

**RECOMPOSE, PBC**

**MEMORANDUM OF TERMS**

*Except with respect to the provision entitled “**Confidentiality**,” which is intended to be, and is, a legally binding agreement between the parties hereto, this Memorandum of Terms represents only the current thinking of the parties with respect to certain of the major issues relating to the proposed private offering and does not constitute a legally binding agreement. This Memorandum of Terms does not constitute an offer to sell or a solicitation of an offer to buy securities in any state where the offer or sale is not permitted.*

**THE OFFERING**

<b><i>Issuer:</i></b>	Recompose, PBC, a Delaware public benefit corporation (the “ <b>Company</b> ”)
<b><i>Securities:</i></b>	Series A-2 Preferred Stock (the “ <b>Preferred</b> ”) of the Company
<b><i>Valuation of the Company:</i></b>	\$12,530,206 on a pre-money and fully-diluted basis
<b><i>Amount of the offering:</i></b>	Up to \$6,750,000
<b><i>Investor:</i></b>	Accredited investors acceptable to the Company (the “ <b>Investors</b> ”)
<b><i>Closing:</i></b>	Shares of the Preferred to be sold on a rolling basis until all Preferred are sold or at the discretion of the Company
<b><i>Use of funds:</i></b>	Proceeds from the offering will be used for capital expenditures and working capital related to the opening of Recompose SEATTLE and to finance the Company’s future growth and expansion.

**TERMS OF THE PREFERRED**

<b><i>Liquidation preference:</i></b>	<p><b><i>Amount:</i></b> Original purchase price plus accrued and unpaid dividends</p> <p><b><i>Priority:</i></b> Senior to common stock and pari passu with the Company’s Series A-1 Preferred Stock</p> <p><b><i>Deemed liquidation:</i></b> A sale of all or substantially all of the Company’s assets or a merger or consolidation of the Company with any other company will be treated as a liquidation of the Company.</p>
<b><i>Dividend rights:</i></b>	Holder of the Preferred will be entitled to receive annual cumulative dividends of 6% (the “ <b>Preferred Dividend Rate</b> ”), 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 Preferred will be pari passu with

the annual cumulative dividend of 6% (or \$0.06) payable on the Series A-1 Preferred Stock of the Company.

***Conversion:***

The Preferred may be converted at any time, at the option of the holder thereof, into shares of the Company's common stock. The conversion rate will initially be 1:1, subject to anti-dilution and other customary adjustments.

***Automatic conversion:***

Each share of Preferred will automatically convert into common stock, at the then applicable conversion rate, upon (i) the closing of a firmly underwritten public offering of 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 of Preferred.

***Anti-dilution:***

*Adjustments.* Subject to customary exceptions, the conversion price of the Preferred will be subject to adjustment, on a broad-based weighted average basis, if the Company issues additional equity securities at a price per share less than the then applicable conversion price.

***General voting rights:***

Each share of Preferred will have the right to a number of votes equal to the number of shares of common stock issuable upon conversion of each such share of Preferred. The Preferred will vote with the common stock on all matters except as specifically provided in the certificate of incorporation or as otherwise required by law.

***Protective provisions:***

So long as 50% of the shares of Preferred initially issued remain outstanding, consent of the holders of a majority of the issued and outstanding Preferred will be required for any action that: (i) alters any provision of the certificate of incorporation or the bylaws if it would adversely alter the rights, preferences, privileges or powers of or restrictions on the Preferred; (ii) increases or decreases the authorized number of shares of Preferred; 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 Preferred.

## INVESTOR RIGHTS

***Right to maintain proportionate ownership:***

Each holder of then outstanding shares of Preferred will have a right to purchase its *pro rata* share of any offering of new securities by the Company, subject to customary exceptions. The *pro rata* share will be based on the ratio of (x) the number of shares of Preferred held by such holder (on an as-converted basis) to (y) the Company's fully-diluted capitalization (on an as-converted and as-exercised basis). The holders exercising this right will be required to purchase all of the new securities to be offered. This right will terminate immediately prior to the Company's initial public offering.

***Right of first refusal:***

In the event founders of the Company propose to transfer any of their shares of common stock, the Company and the Investors (on a *pro rata* basis) will have a right of first refusal to purchase the shares on the same terms as the proposed transfer. The rights of first refusal will be subject to customary exceptions and will terminate on an initial public offering of the Company.

***Co-sale agreement:***

To the extent the rights of first refusal are not exercised, in the event founders of the Company propose to transfer shares of their common stock, the Investors will have the right to participate in the proposed transfer on a *pro rata* basis (as among the transferee and the holders of the Preferred). The co-sale rights will be subject to customary exceptions and will terminate on an initial public offering of the Company.

***Information rights:***

The Company will deliver to each Investor: (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 Investors will be entitled to inspection rights. The information rights will terminate upon an initial public offering of the Company.

***Board Composition:***

The holders of the Preferred will agree to vote the Preferred 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.

**OTHER MATTERS**

***Purchase agreement:***

The investment will be made pursuant to a preferred stock purchase agreement, which will contain, among other things, appropriate representations and warranties of the Company and the Investors and appropriate conditions of closing.

***Confidentiality:***

Until the initial closing of the financing contemplated by this Memorandum of Terms, the existence and terms of this Memorandum of Terms and the fact that negotiations may be ongoing with the Investors shall not be disclosed to any third party without the consent of the Company and the lead Investor(s), except as may be (i) reasonably required to consummate the transactions contemplated hereby (provided that any persons receiving the information agree to the confidentiality restrictions contained herein or are otherwise subject to confidentiality obligations) or (ii) required by law.

*(signature page follows)*

This Memorandum of Terms may be executed in counterparts, which together will constitute one document. Facsimile signatures shall have the same legal effect as original signatures. The legally binding portions of this Memorandum of Terms will be governed by Washington law, without regard to conflicts-of-law principles.

**RECOMPOSE, PBC**

**INVESTOR**

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*Signature*

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*Signature*

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