

SUPPLEMENTAL INFORMATION TO ACCOMPANY RECOMPOSE PBC PRIVATE PLACEMENT MEMORANDUM DATED APRIL 30, 2019, AND REVISED JUNE 4, 2019

The information contained in this document includes significant changes to the financial projections provided in the Private Placement Memorandum as well as updates on various aspects of the business. Specifically, the original projections envisioned a flagship Recompose location to be opened at the end of 2020 or early 2021. As described below, these plans have been set aside due to circumstances described below. The current plan is to open a smaller location sooner.

The information is provided in chronological order and includes:

- Recompose 2019 Annual Investor Report
- A Note about the Coronavirus (March 7, 2020)
- A Letter to Our Investors (March 27, 2020)
- Memo for Prospective Investors (April 17, 2020)

NOTE: THIS DOCUMENT SPECIFICALLY INCORPORATES THE *IMPORTANT NOTICE TO INVESTORS* AND THE *SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS* FROM THE PRIVATE PLACEMENT MEMORANDUM.

Recompose 2019 Annual Investor Report

Overview

Founded in May of 2017, Recompose is almost three years old. In 2017-2018 we raised an initial seed round of \$700k and used it to successfully:

- 1) run a human pilot to prove that recomposition is safe and effective
- 2) develop our patent-pending vessel system
- 3) legalize recomposition (aka natural organic reduction) in Washington State.

We began raising our \$6.75 million Series A-2 in May 2019. As of this update, we have raised \$4.7 million (received or firmly committed). These funds are being used to:

- 1) open our Seattle location
- 2) lay the groundwork for expansion via brand identity, legal preparation, and state policy change
- 3) fund expansion via additional facilities and licensing agreements.

Recent Milestones

- Bill Legalizing Recomposition Signed by Washington State Governor
- Articles Published in Seattle Times, Fast Company, Slate, Washington Post, New York Times, and BBC
- Architect (Olson Kundig) and General Contractor (Andersen Builders) Chosen for Recompose|Seattle
- Seattle Warehouse Leased, Schematic Design Completed, Permit Application Submitted
- Communications Manager and General Manager Hired
- Multiple Vessel System and Equipment Improvements Made
- Bills Introduced in Colorado, Hawaii, Vermont, and California
- Newsletter List Grows past 17,000

Near-Term Goals (0-6 mos)

- Start Construction of Recompose|Seattle
- Implement “Precompose”, our Prearrangement Program
- Sign First Licensing Agreement
- Finalize Facility #2 Location

Financial Outlook

Fundraising has gone well, with 70% of our current \$6.75 million raise completed. Our investors include individuals who have found us and wanted to be part of this amazing venture, clients of a wonderful array of financial advisors, and investment groups who share information and collaborate on investment opportunities. We have also received investments from donor-advised funds and family foundations.

We are getting some early indications that the initial cost of startup (Seattle facility, legal work, and vessel engineering) will be higher than forecasted. We will know more in the coming months and will continue to update our investors as we adjust and fine tune our strategy.

Thanks to some changes to our vessel system, our Seattle location's revenue forecasts are higher than in our initial model. We also have indications that licensing revenue will begin sooner than forecasted. Finally, we are in early talks about building our second location (this is several years ahead of schedule).

Policy/Legalization

The momentum of policy interest in natural organic reduction has exceeded all expectations from Recompose and our policy partners. Following the success of SB5001 in Washington, four additional states are currently considering the legalization of Recompose's process known as natural organic reduction or NOR.

In Colorado, Recompose partnered with public affairs firm Aponte Busam because that state presents a strong business opportunity and a relatively friendly legislative environment. In addition to that work, legislators in California, Vermont, and Hawaii chose to introduce bills on this topic without Recompose's initial input. This swift forward momentum speaks to the broad interest and demand for more death care options across the US and beyond.

A summary is below:

Washington: Governor Inslee signed SB5001 in May 2019. The Department of Licensing and the Funeral Board then drafted regulations for recomposition facilities; the final draft of these regulations will come out May 1, 2020. Recompose continues to work closely with the DOL to ensure that the regulations require appropriate safety measures and properly reflect the process that Recompose has invented.

Colorado: [HB20-1060](#): Recompose partnered with Representative Brianna Titone (D-Arvada) to introduce “HB20-1060: Natural Organic Reduction Human Remains.” The legislation is co-sponsored by Representative Matt Soper (R-Delta), Senator Robert Rodriguez (D-Denver), and Senator Vicki Marble (R-Broomfield). In keeping with Colorado’s legacy of consumer choice, Representative Titone’s messaging around HB20-1060 emphasizes the opportunity this new option provides for both individuals and the funeral industry.

HB20-1060 had its first hearing in the Energy & Environment committee on January 27, 2020. As of February, the bill has passed successfully out of all its committees in the House. The bill has so far only received opposition from far-right Republican representatives and is expected to pass the Democratic-controlled Senate and be referred for signing by Governor Jared Polis. The last day of the 2020 Colorado Legislative Session is April 27, 2020.

Recompose’s policy team works closely with Aponte Busam Public Affairs and Representative Titone’s staff to ensure HB20-1060 continues to progress through the legislative process. In addition to coordinating testimony from Katrina and Colorado supporters, Recompose led media outreach regarding the bill which has resulted in several interviews across print, digital, radio and broadcast media. Highlights of that coverage include:

Colorado Public Radio: [Colorado To Consider One More Post-Death Option: Human Body Composting](#)

CBS4 Denver: [Green Burial: Bill Would Legalize Turning Human Remains Into Soil In Colorado](#)

The Denver Channel: [Colorado lawmakers introduce bill to allow 'green death' option in Colorado](#)

California: [Assembly Bill 2592](#) On February 21, 2020, California Assemblymember Cristina Garcia (D-Bell Gardens) introduced “AB-2592: Reduction of human remains and the disposition of reduced human remains.” The bill was inspired by Washington’s SB5001 and is strongly modeled on the language adopted in Washington. AM Garcia chose to introduce this bill primarily because of the environmental benefits of adding natural organic reduction to death care options in California.

AM Garcia partnered with Recompose to officially announce AB-2592 on February 25, 2020. The bill is pending its first committee hearing, which is tentatively scheduled for March 22, 2020. The last bill has until August 31, 2020 to pass both houses.

As part of our partnership with AM Garcia's staff, Recompose led media outreach around the announcement. Coverage included:

The Los Angeles Times: [Compost your departed loved one and save the planet, L.A. lawmaker says](#)

Sacramento Bee: [Back to the earth: Human composting could become legal in California](#)

Orange County Register: [Human remains could be composted if state bill wins approval](#)

CBS LA: [Bell Gardens Lawmaker Introduces Bill To Allow For Composting Of Human Remains](#)

Courthouse News: [California Lawmaker Pushes Bill to Allow Human Composting](#)

Independent: [California Bill Aims to Legalise Human Composting as Climate-Friendly Option](#)

Politico Pro California: [California's latest idea to cut emissions? Composting human remains](#)

Vermont [H.773](#): An act relating to authorizing the natural organic reduction of human remains

Sponsors: Representative William Lippert (D-Chittenden) and Representative Carolyn Partridge (D-Windham)

Status: Currently being considered by Committee on General, Housing, and Military Affairs

Hawaii [HB1602](#): Relating to Human Remains

Sponsors: Representative Roy Takumi (D-Pearl City) and Representative Linda Ichiyama (D-Moanalua, Salt Lake, and Aliamau)

Status: Set to be heard in the Committee on Consumer Protection & Commerce

The Recompose policy team is monitoring the progress of the Vermont and Hawaii bills, and plans to lend press support and activate our newsletter list community for grassroots efforts when it makes sense.

Looking Ahead: In future legislative sessions, Recompose's policy efforts will likely follow a similar model. States we are considering for public affairs efforts in future sessions include New York and Florida, which present a strong business opportunity for Recompose. We also anticipate expansion of NOR through legislative efforts that Recompose is not directly involved in, like the current bills in Vermont and Hawaii. The policy team is considering how best to empower those efforts with educational material, data, and press templates that can be adapted to additional states as interest and momentum continues to grow.

Marketing and Communications

Anna Swenson was hired in October 2019 as Communications Manager and has done an incredible job in her first five months. Anna responds to the many queries from all over the world, manages press requests, releases, and conferences, and has also been managing the policy/legalization efforts in conjunction with our public affairs consultant Vicki Christophersen.

Recompose continues to inspire a strong and growing community of active, engaged supporters. Though we remain a pre-product company, our marketing data shows that our audience continues to be a proactive, enthusiastic group with organic sign-up rates well ahead of businesses already in operation. Event attendees and members of the media also continue to be vocally curious about the company. The strong growth of each of these audiences suggests our potential customers are as eager as we are for Recompose to open for business.

Below is a summary of the success of Recompose's efforts in online audience growth, media wins, and event engagement through January 2020.

Online Audience Growth: Recompose's email newsletter is our most valuable marketing resource both in reaching our audience and in learning about who they are. We've seen a steady increase in the number of people signing up for the list as well as the rate at which those people engage with the newsletters we send:

- **Year over year growth:** From January 2019 to January 2020, Recompose added over 9,000 names to its email subscriber list. From 2019 to 2020 the list grew by 245%, well above the email-marketing industry average of 40% yearly email list growth.

Month	Audience size
January 2019	6,216 subscribers
January 2020	15,411 subscribers

- **Monthly growth:** Recompose's email list grew by an average of 19% per month, ahead of an average of 3% per month for other businesses. The highest growth came between April 2019 and May 2019, when the email list grew by 30% following the passage of SB5001.

- **Engagement rate:** For most companies, an email open rate of 24% is strong. Recompose's audience opens emails 43% of the time.
- **Conversion rate:** The top 10% best-performing websites have a conversion rate of 6%, meaning 6% of visitors to their websites sign up for their email list. In December 2019, Recompose achieved a conversion rate of 7%.
- **Customer segmentation:** In November 2019, Recompose implemented a segmented customer list to collect more robust data about our audience. Of the people who have signed up with the new form, 2,263 contacts said they were interested in Recompose for themselves, the highest number of any category. This feedback suggests consumers are already preparing to purchase Recompose services.
- **Organic search rate:** Most businesses spend extensive time, energy, and budget to grow their email marketing lists. For Recompose, a full 93% of email newsletter subscribers joined our list themselves via unpaid organic search, with no manual effort from Recompose. The remaining 7% came through manual entry from events and in-person conversations. This impressive organic sign-up rate suggests this audience will increase exponentially when we are ready to open prearrangement payments and devote more resources to expansion efforts.

Media Wins: Recompose continues to enjoy strong media interest. Journalists are especially valuable for explaining the Recompose process and validating our work for new, potentially skeptical audiences. Recent press highlights include:

- **November news:** On November 13, Recompose announced the leasing of our future Seattle location and the selection of architecture partners Olson Kundig. The story was covered by over 80 news outlets worldwide, including in an exclusive feature in [The Seattle Times](#). The combined reach of all articles covering this news topped 48 million unique monthly visitors.
- **Local engagement:** Recompose's strategic local press continues to reach significant portions of our potential Seattle-area audience:
 - On December 20, Katrina was featured on local NPR affiliate [KUOW](#) in another interview with host Bill Radke. KUOW shared the story with their 413,600 weekly listeners; 28,000 newsletter subscribers; and over 50,000 social followers.

- KIRO7 News aired a broadcast news feature on Recompose's upcoming Seattle location. The story was played on the 5pm and 11pm news programs on January 2 and shared with KIRO's 200,000+ social followers.

Event Engagement: In addition to growing the audience of our online and press efforts, Recompose also engaged directly with nearly 400 potential customers, hospice professionals, funeral industry professionals, and general supporters over the last four months.

Events hosted by Recompose continue to be a valuable tool as well. On November 13, 2019, over 80 supporters gathered at the future site of Recompose|Seattle to celebrate the passage of SB5001 and the selection of architecture partner Olson Kundig. We originally expected 30 people and were overwhelmed by the enthusiasm of our attendee list, which included Washington State representatives, journalists, licensing professionals, and members of Governor Inslee's staff.

Looking Ahead: Over the next six months, Recompose's marketing priorities include:

- **Creating a robust visual brand:** Recompose is currently focused on creating a logo and new website that educates and excites both new and existing audiences.
- **Leveraging technology:** Building on the data above, Recompose will implement CRM and marketing automation tools in the next six months. This will provide much richer data on our customers and allow us to scale much more quickly when we are ready to offer prearrangements (also known as pre-needs).
- **Engaging in-person audiences:** Event outreach continues to be a strong focus for 2020, with 10 additional speaking opportunities already booked with individuals as well as professionals in the legal, hospice, healthcare and funeral industries.

Patents and Intellectual Property

Recompose currently has two patent assets. Both are still pending. The second patent application, which is more critical to Recompose's operations, has been filed in Europe, Australia, and Canada as well as in the U.S. Our patent attorney believes the outlook is very positive in terms of its status.

Our patents are the result of several years of R&D, engineering, and design. Some of the elements covered by the patents include the hexagonal framing system which allows for vertical stacking of units, the front-loading door which allows for family

participation, and the aeration system. Recompose continues to develop our vessel system and ancillary systems, and we expect to file a third patent in the coming months. This will be part of the continual development of the Recompose “patent estate.”

Besides this intellectual protection, Recompose’s IP strategy focuses on collaboration (licensing to others) and reputation (building a loved and enduring brand).

Mission

From our hiring practices to our community fund to our environmental footprint, Recompose continues to be dedicated to our mission of creating a meaningful, regenerative death care option. We are continually striving to weave our values into the Company fabric. And you, our investors, continue to be an integral part of this process.

We are currently refining the Life Cycle Assessment produced in 2015 with the new data we have for our recipe and the vessel system’s energy needs. The working number for carbon savings is currently 1.4 metric tons per person, which comes from an avoidance of carbon emissions and a sequestration of carbon during the recomposition process.

Our Community Fund, which will support families for whom the cost of Recompose services is a burden, is small but growing. Currently, all speaker’s fees earned by Katrina Spade and Anna Swenson are being placed in the Fund. We plan to publically announce the Community Fund in the next few months and will then accept contributions from the broader public.

Financial Reports

Balance Sheet

As of December 31, 2019

	<u>Total</u>
ASSETS	
Current Assets	
Bank Accounts	
Checking FIRST SECURITY #0710	0.00
Columbia Checking #0710	77,696.76
Columbia Savings #0728	1,417,082.14
Total Bank Accounts	<u>\$ 1,494,778.90</u>
Other Current Assets	

Payroll Corrections	0.00
Prepaid Rent	65,159.00
Uncategorized Asset	0.00
Total Other Current Assets	\$ 65,159.00
Total Current Assets	\$ 1,559,937.90
Other Assets	
Leasehold Improvements	194,999.53
Patent #1 62/133,984	3,600.00
Patent #2	17,844.73
Product R&D	132,346.47
Security Deposit	221,740.00
Total Other Assets	\$ 570,530.73
TOTAL ASSETS	\$ 2,130,468.63
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	77,219.65
Total Accounts Payable	\$ 77,219.65
Credit Cards	
0% Alaska Air CC - 9178	0.00
AA Credit Card #9381 BofA - KMS	-5,289.59
AA Credit Card *1483 Anna Swenson	999.12
StartUp Costs Paid by Katrina Spade	3,478.72
Total Credit Cards	-\$ 811.75
Other Current Liabilities	
Direct Deposit Payable	0.00
Payroll Liabilities	1,938.40
Federal Taxes (941/944)	0.00
Federal Unemployment (940)	420.00
WA Paid Family and Medical Leave Tax	0.00
WA SUI Employer	0.00
WA Workers Compensation	0.00
Total Payroll Liabilities	\$ 2,358.40
Total Other Current Liabilities	\$ 2,358.40
Total Current Liabilities	\$ 78,766.30
Total Liabilities	\$ 78,766.30
Equity	
Opening Balance Equity	0.00
Preferred Stock	2,882,422.00
Retained Earnings	-379,802.69
Net Income	-450,916.98
Total Equity	\$ 2,051,702.33

TOTAL LIABILITIES AND EQUITY

\$ 2,130,468.63

Profit and Loss

January - December 2019

	<u>Total</u>
Income	
Contribution to Community Fund	1,000.00
Interest Income	2,513.73
Total Income	\$ 3,513.73
Gross Profit	\$ 3,513.73
Expenses	
Conference Fees	2,994.45
Donations	713.50
Equipment Rental	63.17
Hospitality	3,222.01
Human Resources	3,100.78
Insurance	
D&O Insurance	10,000.00
Insurance	333.90
Property Insurance	21,341.21
Total Insurance	\$ 31,675.11
Lease of Buildings	13,860.00
Office/General Administrative Expenses	
Bank Service Charges	521.31
Cell Phone	1,284.71
Office Rent	832.50
Office Supplies	316.06
Printing/Postage	1,249.10
Software and Technology	7,053.52
Total Office/General Administrative Expenses	\$ 11,257.20
Outreach + Marketing	13,060.77
Payroll Expenses	
Employee Benefits (wellness, health insurance, commuter)	1,846.10
Health Insurance	4,500.00
Taxes	5,985.51
Wages	69,438.43
Total Payroll Expenses	\$ 81,770.04
Permits and Fees	562.50
Professional Services	
Accounting Services	8,312.00

Communications Consultants	843.75
Design Fees	27.00
Engineering	-147.00
Legal	99,546.01
Lobbying	37,050.00
Product Engineering	0.00
Project Management	114,083.03
Total Professional Services	\$ 259,714.79
Research Materials	21,628.09
Taxes and Fees	783.00
Travel Expense	
Lodging	4,033.96
Meals	1,373.91
Transportation	3,833.55
Total Travel Expense	\$ 9,241.42
Uncategorized Expense	-0.01
Utilities	
Electric	315.79
Garbage and Recycling	468.10
Total Utilities	\$ 783.89
Total Expenses	\$ 454,430.71
Net Operating Income	-\$ 450,916.98
Net Income	-\$ 450,916.98

A Note about the Coronavirus (March 7, 2020)

Dear Recompose Investor,

Here in Seattle, we are getting very good at washing our hands. Recompose staff and consultants are meeting remotely when possible. We are being extra conscious as we visit with communities that may be more vulnerable to the Coronavirus. Overall, there is a feeling that we are taking care of each other.

The outbreak is a bittersweet reminder that life is short and precious. That we are definitely mortal. It's also a reminder that death care is part of life through good times and bad. Death care doesn't depend on the economy or the stock market. This work is needed...if not now more than ever, then at least now as much as ever.

As always, please let us know if you have any questions about our work or about investing in our work. Thank you very much for your ongoing support of Recompose.

All the best,
Katrina

A Letter to Our Investors (March 27, 2020)

Dear Recompose Investors,

As we navigate our way through the uncertainty and complexity of the COVID-19 pandemic and its ramifications, I want to share with you how Recompose is faring and what we're thinking.

I doubt you will be surprised that we haven't met our \$6.75 million fundraising goal—but we got so close! By the end of February, we had received \$3.6 million. We had firm commitments for an additional \$1.4 million. In addition, two investor groups had indicated interest of between \$.5 and \$1 million each, and we continued to receive interest from a diverse group of people from around the world. I felt confident we would close by the end of March. But it was not to be.

This month we've received notices from several investors who are no longer able to meet their commitments, and we don't expect the two interested groups to invest as much as they had initially indicated.

This is disappointing, although certainly not surprising given the state of the world. We are committed to making Recompose a reality in the near future, and we want you to know that we are actively working through various scenarios.

As soon as we have specific plans, we will be in touch with you.

In the meantime, we wish you peace and good health.

All the best,
Katrina and the Recompose Team

Memo for Prospective Investors (April 17, 2020)

Dear Prospective Recompose Investors,

As we continue to experience and navigate the coronavirus and its many current, expected, and yet-unknown ramifications, I want to give you an update on Recompose and where we are as of today.

I'll start with the hard parts:

- We have deposited or received commitments for \$5.5M of the total \$6.75M total raise. However, only \$3.8M of that has been deposited - the rest is a verbal commitment. Prior to the pandemic, I had no doubts that those committed funds would come in. But since the pandemic and its adjacent stock market tumble, we have seen a few interested investors pull out, and fundraising in general has slowed immensely. I am no longer certain we will finish the full \$6.75M raise in the near future.
- Over the past month, the fact that the build-out will cost quite a bit more than initially forecasted has come sharply into focus. This is partially my fault - I didn't fully comprehend the cost for HVAC and structural improvements we'd need to make. In addition, the one-time engineering costs for our vessel system have been higher than estimated. We are still collecting information (and making as many deep cuts to the design as we can), but I believe we would need to find an additional \$3M in order to get the Seattle facility up and running.

It's been an interesting time, to say the least. If we had encountered either one or the other of the above, I would have had no doubts. Both at the same time have led to some serious conversations with the Recompose team, and I'm pleased to say that there's been a wave of creativity and problem solving that has energized us all.

What we know is that Recompose is needed more than ever, and we are determined to start operating as soon as possible in today's ever-changing world.

For now, we believe that the smartest thing to do is to pause on the big Seattle facility build out and shift to a nimbler plan of action that doesn't require a large capital outlay.

While there are many questions and many details to figure out, we believe we have a solution that will have us moving forward with confidence and intelligence. In a nutshell, we are going to open a smaller version of an operating facility so that we can offer the service of recomposition very soon. This is possible thanks to a slightly surprising collaboration.

Last year, when we legalized "natural organic reduction," the same bill legalized a process called "alkaline hydrolysis" (marketed as "water cremation," it uses far less energy than flame cremation). A local crematory operator was very grateful that we had legalized that process because he'd been trying to do so for years. He wrote me to say that, if we ever wanted to install and operate some Recompose vessels in his facility, we would be welcome to do so. I reached out to Steve last week to ask if this was still a possibility. He is happy to provide us with 4000 square feet of space in his warehouse, which has the infrastructure to care for the deceased and is already licensed as a funeral establishment.

We are calling this project "the Greenhouse" because it will be a way for us to start Recompose and learn a lot in the process. As well, the Greenhouse will be located in Kent, WA, which is in Seattle's backyard.

While there is much to work out, including how many vessels we can locate there and what kind of experience we will be able to offer families, we are excited that we can move forward in a responsible way during these uncertain times. We are aiming to open this Fall, which is several months earlier than we had hoped to open Recompose|Seattle.

Besides this new plan, we have lots of good news and progress to report:

- We've engineered our vessel system to be able to fit more vessels than projected in whatever space we choose to locate them.
- The speed of policy change has exceeded expectations: Colorado's bill should pass this session (when the legislature resumes its session); California has a bill slated for this year; and Hawaii, New York, and Vermont also have bills. The momentum is real.
- We will be starting "Precompose" this summer, pre-selling our service to people all over the world. We will be able to show broad interest and secure future customers this way (however, we can't spend the revenue until the death occurs, so it doesn't directly affect our cash flow).
- A plan for Facility #2 is already in the works for Southern Washington (to serve the Portland, OR market), with funding through a loan from the landlord. This means very little initial cash outlay for Recompose and a second owned and operated facility years before schedule.

That's the update. I feel very good about the above, and I believe that the long-term future is bright. I want to thank you for your ongoing support of this work and your interest in Recompose.

All the best,
Katrina and the Recompose Team