but not limited to transfers to receivers, levying creditors, trustees or receivers in bankruptcy proceedings or general assignees for the benefit of creditors, whether voluntary or by operation of law, directly or indirectly, *except* the following (each, a "***Permitted Transfer***"):

(i) A transfer by a Holder of ten percent (10%) or less of the Shares held by such Holder (calculated as of the date of this Agreement and as may be adjusted from time to time for stock splits, dividends, combinations, subdivisions, recapitalizations and the like);

(ii) Any transfers of Shares by a Holder to the Holder's spouse, ex-spouse, domestic partner, lineal descendant or antecedent, brother or sister, the adopted child or adopted grandchild, or the spouse or domestic partner of any child, adopted child, grandchild or adopted grandchild of the Member, or to a trust or trusts for the exclusive benefit of the Holder or those members of the Holder's family specified in the preceding clause or transfers of Shares by a Member by devise or descent; *provided* that, in all cases, the transferee or other recipient executes a joinder to this Agreement and becomes bound hereby; and

(iii) Any repurchase of Shares by the Company pursuant to agreements under which the Company has the option to repurchase such Shares upon the occurrence of certain events, such as termination of employment, in connection with exercise by the Company of any rights of first refusal.

(j) "***Vote***" shall mean any exercise of voting rights with respect to any of the Shares, whether at an annual or special meeting or by written consent or in any other manner permitted by applicable law.

## SECTION 2

## PREEMPTIVE RIGHTS

**2.1 Right of First Refusal to Holders.** The Company hereby grants to each Holder the right of first refusal to purchase its *pro rata* share of New Securities (as defined in Section 2.2) which the Company may, from time to time, propose to sell and issue after the date of this Agreement (the "***Preemptive Right***"). A Holder's *pro rata* share, for purposes of this Preemptive Right, is equal to the ratio of (a) the number of Shares owned by such Holder immediately prior to the issuance of New Securities (assuming full conversion of all outstanding convertible securities, rights, options and warrants held by said Holder) to (b) the total number of equity securities outstanding immediately prior to the issuance of New Securities (assuming full conversion or exercise of all outstanding Convertible Securities).

**2.2 New Securities.** "***New Securities***" shall mean any equity securities of the Company whether now authorized or not, and Convertible Securities; *provided* that the term "***New Securities***" does not include:

(a) securities issued or issuable to officers, employees, directors, consultants, placement agents, and other service providers of the Company (or any subsidiary) pursuant to equity grants, option plans, purchase plans, agreements, or other employee equity incentive programs or arrangements of the Company;

(b) securities offered pursuant to an Initial Public Offering, pursuant to a registration statement filed under the Securities Act;

(c) securities issued or issuable pursuant to the acquisition of another company by the Company by merger, purchase of substantially all of the assets or other reorganization or to a joint venture agreement of the Company;

(d) securities issued or issuable to banks, equipment lessors or other financial institutions pursuant to a commercial leasing or debt financing transaction of the Company;

(e) securities issued or issuable in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships;

(f) securities issued to suppliers or third party service providers in connection with the provision of goods or services pursuant to transactions;

(g) securities of the Company which are otherwise excluded by the affirmative vote or consent of the holders of a majority of the Common Stock and the majority of the Preferred Stock (voting as separate classes) then outstanding; and

(h) any right, option or warrant to acquire any security convertible into the securities excluded from the definition of New Securities pursuant to subsections (a) through (g) above.

**2.3 Notice.** In the event the Company proposes to undertake an issuance of New Securities, it shall give each Holder written notice of its intention, describing the type of New Securities, and their price and the general terms upon which the Company proposes to issue the same. Each Holder shall have ten (10) days after any such notice is mailed or delivered to agree to purchase such Holder's *pro rata* share of such New Securities and to indicate whether such Holder desires to exercise its over-allotment option for the price and upon the terms specified in the notice by giving written notice to the Company, and stating therein the quantity of New Securities to be purchased.

**2.4 Non-Exercise of Preemptive Rights.** In the event the Holders fail to exercise fully the Preemptive Right and over-allotment rights, if any, within said ten (10) day period (the "***Election Period***"), the Company shall have ninety (90) days thereafter to sell or enter into an agreement (pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within ninety (90) days from the date of said agreement) to sell that portion of the New Securities with respect to which the Holder's Preemptive Right set forth in this Section 2 was not exercised, at a price and upon terms no more favorable to the purchasers thereof than specified in the Company's notice to Holders delivered pursuant to Section 2.3. In the event the Company has not sold all of such New Securities within such ninety (90) day period following the Election Period, or such ninety (90) day period following the date of said agreement, the Company shall not thereafter issue or sell any New Securities without first again offering such securities to the Holders in the manner provided in this Section 2.

**2.5 Expiration of Preemptive Rights.** This right of first refusal granted under this Agreement shall expire upon, and shall not be applicable to, the closing of the Initial Public Offering.

## SECTION 3

## INFORMATION AND INSPECTION RIGHTS

**3.1 Basic Financial Information and Inspection Rights.** For so long as any shares of Preferred Stock remain outstanding, the Company shall furnish the Holders of Preferred Stock with: (i) audited annual financial statements within 120 days following year-end; (ii) unaudited quarterly financial statements within 45 days following quarter-end; and (iii) annual business plans. The Company shall permit each Holder of Preferred Stock, at such Holder's own expense, to visit and inspect the Company's properties, examine its books of account and records, and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company as may reasonably be requested by such Holder. All rights granted pursuant to this Section 3.1 shall terminated upon an Initial Public Offering.

**3.2 Confidentiality.** The Company shall not be required to comply with any information rights of Section 3.1 in respect of the Holder of any Preferred Stock whom the Company reasonably determines to be a competitor or an officer, employee, director or equity holder of a competitor of the Company. Each Holder of Preferred Stock acknowledges and agrees that the information received by them pursuant to this Section 3 may be confidential and shall be for its use only, and it will not use such confidential information or reproduce, disclose or disseminate such information to any other person (other than its employees or agents having a need to know the contents of such information, and its attorneys), except in connection with the exercise of rights under this Agreement, unless the Company has made such information available to the public generally.

## SECTION 4

## RIGHT OF FIRST REFUSAL

**4.1 General.** Before a Seller may Transfer any shares of Common Stock, Seller must comply with the provisions of this Section 4. Each Holder hereby represents and warrants to the Company and the other Holders that he, she or it is the sole legal and beneficial owner of his, her or its shares of Common Stock and, subject to any restrictions imposed under the Company's certificate of incorporation or bylaws, that no other person or entity has any interest (other than a community property interest) in such shares of Common Stock.

**4.2 Notice of Proposed Transfer.** Prior to any Seller Transferring any of his, her or its shares of Common Stock, Seller shall deliver to the Company and each Holder a written notice (the "***Transfer Notice***") in substantially the form attached hereto as Exhibit B, stating: (i) Seller's *bona fide* intention to Transfer such shares of Common Stock; (ii) the name, address and phone number of each proposed purchaser or other transferee (each, a "***Proposed Transferee***"); (iii) the aggregate number of shares of Common Stock proposed to be Transferred to each Proposed Transferee (the "***Offered Shares***"); (iv) the *bona fide* cash price or, in reasonable detail, other consideration for which Seller proposes to Transfer the Offered Shares (the "***Offered Price***"); and (v) the Company and each Holder's right to exercise its Rights of First Refusal with respect to the Offered Shares.

**4.3 Exercise by the Company.**

(a) For a period of twenty (20) days (the "***Initial Exercise Period***") after the last date on which the Transfer Notice is, pursuant to Section 4.2, deemed to have been delivered to the Company and the Holders, the Company shall have the right to purchase all or any part of the Offered Shares on the terms and conditions set forth in this Section 4 (in addition to the rights of the Holders in this Section 4, the "***Rights of First Refusal***"). In order to exercise its right hereunder, the Company must deliver written notice to Seller within the Initial Exercise Period. In the event that the Company's Board of Directors determines, in its sole

discretion, that the Company is prohibited by law or by contract from exercising the Company's Rights of First Refusal, the Company may specify another person or entity who shall not be a current shareholder of the Company and who shall be unanimously approved by the Board of Directors, excluding any board member who is also a Seller, as its designee to purchase such Offered Shares.

(b) Upon the earlier to occur of (i) the expiration of the Initial Exercise Period or (ii) the time when Seller has received written confirmation from the Company regarding its exercise of its Rights of First Refusal, the Company shall be deemed to have made its election with respect to the Offered Shares, and the shares for which a Holder may exercise his, her, or its Rights of First Refusal (as described below) shall be correspondingly reduced, if appropriate.

**4.4 Initial Exercise by the Holders.**

(a) Subject to the limitations of this Section 4.4, during the Initial Exercise Period, the Holders shall have the right to elect to purchase, in the aggregate, all or any part of the Offered Shares not purchased by the Company pursuant to Section 4.3 (the "***Remaining Shares***") on the terms and conditions set forth in the Transfer Notice. In order to exercise their rights hereunder, such Holder(s) must provide written notice delivered to Seller within the Initial Exercise Period. In the event more than one Holder elects to exercise such right, each Holder shall have the right to purchase a number of Offered Shares equal to the product of (A) the total number of Offered Shares not otherwise purchased by the Company, multiplied by (B) a fraction the numerator of which is the number of Shares held by such Holder and the denominator of which is the number of Shares held by all of the Holders providing notice of their intent to purchase Offered Shares within the Initial Exercise Period.

(b) Within five (5) days after the expiration of the Initial Exercise Period, Seller will give written notice to the Company and the Holder(s) specifying the number of Offered Shares to be purchased by the Company and the Holder(s) exercising their Right of First Refusal (the "***ROFR Confirmation Notice***").

**4.5 Purchase Price.** The purchase price for the Offered Shares to be purchased by the Company or by the Holder(s) exercising his, her, or its Rights of First Refusal under this Agreement will be the Offered Price, and will be payable as set forth in Section 4.6. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration will be determined by the Board of Directors of the Company in good faith, which determination will be binding upon the Company, the Holder(s) and Seller, absent fraud or error.

**4.6 Closing; Payment.** Subject to compliance with applicable state and federal securities laws, the Company and the Holder(s) exercising their Rights of First Refusal shall effect the purchase of all or any portion of the Offered Shares, including the payment of the purchase price, within ten (10) days after the delivery of the ROFR Confirmation Notice (the "***Right of First Refusal Closing***"). Payment of the purchase price will be made, at the option of the party exercising its Rights of First Refusal, (i) in cash (by check), (ii) by wire transfer or (iii) by cancellation of all or a portion of any outstanding indebtedness of Seller to the Company or the Holder, as the case may be, or (iv) by any combination of the foregoing. At such Right of First Refusal Closing, Seller shall deliver to each of the Company and the Holder(s) exercising their Rights of First Refusal, one or more certificates, properly endorsed for transfer, representing such Offered Shares so purchased.

## SECTION 5

## RIGHT OF CO-SALE

**5.1 Exercise by Eligible Holder.**

(a) Subject to the limitations of this Section 5.1, to the extent that the Company and any Holder do not exercise their respective Rights of First Refusal with respect to all or any part of the Offered Shares or the Remaining Shares, as applicable, pursuant to Section 4, then, any Holder who has not exercised their Right of First Refusal (the "***Co-Sale Eligible Holder***") shall have the right to participate in such sale of the Offered Shares which are not being purchased by the Company or any Holder pursuant to their respective Rights of First Refusal ("***Residual Shares***"), on the same terms and conditions as specified in the Transfer Notice, to the extent described in Section 4.2 (the "***Rights of Co-Sale***"). To exercise their rights hereunder, a Co-Sale Eligible Holder (each, a "***Selling Holder***") must have provided a written notice to Seller within the Initial Exercise Period indicating the number of shares it holds that it wishes to sell pursuant to this Section 5.1.

(b) Each Selling Holder will be entitled to sell up to its pro rata share of the Residual Shares, which shall be equal to the product obtained by multiplying (x) the number of Residual Shares by (y) a fraction, (i) the numerator of which shall be the number of shares of Common Stock (assuming conversion of all Convertible Securities into Common Stock) held on the date of the Transfer Notice by such Selling Holder and (ii) the denominator of which shall be the number of shares of Common Stock (assuming conversion of all Convertible Securities into Common Stock) held on the date of the Transfer Notice by Seller and all Selling Holders ("***Pro Rata Co-Sale Share***").

(c) Within ten (10) days after the expiration of the Initial Exercise Period, Seller will give written notice to the Company and each Selling Holder specifying the number of Residual Shares to be sold by such Selling Holder exercising its Right of Co-Sale (the "***Co-Sale Confirmation Notice***").

**5.2 Closing; Consummation of the Co-Sale.** Subject to compliance with applicable state and federal securities laws, the sale of the Residual Shares by each Selling Holder shall occur within ten (10) days after delivery of the Co-Sale Confirmation Notice (the "***Co-Sale Closing***"). If a Selling Holder exercised the Right of Co-Sale in accordance with this Section 5.2, then such Selling Holder shall deliver to Seller at or before the Co-Sale Closing, one or more certificates, properly endorsed for Transfer, representing the number of Residual Shares to which the Selling Holder is entitled to sell pursuant to this Section 5.2. At the Co-Sale Closing, Seller shall cause such certificates or other instruments to be Transferred and delivered to the Transferee pursuant to the terms and conditions specified in the Transfer Notice, and Seller will remit, or will cause to be remitted, to the Selling Holder, at the Co-Sale Closing, that portion of the proceeds of the Transfer to which the Selling Holder is entitled by reason of such Selling Holder's participation in such Transfer pursuant to the Right of Co-Sale.

**5.3 Exclusion from Co-Sale Right.** For purposes of clarity, the Rights of Co-Sale shall not apply with respect to Common Stock sold or to be sold to any Selling Holder or the Company pursuant to the Right of First Refusal as set forth in Section 4.

**5.4 Multiple Series, Class or Type of Stock.** If the Offered Shares consist of more than one series, class or type of security, Seller has the right to Transfer hereunder each such series, class or type.

**5.5 Seller's Right to Transfer.** If any of the Offered Shares remain available after the exercise of all Rights of First Refusal and all Rights of Co-Sale, then the Seller shall be free to Transfer any such remaining shares to the Proposed Transferee at the Offered Price or a higher price in accordance with the terms set forth in the Transfer Notice; *provided, however,* that if the Offered Shares are not so Transferred during the

ninety (90) day period following the deemed delivery of the Transfer Notice, then Seller may not Transfer any of such remaining Offered Shares without complying again in full with the provisions of this Agreement.

## SECTION 6

## ELECTION OF DIRECTORS

**6.1 Voting.** During the term of this Agreement, each Holder agrees to vote all Shares in such manner as may be necessary to elect (and maintain in office) those individuals designated by Katrina Spade from time to time (the "***Board Designees***") as the sole members of the Company's Board of Directors.

**6.2 Current Board Designees.** For purposes of this Agreement, the initial Board Designees shall be Katrina Spade, Leslie Christian, and Sara Moorehead.

**6.3 Changes in Board Designees.** From time to time during the term of this Agreement, Katrina Spade may, in her sole discretion:

(a) notify the Company in writing of an intention to remove from the Company's board of directors any incumbent Board Designee; or

(b) notify the Company in writing of an intention to select a new Board Designee for election to a board seat (whether to replace a prior Board Designee or to fill a vacancy in such board seat).

In the event of such an initiation of a removal or selection of a Board Designee under this Section, the Company shall take such reasonable actions as are necessary to facilitate such removals or elections, including, without limitation, soliciting the votes of the appropriate stockholders, and the Holders shall vote their shares to cause: (a) the removal from the Company's Board of Directors of the Board Designee or Board Designees so designated for removal; and (b) the election to the Company's board of directors of any new Board Designee or Board Designees so designated.

**6.4 Size of the Board of Directors.** During the term of this Agreement, each Holder agrees to vote all Shares to maintain the authorized number of members of the Board of Directors of the Company at three (3) directors.

**6.5 Chairperson; Designating Officers; Reimbursement.** The chairperson of the Board of Directors, if any, shall be designated by the majority vote of the directors. A majority of the Board of Directors shall be authorized to designate the officers of the Company. All directors shall be entitled to be reimbursed by the Company for their respective reasonable out-of-pocket costs and expenses incurred in the course of their services as such, including travel expenses.

**6.6 No Liability for Election of Recommended Director.** None of the Holders and no officer, director, stockholder, partner, employee or agent of any Holder makes any representation or warranty as to the fitness or competence of the nominee of any Holder hereunder to serve on the board of directors by virtue of such Holder's execution of this Agreement or by the act of such Holder in voting for such nominee pursuant to this Agreement.

## SECTION 7

## CONDITIONS TO TRANSFERS

**7.1 Agreement Applies to Transferee.** Any transferee of Shares shall be required to become a party to this Agreement, by executing (together with such party's spouse, if applicable) an Adoption Agreement in the form attached hereto as Exhibit A. If any party acquires Shares from a Holder, notwithstanding such Person's failure to execute an Adoption Agreement in accordance with the preceding sentence (whether such transfer resulted by operation of law or otherwise), such party and such Shares shall be subject to this Agreement as if such Shares were still held by the transferor.

**7.2 Condition to Transfer; Waiver.** No Shares may be transferred by a Holder unless the transferee first delivers to the Company, at such Holder's sole cost and expense, evidence reasonably satisfactory to the Company (such as an opinion of counsel) to the effect that such transfer is not required to be registered under the Securities Act of 1933, as amended.

**7.3 Restrictive Legend.** Each certificate representing any of the Shares subject to this Agreement shall be marked by the Company with a legend reading substantially as follows:

> "THE SHARES EVIDENCED HEREBY ARE SUBJECT TO AND MAY ONLY BE SOLD, DISPOSED OF OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH CERTAIN VOTING REQUIREMENTS, RIGHTS OF FIRST REFUSAL, AND RIGHTS OF CO-SALE AS SET FORTH IN THAT CERTAIN STOCKHOLDER AGREEMENT AMONG THE ISSUER OF THESE SHARES AND CERTAIN OF ITS STOCKHOLDERS, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE ISSUER OF THE SHARES."

## SECTION 8

## MISCELLANEOUS

**8.1 Termination.** This Agreement shall terminate upon the earlier of: (i) a Change of Control Transaction, (ii) an Initial Public Offering or (iii) the agreement of the Holders of at least a majority of all outstanding Common Stock and a majority of all outstanding Preferred Stock (voting as separate classes).

**8.2 Notices.** All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or electronic mail (if to a Holder) or otherwise delivered by hand, messenger or courier service addressed:

(a) if to a Holder, to the Holder's address, facsimile number or electronic mail address as shown in the exhibits to this Agreement or in the Company's records, as may be updated in accordance with the provisions hereof, or, until any such Holder so furnishes an address, facsimile number or electronic mail address to the Company, then to the address, facsimile number or electronic mail address of the last holder of the relevant Shares for which the Company has contact information in its records; or

(b) if to the Company, to the attention of the President of the Company at 202 13th Avenue East, Seattle, Washington 98102, or at such other address as the Company shall have furnished to the Holders, with a copy to Michael W. Moyer, Baker & Hostetler LLP, 999 Third Avenue, Suite 3600, Seattle, Washington 98104.

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered, or (ii) if

sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, or (iii) if sent by facsimile, upon confirmation of facsimile transfer or, if sent by electronic mail, upon confirmation of delivery when directed to the relevant electronic mail address. In the event of any conflict between the Company's books and records and this Agreement or any notice delivered hereunder, the Company's books and records will control absent fraud or error.

**8.3 Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties. The Company shall not permit the transfer of any Shares on its books or issue a new certificate representing any Shares unless and until the person to whom such security is to be transferred shall have executed a written agreement pursuant to which such person becomes a party to this Agreement and agrees to be bound by all the provisions hereof as if such person was a Holder hereunder.

**8.4 Governing Law.** This Agreement shall be governed in all respects by the internal laws of the State of Washington as applied to agreements entered into among Washington residents to be performed entirely within Washington, without regard to principles of conflicts of law.

**8.5 Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. All references in this Agreement to sections, paragraphs and exhibits shall, unless otherwise provided, refer to sections and paragraphs hereof and exhibits attached hereto.

**8.6 Further Assurances.** Each party agrees to execute and deliver, by the proper exercise of its corporate, limited liability company, partnership or other powers, all such other and additional instruments and documents and do all such other acts and things as may be necessary to more fully effectuate this Agreement.

**8.7 Entire Agreement.** This Agreement and the exhibits hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof. No party shall be liable or bound to any other party in any manner with regard to the subjects hereof or thereof by any warranties, representations or covenants except as specifically set forth herein.

**8.8 No Grant of Proxy.** This Agreement does not grant any proxy and should not be interpreted as doing so. Nevertheless, should the provisions of this Agreement be construed to constitute the granting of proxies, such proxies shall be deemed coupled with an interest and are irrevocable for the term of this Agreement.

**8.9 Specific Performance.** It is agreed and understood that monetary damages would not adequately compensate an injured party for the breach of this Agreement by any party, that this Agreement shall be specifically enforceable, and that any breach or threatened breach of this Agreement shall be the proper subject of a temporary or permanent injunction or restraining order. Further, each party waives any claim or defense that there is an adequate remedy at law for such breach or threatened breach.

**8.10 Amendment.** Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument referencing this Agreement and signed by (i) the Company and (ii) Holders representing a majority of the Common Stock issued or issuable upon conversion of the then-outstanding Preferred Stock (voting together as a single class); *provided that*; updating Schedule I to include any Holder(s) who has executed an Adoption Agreement shall not be deemed to be an amendment.

**8.11 No Waiver.** The failure or delay by a party to enforce any provision of this Agreement will not in any way be construed as a waiver of any such provision or prevent that party from thereafter enforcing any other provision of this Agreement. The rights granted both parties hereunder are cumulative and will not constitute a waiver of either party's right to assert any other legal remedy available to it.

**8.12 Jurisdiction and Venue.** With respect to any disputes arising out of or related to this Agreement, the parties consent to the exclusive jurisdiction of, and venue in, the state courts in King County, Washington (or in the event of exclusive federal jurisdiction, the courts of the United States District Court Western District of Washington).

**8.13 Attorney's Fees.** In the event that any suit or action is instituted to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

**8.14 Severability.** If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Agreement, and such court will replace such illegal, void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Agreement shall be enforceable in accordance with its terms.

**8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same agreement. Facsimile copies of signed signature pages will be deemed binding originals.

**8.16 Jury Trial. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS AGREEMENT.**

**8.17 Consent of Spouse.** If any Holder is married on the date of this Agreement, such Holder's spouse shall execute and deliver a consent of spouse on the signature page hereto ("***Consent of Spouse***"), effective on the date hereof. Notwithstanding the execution and delivery thereof, such consent shall not be deemed to confer or convey to the spouse any rights in such Holder's Shares that do not otherwise exist by operation of law or the agreement of the parties. If any Holder should marry or remarry subsequent to the date of this Agreement, such Holder shall within thirty (30) days thereafter obtain his/her new spouse's acknowledgement of and consent to the existence and binding effect of all restrictions contained in this Agreement by causing such spouse to execute and deliver a Consent of Spouse acknowledging the restrictions and obligations contained in this Agreement and agreeing and consenting to the same.

(*signature pages follow*)

The parties are signing this Stockholder Agreement as of the date stated in the introductory clause.

**RECOMPOSE, PBC,**
a Delaware public benefit corporation

By: _____

Name: _____

Title: _____

The parties are signing this Stockholder Agreement as of the date stated in the introductory clause.

**HOLDER:**

_____

(*Print Holder name*)

_____

(*Signature*)

_____

(*Print name of signatory, if signing for an entity*)

_____

(*Print title of signatory, if signing for an entity*)

I, _____, spouse of the Holder indicated above, acknowledge that I have read this Stockholder Agreement and am knowledgeable of its contents. I am aware that the Stockholder Agreement contains provisions regarding the voting and transfer of shares of capital stock of the Company that my spouse may own, including any interest I might have therein. I hereby agree that my interest, if any, in any shares of capital stock of the Company subject to the Stockholder Agreement shall be irrevocably bound by the Stockholder Agreement and further understand and agree that any community property interest I may have in such shares of capital stock of the Company shall be similarly bound by the Stockholder Agreement. I am aware that the legal, financial and related matters contained in the Stockholder Agreement are complex and that I am free to seek independent professional guidance or counsel with respect to this Stockholder Agreement. I have either sought such guidance or counsel or determined after reviewing the Stockholder Agreement carefully that I will waive such right.

**SPOUSE:**

_____

(*Print Spouse name*)

_____

(*Signature*)

_____

(*Date*)

**SCHEDULE I**

**HOLDERS**

Updated _____ ___, 2019

| **Name of Holder** | **Series A-1 Preferred Stock** | **Series A-2 Preferred Stock** | **Common Stock** |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| **Total** | | | |

**EXHIBIT A**

**Adoption Agreement**

This Adoption Agreement (this "***Adoption Agreement***") is executed as of _____ ___, 20__, pursuant to the terms of that certain Stockholder Agreement, dated as of April ___, 2019, among Recompose, PBC (the "***Company***" and its stockholders), and the Schedules and Exhibits thereto, as amended or restated from time to time, a copy of which is attached hereto (the "***Agreement***"), by the transferee ("***Transferee***") executing this Adoption Agreement. By the execution of this Adoption Agreement, the Transferee agrees as follows:

1. **Acknowledgment.** Transferee acknowledges that Transferee is acquiring [ ] shares of the Company's capital stock (the "***Shares***") subject to the terms and conditions of the Agreement. Capitalized terms used herein without definition are defined in the Agreement and are used herein with the same meanings set forth therein.

2. **Agreement.** Transferee (a) agrees that the Shares acquired by Transferee shall be bound by and subject to the terms of the Agreement as "Shares" and (b) hereby joins in, and agrees to be bound by, the Agreement (including the Exhibits) with the same force and effect as if the Transferee were originally a party thereto.

3. **Notice.** Any notice required by the Agreement shall be given to Transferee at the address listed beside Transferee's signature below.

4. **Joinder.** The spouse of the undersigned Transferee, if applicable, executes this Adoption Agreement to acknowledge its fairness and that it is in such spouse's best interests, and to bind such spouse's community interest, if any, in the Shares to the terms of the Agreement.

**TRANSFEREE**:

By: _____

Information for Notices:

_____

_____

_____

Telecopy: _____

**SPOUSE OF TRANSFEREE**:

By:_____

**EXHIBIT B**

**FORM OF**
**NOTICE OF SHARE TRANSFER**

**Notice of Transfer**

I intend to transfer shares of Recompose, PBC's (the "***Company***") capital stock as indicated below (the "***Offered Shares***").

**Notice of Rights**

Pursuant to that certain Stockholder Agreement, dated as of April ___, 2019 (the "***Agreement***"), I write to inform you of your Right of First Refusal (each as defined in the Agreement) with respect to the Offered Shares. If you choose to do so, you may exercise these rights with respect to the Offered Shares by returning this notice to me, at the address below, with a copy to the Company. If you decline your right to do so, you do not need to return anything. Your failure to return this notice on a timely basis will indicate that you have declined to exercise your Right of First Refusal with respect to the Offered Shares.

**Election**

I exercise my Right of First Refusal ☐

I wish to (*circle one, not both*) buy _____ shares of _____ stock.

**Description of Transfer**

1. Type and aggregate number of shares to be transferred:

2. Type of transfer (*please check one*):

   ☐ Sale

   ☐ Other. Describe:

3. Proposed transferees:

| | ***Name and address*** | ***Type, amount and price of shares*** |
|---|---|---|
| 1. | [*insert name of proposed transferee*]<br>[*insert address of proposed transferee*]<br>[*insert phone number of proposed transferee*] | [*enter amount, type and price of shares*] |
| 2. | [*insert name of proposed transferee*]<br>[*insert address of proposed transferee*]<br>[*insert phone number of proposed transferee*] | [*enter amount, type and price of shares*] |

4. Consideration:

   - Total cash consideration:

- Total fair market value of non-cash consideration (if any) as of the date of the notice:

- Describe any non-cash consideration in reasonable detail:

[***Specify applicable return dates for the notice***]**. There will be no extension of this deadline.**

[*Enter seller's name and address*]

# EXHIBIT C: FORM OF RESTATED CERTIFICATE

**SECOND AMENDED AND RESTATED**

**CERTIFICATE OF INCORPORATION OF**

**RECOMPOSE, PBC**

**A PUBLIC BENEFIT CORPORATION**

Recompose, PBC, a corporation organized and existing under the laws of the State of Delaware (the "***Corporation***"), certifies that:

1. The name of the Corporation is Recompose, PBC. The Corporation was originally incorporated under the name "RecomposeMe, PBC". The Corporation's original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on May 10, 2017.

2. This Second Amended and Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware, and has been duly approved by the written consent of the stockholders of the Corporation in accordance with Section 228 of the General Corporation Law of the State of Delaware.

3. The text of the Certificate of Incorporation is amended and restated to read as set forth in EXHIBIT A attached hereto.

IN WITNESS WHEREOF, Recompose, PBC has caused this Second Amended and Restated Certificate of Incorporation to be signed by Katrina Spade, a duly authorized officer of the Corporation, on [_____], 2019.

_____

Katrina Spade
President

## EXHIBIT A

## ARTICLE I

The name of the Corporation is Recompose, PBC (the "***Corporation***").

## ARTICLE II

The Corporation shall be a public benefit corporation as contemplated by subchapter XV of the Delaware General Corporation Law. The Corporation is intended to produce a public benefit or public benefits and to operate in a responsible and sustainable manner. The Corporation shall be managed in a manner that balances the stockholders' pecuniary interests, the best interests of those materially affected by the Corporation's conduct, and the public benefit or public benefits identified herein.

## ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware. The specific public benefit to be promoted by the Corporation is to provide environmentally sustainable and transparent services in the field of death care.

## ARTICLE IV

The address of the Corporation's registered office in the State of Delaware is 3500 S. DuPont Highway, City of Dover, County of Kent, 19901, and the name of the registered agent at such address is GKL Registered Agents of DE, Inc.

## ARTICLE V

The total number of shares of stock that the Corporation shall have authority to issue is twenty-seven million (27,000,000), consisting of twenty million (20,000,000) shares of Common Stock, $0.0001 par value per share (the "***Common Stock***"), and seven million (7,000,000) shares of Preferred Stock, $0.0001 par value per share. The first Series of Preferred Stock shall be designated as "Series A-1 Preferred Stock" and shall consist of seven hundred thousand (700,000) shares (the "***Series A-1 Preferred Stock***"). The second Series of Preferred Stock shall be designated as "Series A-2 Preferred Stock" and shall consist of six million three hundred thousand (6,300,000) shares (the "***Series A-2 Preferred Stock***" and together with the Series A-1 Preferred Stock, the "***Preferred Stock***").

## ARTICLE VI

The terms and provisions of the Common Stock and Preferred Stock are as follows:

1. **Definitions.** For purposes of this ARTICLE VI, the following definitions shall apply:

(a) "***Conversion Price***" shall mean $1.00 per share for the Series A-1 Preferred Stock and $1.5124 per share for the Series A-2 Preferred Stock (subject to adjustment from time to time for Recapitalizations and as otherwise set forth elsewhere herein).

(b) "***Convertible Securities***" shall mean any evidences of indebtedness, shares or other securities convertible into or exchangeable for Common Stock.

(c) "***Distribution***" shall mean the transfer of cash or other property without consideration whether by way of dividend or otherwise, other than dividends on Common Stock payable in Common Stock, or the purchase or redemption of shares of the Corporation by the Corporation for cash or property other than: (i) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries upon termination of their employment or services pursuant to agreements providing for the right of said repurchase, (ii) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries pursuant to rights of first refusal contained in agreements providing for such right, (iii) repurchase of capital stock of the Corporation in connection with the settlement of disputes with any stockholder, and (iv) any other repurchase or redemption of capital stock of the Corporation approved by the holders of the Common and Preferred Stock of the Corporation voting as separate classes.

(d) "***Dividend Rate***" shall mean an annual rate of six percent (6%) per share for all shares of Preferred Stock.

(e) "***Liquidation Preference***" shall mean $1.00 per share for the Series A-1 Preferred Stock and $1.5124 per share for the Series A-2 Preferred Stock (subject to adjustment from time to time for Recapitalizations as set forth elsewhere herein).

(f) "***Options***" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(g) "***Original Issue Price***" shall mean $1.00 per share for the Series A-1 Preferred Stock and $1.5124 per share for the Series A-2 Preferred Stock (subject to adjustment from time to time for Recapitalizations as set forth elsewhere herein).

(h) "***Recapitalization***" shall mean any stock dividend, stock split, combination of shares, reorganization, recapitalization, reclassification or other similar event.

2. **Dividends.**

(a) ***Preferred Stock.*** Dividends on shares of Preferred Stock shall accrue on a cumulative basis at the Dividend Rate beginning as of the date that such share is issued. The Corporation shall have no obligation to pay any dividends, except when, as and if declared by the Board of Directors out of any assets at the time legally available therefor or as otherwise specifically provided in this Second Amended and Restated Certificate of Incorporation. Payment of any dividends to the holders of Preferred Stock shall be on a *pro rata*, *pari passu* basis in proportion to dividends accrued for each series of Preferred Stock. No Distribution shall be made with respect to the Common Stock until all declared and accrued but unpaid dividends on the Preferred Stock have been paid or set aside for payment to the Preferred Stock holders.

(b) ***Additional Dividends.*** The Corporation shall not declare, set aside or pay any dividends on any share of Common Stock (other than dividends on Common Stock payable solely in Common Stock) unless a dividend (including the amount of any dividends paid pursuant to the above provisions of this Section 2) is declared, set aside or paid with respect to all outstanding shares of Preferred Stock in an amount for each such share of Preferred Stock at least equal to the greater of (i) the amount of the cumulative dividends then accrued on such share of Preferred Stock and (ii) the aggregate amount of the dividends for all shares of Common Stock into which each such share of Preferred Stock could then be converted, calculated on the record date for determination of holders entitled to receive such dividend.

(c) ***Non-Cash Distributions.*** Whenever a Distribution provided for in this Section 2 shall be payable in property other than cash, the value of such Distribution shall be deemed to be the fair market value of such property as determined in good faith by the Board of Directors.

(d) ***Waiver of Dividends.*** Any dividend preference and any cumulative dividend of any series of Preferred Stock may be waived, in whole or in part, by the consent or vote of the holders of the majority of the outstanding shares of such series.

3. **Liquidation Rights.**

(a) ***Liquidation Preference.*** In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of the Preferred Stock shall be entitled to receive, prior and in preference to any Distribution of any of the assets of the Corporation to the holders of the Common Stock by reason of their ownership of such stock, an amount per share for each share of Preferred Stock held by them equal to the sum of (i) the Liquidation Preference specified for such share of Preferred Stock and (ii) all declared or accrued but unpaid dividends (if any) on such share of Preferred Stock, or such lesser amount as may be approved by the holders of the majority of the outstanding shares of Preferred Stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in this Section 3(a), then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and *pro rata* among the holders of the Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive pursuant to this Section 3(a).

(b) ***Remaining Assets.*** After the payment or setting aside for payment to the holders of Preferred Stock of the full amounts specified in Section 3(a), the entire remaining assets of the Corporation legally available for distribution shall be distributed *pro rata* to holders of the Common Stock of the Corporation in proportion to the number of shares of Common Stock held by them.

(c) ***Shares not Treated as Both Preferred Stock and Common Stock in any Distribution.*** Shares of Preferred Stock shall not be entitled to be converted into shares of Common Stock in order to participate in any Distribution, or series of Distributions, as shares of Common Stock, without first foregoing participation in the Distribution, or series of Distributions, as shares of Preferred Stock.

(d) ***Reorganization.*** For purposes of this Section 3, a liquidation, dissolution or winding up of the Corporation shall be deemed to be occasioned by, or to include, (i) the acquisition of the Corporation by another entity by means of any transaction or series of related transactions to which the Corporation is party (including, without limitation, any stock acquisition, reorganization, merger or consolidation but excluding any sale of stock for capital raising purposes) other than a transaction or series of related transactions in which the holders of the voting securities of the Corporation outstanding immediately prior to such transaction or series of related transactions retain, immediately after such transaction or series of related transactions, as a result of shares in the Corporation held by such holders prior to such transaction or series of related transactions, at least a majority of the total voting power represented by the outstanding voting securities of the Corporation or such other surviving or resulting entity (or if the Corporation or such other surviving or resulting entity is a wholly-owned subsidiary immediately following such acquisition, its parent); (ii) a sale, lease or other disposition of all or substantially all of the assets of the Corporation and its subsidiaries taken as a whole by means of any transaction or series of related transactions, except where such sale, lease or other disposition is to a wholly-owned subsidiary of the Corporation; or (iii) any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

(e) ***Valuation of Non-Cash Consideration.*** If any assets of the Corporation distributed to stockholders in connection with any liquidation, dissolution, or winding up of the Corporation are other than

cash, then the value of such assets shall be their fair market value as determined in good faith by the Board of Directors, *except that* any publicly-traded securities to be distributed to stockholders in a liquidation, dissolution, or winding up of the Corporation shall be valued as follows:

(i) if the securities are then traded on a national securities exchange, then the value of the securities shall be deemed to be the average of the closing prices of the securities on such exchange over the ten (10) trading day period ending five (5) trading days prior to the Distribution;

(ii) if the securities are actively traded over-the-counter, then the value of the securities shall be deemed to be the average of the closing bid prices of the securities over the ten (10) trading day period ending five (5) trading days prior to the Distribution.

In the event of a merger or other acquisition of the Corporation by another entity, the Distribution date shall be deemed to be the date such transaction closes.

4. **Conversion.** The holders of the Preferred Stock shall have conversion rights as follows:

(a) ***Right to Convert.*** Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Corporation or any transfer agent for the Preferred Stock, into that number of fully-paid, nonassessable shares of Common Stock determined by dividing the Original Issue Price for the relevant series by the Conversion Price for such series. (The number of shares of Common Stock into which each share of Preferred Stock of a series may be converted is hereinafter referred to as the "***Conversion Rate***" for each such series.) Upon any decrease or increase in the Conversion Price for any series of Preferred Stock, as described in this Section 4, the Conversion Rate for such series shall be appropriately increased or decreased.

(b) ***Automatic Conversion.*** Each share of Preferred Stock shall automatically be converted into fully-paid, non-assessable shares of Common Stock at the then effective Conversion Rate for such share (i) immediately prior to the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended (the "***Securities Act***"), covering the offer and sale of the Corporation's Common Stock, *provided* that the aggregate gross proceeds to the Corporation are not less than $35,000,000 (before deduction of underwriters commissions and expenses), or (ii) upon the receipt by the Corporation of a written request for such conversion from the holders of a majority of the Preferred Stock then outstanding (voting as a single class and on an as-converted basis), or, if later, the effective date for conversion specified in such requests (each of the events referred to in (i) and (ii) are referred to herein as an "***Automatic Conversion Event***").

(c) ***Mechanics of Conversion.*** No fractional shares of Common Stock shall be issued upon conversion of Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then fair market value of a share of Common Stock as determined by the Board of Directors. For such purpose, all shares of Preferred Stock held by each holder of Preferred Stock shall be aggregated, and any resulting fractional share of Common Stock shall be paid in cash. Before any holder of Preferred Stock shall be entitled to convert the same into full shares of Common Stock, and to receive certificates therefor, such holder shall either (A) surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Preferred Stock or (B) notify the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and execute an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates, and shall give written notice to the Corporation at such office that such holder elects to convert the same; *provided, however,* that on the date of an Automatic Conversion Event, the outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the

Corporation or its transfer agent; *provided further*, however, that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such Automatic Conversion Event unless either the certificates evidencing such shares of Preferred Stock are delivered to the Corporation or its transfer agent as provided above, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. On the date of the occurrence of an Automatic Conversion Event, each holder of record of shares of Preferred Stock shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, notwithstanding that the certificates representing such shares of Preferred Stock shall not have been surrendered at the office of the Corporation, that notice from the Corporation shall not have been received by any holder of record of shares of Preferred Stock, or that the certificates evidencing such shares of Common Stock shall not then be actually delivered to such holder.

The Corporation shall, as soon as practicable after such delivery, or after such agreement and indemnification, issue and deliver at such office to such holder of Preferred Stock a certificate or certificates for the number of shares of Common Stock to which the holder shall be entitled as aforesaid and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion into fractional shares of Common Stock, plus any declared and unpaid dividends on the converted Preferred Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date; *provided, however*, that if the conversion is in connection with an underwritten offer of securities registered pursuant to the Securities Act or a merger, sale, financing, or liquidation of the Corporation or other event, the conversion may, at the option of any holder tendering Preferred Stock for conversion, be conditions upon the closing of such transaction or upon the occurrence of such event, in which case the person(s) entitled to receive the Common Stock issuable upon such conversion of the Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such transaction or the occurrence of such event.

(d) ***Adjustments to Conversion Price for Diluting Issues.***

(i) ***Special Definition.*** For purposes of this paragraph 4(d), "***Additional Shares of Common***" shall mean all shares of Common Stock issued (or, pursuant to paragraph 4(d)(iii), deemed to be issued) by the Corporation after the filing of this Second Amended and Restated Certificate of Incorporation, other than issuances or deemed issuances of:

(1) shares of Common Stock upon the conversion of the Preferred Stock;

(2) shares of Common Stock and options, warrants or other rights to purchase Common Stock issued or issuable to employees, officers or directors of, or consultants or advisors to the Corporation or any subsidiary pursuant to stock grants, restricted stock purchase agreements, option plans, purchase plans, incentive programs or similar arrangements;

(3) shares of Common Stock upon the exercise or conversion of Options or Convertible Securities;

(4) shares of Common Stock issued or issuable as a dividend or distribution on Preferred Stock or pursuant to any event for which adjustment is made pursuant to paragraph 4(e), 4(f) or 4(g) hereof;

(5) shares of Common Stock issued or issuable in a registered public offering under the Securities Act;

(6) shares of Common Stock issued or issuable pursuant to the acquisition of another corporation by the Corporation by merger, purchase of substantially all of the assets or other reorganization or to a joint venture agreement, *provided*, that such issuances are approved by the Board of Directors;

(7) shares of Common Stock issued or issuable to banks, equipment lessors or other financial institutions pursuant to a debt financing or commercial leasing transaction approved by the Board of Directors;

(8) shares of Common Stock issued or issuable in connection with any settlement of any action, suit, proceeding or litigation approved by the Board of Directors;

(9) shares of Common Stock issued or issuable in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships approved by the Board of Directors;

(10) shares of Common Stock issued or issuable to suppliers or third party service providers in connection with the provision of goods or services pursuant to transactions approved by the Board of Directors; and

(11) shares of Common Stock that are otherwise excluded from the definition of "Additional Shares of Common" by consent of the holders of a majority in interest of the Preferred Stock.

(ii) ***No Adjustment of Conversion Price.*** No adjustment in the Conversion Price of a particular series of Preferred Stock shall be made in respect of the issuance of Additional Shares of Common unless the consideration per share (as determined pursuant to paragraph 4(d)(v)) for an Additional Share of Common issued or deemed to be issued by the Corporation is less than the Conversion Price in effect on the date of, and immediately prior to such issue, for such series of Preferred Stock.

(iii) ***Deemed Issue of Additional Shares of Common.*** In the event the Corporation at any time or from time to time after the date of the filing of this Second Amended and Restated Certificate of Incorporation shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities, the conversion or exchange of such Convertible Securities or, in the case of Options for Convertible Securities, the exercise of such Options and the conversion or exchange of the underlying securities, shall be deemed to have been issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, *provided* that in any such case in which shares are deemed to be issued:

(1) no further adjustment in the Conversion Price of any series of Preferred Stock shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock in connection with the exercise of such Options or conversion or exchange of such Convertible Securities;

(2) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any change in the consideration payable to the Corporation or in the number

of shares of Common Stock issuable upon the exercise, conversion or exchange thereof (other than a change pursuant to the anti-dilution provisions of such Options or Convertible Securities such as this Section 4(d) or pursuant to Recapitalization provisions of such Options or Convertible Securities such as Sections 4(e), 4(f) and 4(g) hereof), the Conversion Price of each series of Preferred Stock and any subsequent adjustments based thereon shall be recomputed to reflect such change as if such change had been in effect as of the original issue thereof (or upon the occurrence of the record date with respect thereto);

(3) no readjustment pursuant to clause (2) above shall have the effect of increasing the Conversion Price of a series of Preferred Stock to an amount above the Conversion Price that would have resulted from any other issuances of Additional Shares of Common and any other adjustments provided for herein between the original adjustment date and such readjustment date;

(4) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Conversion Price of each Series of Preferred Stock computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon shall, upon such expiration, be recomputed as if:

(a) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common issued were the shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of such exercised Options plus the consideration actually received by the Corporation upon such exercise or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange, and

(b) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Corporation for the Additional Shares of Common deemed to have been then issued was the consideration actually received by the Corporation for the issue of such exercised Options, plus the consideration deemed to have been received by the Corporation (determined pursuant to Section 4(d)(v)) upon the issue of the Convertible Securities with respect to which such Options were actually exercised; and

(5) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this paragraph 4(d)(iii) as of the actual date of their issuance.

(iv) ***Adjustment of Conversion Price Upon Issuance of Additional Shares of Common.*** In the event this Corporation shall issue Additional Shares of Common (including Additional Shares of Common deemed to be issued pursuant to paragraph 4(d)(iii)) without consideration or for a consideration per share less than the applicable Conversion Price of a series of Preferred Stock in effect on the date of and immediately prior to such issue, then, the Conversion Price of the affected series of Preferred Stock shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares which the aggregate consideration received by the Corporation for the total number of Additional Shares of Common so issued would purchase at such Conversion Price, and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common so issued.

Notwithstanding the foregoing, the Conversion Price shall not be reduced at such time if the amount of such reduction would be less than $0.01, but any such amount shall be carried forward, and a reduction will be made with respect to such amount at the time of, and together with, any subsequent reduction which, together with such amount and any other amounts so carried forward, equal $0.01 or more in the aggregate. For the purposes of this Subsection 4(d)(iv), all shares of Common Stock issuable upon conversion of all outstanding shares of Preferred Stock and the exercise and/or conversion of any other outstanding Convertible Securities and all outstanding Options shall be deemed to be outstanding.

(v) ***Determination of Consideration.*** For purposes of this subsection 4(d), the consideration received by the Corporation for the issue (or deemed issue) of any Additional Shares of Common shall be computed as follows:

(1) ***Cash and Property.*** Such consideration shall:

(a) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with such issuance;

(b) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(c) in the event Additional Shares of Common are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (a) and (b) above, as reasonably determined in good faith by the Board of Directors.

(2) ***Options and Convertible Securities.*** The consideration per share received by the Corporation for Additional Shares of Common deemed to have been issued pursuant to paragraph 4(d)(iii) shall be determined by dividing

(x) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities by

(y) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(e) ***Adjustments for Subdivisions or Combinations of Common Stock.*** In the event the outstanding shares of Common Stock shall be subdivided (by stock split, by payment of a stock dividend or otherwise), into a greater number of shares of Common Stock, the Conversion Price of each series of Preferred Stock in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Common Stock shall be combined (by reclassification or otherwise) into a lesser number of shares of Common Stock, the Conversion

Prices in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately increased.

(f) ***Adjustments for Subdivisions or Combinations of Preferred Stock.*** In the event the outstanding shares of Preferred Stock or a series of Preferred Stock shall be subdivided (by stock split, by payment of a stock dividend or otherwise), into a greater number of shares of Preferred Stock, Original Issue Price and Liquidation Preference of the affected series of Preferred Stock in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Preferred Stock or a series of Preferred Stock shall be combined (by reclassification or otherwise) into a lesser number of shares of Preferred Stock, Original Issue Price and Liquidation Preference of the affected series of Preferred Stock in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately increased.

(g) ***Adjustments for Reclassification, Exchange and Substitution.*** Subject to Section 3 ("*Liquidation Rights*"), if the Common Stock issuable upon conversion of the Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), then, in any such event, in lieu of the number of shares of Common Stock which the holders would otherwise have been entitled to receive each holder of such Preferred Stock shall have the right thereafter to convert such shares of Preferred Stock into a number of shares of such other class or classes of stock which a holder of the number of shares of Common Stock deliverable upon conversion of such series of Preferred Stock immediately before that change would have been entitled to receive in such reorganization or reclassification, all subject to further adjustment as provided herein with respect to such other shares.

(h) ***Certificate as to Adjustments.*** Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of Preferred Stock.

(i) ***Waiver of Adjustment of Conversion Price.*** Notwithstanding anything herein to the contrary, any downward adjustment of the Conversion Price of any series of Preferred Stock may be waived by the consent or vote of the holders of the majority of the outstanding shares of such series of Preferred Stock either before or after the issuance causing the adjustment. Any such waiver shall bind all future holders of shares of such series of Preferred Stock.

(j) ***Notices of Record Date.*** In the event that this Corporation shall propose at any time:

(i) to declare any Distribution upon its Common Stock, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus;

(ii) to effect any reclassification or recapitalization of its Common Stock outstanding involving a change in the Common Stock; or

(iii) to voluntarily liquidate or dissolve or to enter into any transaction deemed to be a liquidation, dissolution or winding up of the Corporation pursuant to Section 3(d);

then, in connection with each such event, this Corporation shall send to the holders of the Preferred Stock prior written notice of the date on which a record shall be taken for such Distribution (and specifying the date on which the holders of Common Stock shall be entitled thereto and, if applicable, the amount and character of such Distribution ) or for determining rights to vote in respect of the matters referred to in (ii) and (iii) above.

Such written notice shall be given by first class mail (or express courier), postage prepaid, addressed to the holders of Preferred Stock at the address for each such holder as shown on the books of the Corporation and shall be deemed given on the date such notice is mailed.

The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively by the consent or vote of the holders of a majority of the Preferred Stock, voting as a single class and on an as-converted basis.

(k) ***Reservation of Stock Issuable Upon Conversion.*** The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

5. **Voting.**

(a) ***Restricted Class Voting.*** Except as otherwise expressly provided herein or as required by law, the holders of Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

(b) ***No Series Voting.*** Other than as provided herein or required by law, there shall be no series voting.

(c) ***Preferred Stock.*** Each holder of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which the shares of Preferred Stock held by such holder could be converted as of the record date. The holders of shares of the Preferred Stock shall be entitled to vote on all matters on which the Common Stock shall be entitled to vote. Holders of Preferred Stock shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of the Corporation. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted), shall be disregarded.

(d) ***Adjustment in Authorized Common Stock.*** The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by an affirmative vote of the holders of a majority of the capital stock of the Corporation.

(e) ***Common Stock.*** Each holder of shares of Common Stock shall be entitled to one vote for each share thereof held.

6. **Amendments and Changes.** As long as at least fifty percent of the shares of Preferred Stock originally issued remain issued and outstanding, the Corporation shall not, without first obtaining the approval (by vote or written consent as provided by law) of the holders of more than fifty percent of the outstanding shares of the Preferred Stock:

(a) amend, alter or repeal any provision of the Certificate of Incorporation or bylaws of the Corporation if such action would adversely alter the rights, preferences, privileges or powers of, or restrictions provided for the benefit of the Preferred Stock or any series thereof;

(b) increase or decrease the authorized number of shares of Preferred Stock or any series thereof;

(c) authorize or create (by reclassification or otherwise) any new class or series of shares having rights, preferences or privileges with respect to dividends, redemption or payments upon liquidation senior to the Preferred Stock;

(d) approve any merger, sale of assets or other corporate reorganization or acquisition of the Corporation;

(e) approve the purchase, redemption or other acquisition of any Common Stock, other than repurchases pursuant to stock restriction agreements approved by the Board of Directors upon termination of a consultant, director or employee;

(f) declare or pay any dividend or distribution with respect to the Common Stock; or

(g) approve the liquidation or dissolution of the Corporation.

7. **Reissuance of Preferred Stock**. In the event that any shares of Preferred Stock shall be converted pursuant to Section 4, redeemed, or otherwise repurchased by the Corporation, the shares so converted, redeemed or repurchased shall be cancelled and shall not be issuable by this Corporation.

8. **Notices.** Any notice required by the provisions of this ARTICLE VI to be given to the holders of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at such holder's address appearing on the books of the Corporation.

## ARTICLE VII

The Corporation is to have perpetual existence.

## ARTICLE VIII

Elections of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

## ARTICLE IX

Unless otherwise set forth herein, the number of directors that constitute the Board of Directors of the Corporation shall be fixed by, or in the manner provided in, the bylaws of the Corporation.

## ARTICLE X

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the bylaws of the Corporation.

## ARTICLE XI

1. To the fullest extent permitted by the Delaware General Corporation Law as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

2. The Corporation shall have the power to indemnify, to the extent permitted by the Delaware General Corporation Law, as it presently exists or may hereafter be amended from time to time, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "***Proceeding***") by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

3. Neither any amendment nor repeal of this ARTICLE XI, nor the adoption of any provision of this Corporation's Certificate of Incorporation inconsistent with this ARTICLE XI, shall eliminate or reduce the effect of this ARTICLE XI, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this ARTICLE XI, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

## ARTICLE XII

Meetings of stockholders may be held within or without the State of Delaware, as the bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the bylaws of the Corporation.

## ARTICLE XIII

To the extent permitted by law, the Corporation renounces any expectancy that a Covered Person (as defined herein) offer the Corporation an opportunity to participate in a Specified Opportunity (as defined herein) and waives any claim that the Specified Opportunity constitutes a corporate opportunity that should have been presented by the Covered Person to the Corporation; *provided, however*, that the Covered Person acts in good faith. A "***Covered Person***" is any member of the Board of Directors of the Corporation (who is not an employee of the Corporation or any of its subsidiaries) who is a partner, member or employee of a Fund (as defined herein). A "***Specified Opportunity***" is any transaction or other matter that is presented to the Covered Person in his or her capacity as a partner, member or employee of a Fund (and other than in connection with his or her service as a member of the Board of Directors of the Corporation) that may be an opportunity of interest for both the Corporation and the Fund. A "***Fund***" is an entity that is a holder of Preferred Stock and that is primarily in the business of investing in other entities, or an entity that manages such an entity.

RECOMPOSE

# EXHIBIT D: ACCREDITED INVESTOR VERIFICATION INSTRUCTIONS

## ACCREDITED INVESTOR VERIFICATION INSTRUCTIONS

The Securities Act of 1933, as amended (the "***Securities Act***") permits the sale of the Shares only to "Accredited Investors" as defined in Rule 501(a) of Regulation D of the Securities Act.

(*If the Investor is a natural person they should read and comply with the balance of these Instructions. If the Investor is not a natural person, its agent should contact the Company via email at katrina@recompose.life and request a consultation regarding verification of the entity's Accredited Investor status*.)

The purpose of the attached Accredited Investor Representation Letter (the "***Letter***") is to determine how you wish to prove to Recompose that you are an Accredited Investor and that you otherwise meet the suitability criteria established by Recompose for investing in the Shares. Each of the methods offered below comply with the Securities and Exchange Commission's rules and regulations in this regard. You must fully complete and sign the Letter before Recompose will consider your proposed investment.

All of your statements in the Letter and all the other information defined in the Letter as Investor Information will be treated confidentially by Recompose and its agents. However, you understand and agree that subject to applicable law, the Investor Information will be disclosed to Recompose and its directors, officers, accountants and legal counsel, the Securities and Exchange Commission, Recompose's designated examining authority, or state regulatory officials, if it is necessary for Recompose to use such information to support an exemption from registration under the Securities Act and other federal or state securities laws.

By signing the Letter, you understand that Recompose will rely on your representations and other statements and documents included in the Investor Information in determining your status as an Accredited Investor, your suitability for investing in the Shares, and whether to accept your subscription for the Shares. While Recompose reserves the right, in its sole discretion, to verify your status as an Accredited Investor using any other methods that it may deem acceptable from time to time, you should not expect that Recompose will accept any other such method. Recompose may refuse to accept your request for investment in the Shares for any reason or for no reason.

RECOMPOSE

**RECOMPOSE, PBC**

**ACCREDITED INVESTOR REPRESENTATION LETTER**

To: Recompose, PBC

I am submitting this Accredited Investor Representation Letter (the "***Letter***") in connection with the offering of the common stock (the "***Shares***") of Recompose, PBC (the "***Company***") offered pursuant to its private placement memorandum dated _____, 2019 (the "***Memorandum***"). I understand that the Shares can be sold only to verified accredited investors ("***Accredited Investors***") as defined in Rule 501(a) of Regulation D of the Securities Act of 1933, as amended (the "***Securities Act***"). I state that I am an Accredited Investor either in my own right or jointly with my spouse, and opt to verify my status as such by (*select one*):

☐ I select the Company's independent third-party verification provider, VerifyInvestor.com ("***VI***"), to verify my status as an Accredited Investor. I understand that by selecting the VI option, VI will contact me directly and I agree to promptly work with VI to complete the verification process. I further understand that the Company is solely responsible for paying all fees and costs that VI charges for this service. I understand that the Company will not share with me the information it receives from VerifyInvestor.com regarding me or my status as an Accredited Investor unless it is the basis for denying my subscription agreement to purchase the Shares.

☐ I select my own third-party verification provider, who is either: (i) a registered broker-dealer; (ii) an SEC-registered investment adviser; (iii) a licensed attorney; or (iv) a certified public accountant. I understand that the Company will send to the person or firm named below a verification letter asking the recipient to verify my status as an Accredited Investor. I have informed the person named below that the Company will contact him or her to verify my status as an Accredited Investor, and I hereby authorize the Company and its agents to communicate with the person or firm so named to obtain such verification. I further understand that I am solely responsible for paying any fees charged by the person or firm named below in connection with verifying my status as an Accredited Investor.

| **THIRD-PARTY VERIFICATION PROVIDER INFORMATION** | |
|---|---|
| PROVIDER NAME: | PHONE: |
| COMPANY NAME: | ADDRESS: |
| E-MAIL: | |
| | |

☐ I am a director or executive officer of the Company. I understand that I must be in the same position at the time of my closing on the purchase of Shares pursuant to the Memorandum.

I understand that the Company and its counsel are relying upon my representations in this Letter and upon the representations I make to the third-party verification provider I have selected above, if any, (collectively, the "***Investor Information***"). I agree to indemnify and hold harmless the Company, its directors, officers, representatives and agents, and any person who controls any of the foregoing, against any and all loss, liability, claim, damage and expense (including reasonable attorneys' fees) arising out of or based upon any misstatement or omission in the Investor Information or any failure by me to comply with any covenant or agreement made by me in the Investor Information. I expressly agree that my indemnification obligations pursuant to this Letter extend to indemnifying the Company in the event it prevails in an action hereunder against me.

I understand and agree that the Company may present the Investor Information, and any information it receives from any third-party verification provider or any other party providing the Company information regarding my status as an Accredited Investor, to such parties as the Company deems appropriate to establish that the issuance and sale of the Shares (a) is exempt from the registration requirements of the Securities Act or (b) meets the requirements of applicable state securities laws.

| **INVESTOR'S SIGNATURE AND CONTACT INFORMATION** | |
|---|---|
| DATE: | |
| NAME: | |
| SIGNATURE: | |
| E-MAIL: | |

| **SPOUSE'S SIGNATURE AND CONTACT INFORMATION**<br>*Note: The Investor's spouse need only sign this letter if the Investor is proving his or her Accredited Investor status based on joint income or net worth with his or her spouse. A spouse who signs this Letter makes all representations set out in this Letter.* | |
|---|---|
| DATE: | |
| NAME: | |
| SIGNATURE: | |
| E-MAIL: | |

# EXHIBIT E: FINANCIAL PROJECTIONS (RECOMPOSE)

| | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Pilot* | *Legislation* | *Open 1 month* | *Operating* | *Operating* | *Operating + Licensing* | *Operating + Licensing* | *Operating + Licensing* | *Operating + Licensing* | *Operating + Licensing* | *Operating + Licensing* | *Operating + Licensing* |
| **PROFIT/LOSS PROJECTIONS** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** |
| **Recompose\|SEATTLE** | | | | | | | | | | | | |
| Revenue as % of Capacity | | | 0% | 20% | 50% | 80% | 100% | 100% | 100% | 100% | 100% | 100% |
| Number of Clients | | | 0 | 150 | 375 | 600 | 750 | 750 | 750 | 750 | 750 | 750 |
| **Revenue** | | | | | | | | | | | | |
| Service Fees (Flagship Facility) | 0 | 0 | 0 | 825,000 | 2,062,500 | 3,300,000 | 4,125,000 | 4,125,000 | 4,125,000 | 4,125,000 | 4,125,000 | 4,125,000 |
| **Total Revenue** | **0** | **0** | **0** | **825,000** | **2,062,500** | **3,300,000** | **4,125,000** | **4,125,000** | **4,125,000** | **4,125,000** | **4,125,000** | **4,125,000** |
| | | | | | | | | | | | | |
| Personnel--Facility | 0 | 0 | (196,875) | (425,880) | (616,770) | (973,350) | (1,086,120) | (1,086,120) | (1,086,120) | (1,086,120) | (1,086,120) | (1,086,120) |
| Other Expenses--Facility | 0 | (5,000) | (301,250) | (613,000) | (672,000) | (630,200) | (638,450) | (637,200) | (639,700) | (637,200) | (637,200) | (637,200) |
| **Total Expenses (incl COGS)** | **0** | **(5,000)** | **(498,125)** | **(1,038,880)** | **(1,288,770)** | **(1,603,550)** | **(1,724,570)** | **(1,723,320)** | **(1,725,820)** | **(1,723,320)** | **(1,723,320)** | **(1,723,320)** |
| Contingency | 0 | (250) | (24,906) | (51,944) | (64,439) | (80,178) | (86,229) | (86,166) | (86,291) | (86,166) | (86,166) | (86,166) |
| **Total Expenses + Contingency** | **0** | **(5,250)** | **(523,031)** | **(1,090,824)** | **(1,353,209)** | **(1,683,728)** | **(1,810,799)** | **(1,809,486)** | **(1,812,111)** | **(1,809,486)** | **(1,809,486)** | **(1,809,486)** |
| | | | | | | | | | | | | |
| **Recompose SEATTLE EBITDA** | **0** | **(5,250)** | **(523,031)** | **(265,824)** | **709,292** | **1,616,273** | **2,314,202** | **2,315,514** | **2,312,889** | **2,315,514** | **2,315,514** | **2,315,514** |
| | | | | | | | | | | | | |
| **Recompose PLACE TWO (tbd) EBITDA** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **(265,824)** | **709,292** | **1,616,273** | **2,314,202** |
| | | | | | | | | | | | | |
| **Recompose\|THRIVE** | | | | | | | | | | | | |
| Licensing | 0 | 0 | 0 | 0 | 0 | 60,000 | 180,000 | 405,000 | 630,000 | 892,500 | 1,417,500 | 1,792,500 |
| **Total Revenue** | **0** | **0** | **0** | **0** | **0** | **60,000** | **180,000** | **405,000** | **630,000** | **892,500** | **1,417,500** | **1,792,500** |
| | | | | | | | | | | | | |
| Personnel | (63,000) | (63,000) | (217,350) | (371,700) | (670,950) | (812,700) | (812,700) | (907,200) | (907,200) | (907,200) | (1,001,700) | (1,001,700) |
| Other Expenses | (266,258) | (388,954) | (334,254) | (287,225) | (279,225) | (266,725) | (342,725) | (420,225) | (422,725) | (434,725) | (434,725) | (359,725) |
| **Total Expenses** | **(329,258)** | **(451,954)** | **(551,604)** | **(658,925)** | **(950,175)** | **(1,079,425)** | **(1,155,425)** | **(1,327,425)** | **(1,329,925)** | **(1,341,925)** | **(1,436,425)** | **(1,361,425)** |
| Contingency | (2,500) | (10,000) | (27,580) | (32,946) | (47,509) | (53,971) | (57,771) | (66,371) | (66,496) | (67,096) | (71,821) | (68,071) |
| **Total Expenses + Contingency** | **(331,758)** | **(461,954)** | **(579,184)** | **(691,871)** | **(997,684)** | **(1,133,396)** | **(1,213,196)** | **(1,393,796)** | **(1,396,421)** | **(1,409,021)** | **(1,508,246)** | **(1,429,496)** |
| | | | | | | | | | | | | |
| **Recompose THRIVE EBITDA** | **(331,758)** | **(461,954)** | **(579,184)** | **(691,871)** | **(997,684)** | **(1,073,396)** | **(1,033,196)** | **(988,796)** | **(766,421)** | **(516,521)** | **(90,746)** | **363,004** |
| | | | | | | | | | | | | |
| **SEATTLE + PLACE TWO + THRIVE EBITDA** | **(331,758)** | **(467,204)** | **(1,102,215)** | **(957,695)** | **(288,392)** | **542,876** | **1,281,005** | **1,326,718** | **1,280,644** | **2,508,284** | **3,841,040** | **4,992,719** |
| Depreciation and Amortization | 0 | 0 | (153,100) | (181,850) | (210,600) | (229,350) | (229,350) | (382,450) | (411,200) | (439,950) | (458,700) | (458,700) |
| Interest Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (153,100) | (181,850) | (210,600) | (229,350) | (229,350) |
| **TOTAL PRE-TAX PROFIT** | **(331,758)** | **(467,204)** | **(1,255,315)** | **(1,139,545)** | **(498,992)** | **313,526** | **1,051,655** | **791,168** | **687,594** | **1,857,734** | **3,152,990** | **4,304,669** |
| Losses Used to Offset Profits | 0 | 0 | 0 | 0 | 0 | (313,526) | (1,051,655) | (791,168) | (687,594) | (848,872) | 0 | 0 |
| Estimated Federal & State Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (252,216) | (788,248) | (1,076,167) |
| **NET PROFIT** | **(331,758)** | **(467,204)** | **(1,255,315)** | **(1,139,545)** | **(498,992)** | **313,526** | **1,051,655** | **791,168** | **687,594** | **1,605,519** | **2,364,743** | **3,228,502** |

| | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CASH FLOW PROJECTIONS** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** |
| **BEGINNING CASH** | **165,531** | **306,773** | **6,589,569** | **2,425,354** | **892,658** | **29,266** | **197,142** | **1,115,234** | **1,793,268** | **2,448,264** | **3,590,974** | **5,132,045** |
| Net Income | (331,758) | (467,204) | (1,255,315) | (1,139,545) | (498,992) | 313,526 | 1,051,655 | 791,168 | 687,594 | 1,605,519 | 2,364,743 | 3,228,502 |
| Depreciation & Amortization | 0 | 0 | 153,100 | 181,850 | 210,600 | 229,350 | 229,350 | 382,450 | 411,200 | 439,950 | 458,700 | 458,700 |
| **Cash Flows from Operating Activities** | **(331,758)** | **(467,204)** | **(1,102,215)** | **(957,695)** | **(288,392)** | **542,876** | **1,281,005** | **1,173,618** | **1,098,794** | **2,045,469** | **2,823,443** | **3,687,202** |
| | | | | | | | | | | | | |
| Vessel Purchases/SEATTLE | 0 | 0 | (375,000) | (575,000) | (575,000) | (375,000) | 0 | 0 | 0 | 0 | 0 | 0 |
| Facility BuildOut/SEATTLE | 0 | 0 | (2,625,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equipment Purchases/SEATTLE | 0 | 0 | (62,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vessel Purchases/PLACE TWO | | | | | | | | (375,000) | (575,000) | (575,000) | (375,000) | 0 |
| Facility BuildOut/PLACE TWO | | | | | | | | (2,625,000) | 0 | 0 | 0 | 0 |
| Equipment Purchases/PLACE TWO | | | | | | | | (62,000) | 0 | 0 | 0 | 0 |
| Contributions to Community Loan Fund | 0 | 0 | 0 | 0 | 0 | 0 | (100,000) | (100,000) | (100,000) | (100,000) | (100,000) | (100,000) |
| **Cash Flows from Investment Activities** | **0** | **0** | **(3,062,000)** | **(575,000)** | **(575,000)** | **(375,000)** | **(100,000)** | **(3,162,000)** | **(675,000)** | **(675,000)** | **(475,000)** | **(100,000)** |
| | | | | | | | | | | | | |
| Loan Proceeds (PLACE TWO) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,062,000 | 575,000 | 575,000 | 375,000 | 0 |
| Proceeds from Preferred Stock Sale #1* | 473,000 | | | | | | | | | | | |
| Proceeds from Preferred Stock Sale #2 | | 6,750,000 | | | | | | | | | | |
| Distributions to Shareholders (Preferred) | 0 | 0 | 0 | 0 | 0 | 0 | (262,914) | (395,584) | (343,797) | (802,759) | (1,182,371) | (1,614,251) |
| Distributions to Shareholders (Common) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (135,876) |
| **Cash Flows from Financing Activities** | **473,000** | **6,750,000** | **0** | **0** | **0** | **0** | **(262,914)** | **2,666,416** | **231,203** | **(227,759)** | **(807,371)** | **(1,750,127)** |
| | | | | | | | | | | | | |
| **ENDING CASH** | **306,773** | **6,589,569** | **2,425,354** | **892,658** | **29,266** | **197,142** | **1,115,234** | **1,793,268** | **2,448,264** | **3,590,974** | **5,132,045** | **6,969,120** |
| | | | | | | | | Cash Available for Growth Opportunities, Community Fund, Preferred Stock Redemptions, and/or Dividends | | | | |
| **BALANCE SHEET PROJECTIONS** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** |
| Cash | 306,773 | 6,589,569 | 2,425,354 | 892,658 | 29,266 | 197,142 | 1,115,234 | 1,793,268 | 2,448,264 | 3,590,974 | 5,132,045 | 6,969,120 |
| Community Fund | 0 | 0 | 0 | 0 | 0 | 0 | 100,000 | 200,000 | 300,000 | 400,000 | 500,000 | 600,000 |
| Other Assets (Patents) | 21,445 | 21,445 | 21,445 | 21,445 | 21,445 | 21,445 | 21,445 | 21,445 | 21,445 | 21,445 | 21,445 | 21,445 |
| Net Vessels | 0 | 0 | 356,250 | 883,750 | 1,382,500 | 1,662,500 | 1,567,500 | 1,828,750 | 2,261,250 | 2,665,000 | 2,850,000 | 2,660,000 |
| Net Equipment | 0 | 0 | 58,900 | 55,800 | 52,700 | 49,600 | 46,500 | 102,300 | 96,100 | 89,900 | 83,700 | 77,500 |
| Net Tenant Improvements | 0 | 0 | 2,493,750 | 2,362,500 | 2,231,250 | 2,100,000 | 1,968,750 | 4,331,250 | 4,068,750 | 3,806,250 | 3,543,750 | 3,281,250 |
| IP, Goodwill, Sweat Equity | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 |
| **TOTAL ASSETS** | **7,948,218** | **14,231,014** | **12,975,699** | **11,836,153** | **11,337,161** | **11,650,687** | **12,439,429** | **15,897,013** | **16,815,809** | **18,193,569** | **19,750,940** | **21,229,315** |
| | | | | | | | | | | | | |
| PLACE TWO Loan Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,062,000 | 3,637,000 | 4,212,000 | 4,587,000 | 4,587,000 |
| **Liabilities** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **3,062,000** | **3,637,000** | **4,212,000** | **4,587,000** | **4,587,000** |
| Common Stock | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 | 7,620,000 |
| Preferred Stock | 693,000 | 7,443,000 | 7,443,000 | 7,443,000 | 7,443,000 | 7,443,000 | 7,443,000 | 7,443,000 | 7,443,000 | 7,443,000 | 7,443,000 | 7,443,000 |
| Retained Earnings | (364,782) | (831,986) | (2,087,301) | (3,226,847) | (3,725,839) | (3,412,313) | (2,623,571) | (2,227,987) | (1,884,191) | (1,081,431) | 100,940 | 1,579,315 |
| **Shareholder Equity** | **7,948,218** | **14,231,014** | **12,975,699** | **11,836,153** | **11,337,161** | **11,650,687** | **12,439,429** | **12,835,013** | **13,178,809** | **13,981,569** | **15,163,940** | **16,642,315** |
| **TOTAL LIABILITIES AND EQUITY** | **7,948,218** | **14,231,014** | **12,975,699** | **11,836,153** | **11,337,161** | **11,650,687** | **12,439,429** | **15,897,013** | **16,815,809** | **18,193,569** | **19,750,940** | **21,229,315** |

**Exhibit F: Cap Table**

| **Recompose, PBC - Cap Table - Ownership Summary (report run on 24-Apr-2019 for reporting period 24-Apr-2019)** | | | |
|---|---|---|---|
| | Shares Authorized | Issued and Outstanding Shares | Percent Ownership |
| COMMON STOCK | 10,000,000 | | |
| Katrina Spade | | 7,500,000 | 90.5258% |
| Other Common Stockholders | | 85,000 | 1.026% |
| Common | 10,000,000 | 7,585,000 | 91.5518% |
| | | **7,585,000** | |
| | | | |
| SERIES A-1 PREFERRED STOCK | 5,000,000 | | |
| Preferred | 5,000,000 | 699,930 | 8.4482% |
| | | **699,930** | |
| | | | |
| | | **8,284,930** | |

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