

This Summary 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. The final Summary of Terms appearing in the Company's Private Placement Memorandum and as described in the Company's 3<sup>rd</sup> Amended & Restated Operating Agreement shall take precedence.

## The Offering

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| <b>Issuer</b>               | Mosaic Distributors, LLC ("Mosaic" or the "Company"), a California limited liability company.   |
| <b>Securities Offered</b>   | Series B Participating Preferred Interests in Mosaic Distributors, LLC (the "Preferred Interests") representing an equity ownership interest in the Company; the Preferred Interests will entitle investors to the rights and benefits described in this Summary of Terms and the Company's 3 <sup>rd</sup> Amended & Restated Operating Agreement, including a 6.0% compounding annual return on investment (the "Preferred Return") and a full return of all invested capital (the "Investment Principal") before automatically converting to common membership interests of the Company and participating pro-rata with other common shareholders in future Company distributions. |
| <b>Offering Amount</b>      | Up to \$2,000,000 of Preferred Interests will be issued on a continuous basis.  |
| <b>Minimum Subscription</b> | The minimum subscription amount is \$5,000, subject to exception by the Company.  |
| <b>Valuation</b>            | The effective pre-money valuation for this offering is \$15,000,000. The implied post-money valuation is \$17,000,000, with the Series B ownership representing 11.8% of the Company on a fully diluted basis.  |
| <b>Use of Proceeds</b>      | The proceeds from this Offering will be used to fund the Company's "demand generation" growth strategy, to pay outstanding payables, to fund working capital requirements, and to pay offering expenses.  |
| <b>Investors</b>            | Investors qualified as an "Accredited Investor" as defined within Regulation D as promulgated by the U.S. Securities Exchange Commission.   |
| <b>Investment Objective</b> | To generate capital gains for Investors.  |

## Terms of the Security

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| <b>Seniority/Existing Investors</b>                        | The Company currently has 5,908,758 shares of Series A Participating Preferred Membership Interests (the "Series A") representing \$5,025,953 of investment. The Series B Preferred Interests will be <i>pari passu</i> with the Series A for all distributions made to investors.   |
| <b>Preferred Return on Investment</b>                      | The Preferred Interests will entitle Investors to a 6.0% compounding annual return on investment on any outstanding invested capital (the "Preferred Return") from quarterly distributions made by the Company. These returns cannot be guaranteed.  |
| <b>Preferred Return of Capital</b>                         | Investors in the Preferred Interests will receive a return of all of their invested capital (the "Investment Principal") before distributions are made to holders of Common Interests. This repayment of Investment Principal will be made pro-rata to all investors having any Investment Principal which remains outstanding from this Preferred Interests offering. These returns cannot be guaranteed.   |
| <b>Distributions to Preferred Interest Investors</b>       | When the Company management has determined that funds are available for distribution to Preferred Interest investors, distributions will be apportioned as set forth below. The Company does not guarantee that funds will be available for these distributions. <ol style="list-style-type: none"> <li>First, to all Series A and B Preferred Interest investors, pro-rata, to pay any accrued, unpaid Preferred Return;</li> <li>Second, to all Series A and B Preferred Interest investors, pro-rata, to reduce the balance of any outstanding Investment Principal, until such balance is reduced to zero;</li> <li>Third, pro-rata to all common shareholders, including Series A and B Preferred Interest investors in amounts equal to their common membership interests on an "as converted" basis.</li> </ol> |
| <b>Mandatory Tax Distributions</b>                         | Distribution will be made to all Members (both investors and other common shareholders) on a quarterly basis, to the extent cash is available, to provide Members with sufficient funds to pay their federal income tax liability where proportionate cash distributions have not been otherwise made, assuming that all Members are taxed at the maximum federal and state income tax rates applicable to individuals (see the Company's 3 <sup>rd</sup> Amended & Restated Operating Agreement for details).   |
| <b>Automatic Conversion to Common Membership Interests</b> | The Preferred Interests will automatically convert to common membership interests in the Company once the Investors have received distributions sufficient to return all of their accrued, outstanding Preferred Return and their Investment Principal.  |
| <b>Optional Redemption</b>                                 | The Preferred Interest will have an indefinite life. However, on December 31, 2024 Investors will be able to demand the redemption of their Preferred Interest at a price equal to the Investor's unpaid Preferred Return plus the Investor's unreturned Investment Principal.   |
| <b>Withdrawal and Transfer of Preferred Interests</b>      | No Preferred Interest investor may withdraw as an investor or sell, assign or transfer its Interests, except for certain transfers to affiliated parties. The Preferred Interests are also subject to resale restrictions under applicable securities laws.  |

## Investor Rights

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| <b>Approval Rights/Negative Covenants</b> | So long as Preferred Interests are outstanding, the Company will obtain the consent of a majority of the Preferred Interest Investors (as measured by pro-rata dollar amount of the Preferred Interests) for any merger or sale of all or part of the Company at a price resulting in a return to the Investor Members of less than two times their Investment Principal, inclusive of all Preferred Returns received by the Preferred Interest Investors. The Company will also grant Preferred Interest Investors other approval rights/negative covenants customary in transactions of this type. |
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| <b><i>Voting Rights</i></b>        | Members owning Preferred Interests will have pro-rata voting rights with the owners of common membership interests on an “as if converted” basis.   |
| <b><i>Information Rights</i></b>   | Standard financial reporting, including monthly, year-to-date and annual income, balance sheet and cash flow statements as compared to the current budget and compared to results for the comparable period for the prior year. Annual financial review to be performed within 120 days of year-end by the Company’s outside accounting firm. The coming year’s annual budget will be provided to each Investor prior to each fiscal year-end. Financial statements will be provided so long as the Investors own Preferred Interests in the Company.   |
| <b><i>Preemptive Rights</i></b>    | Holders of the Preferred Interests (based upon each such Investor’s pro rata ownership of common Interests on an “as if converted basis”) shall have preemptive rights, until such time as a sale or merger of the Company occurs, subject to customary exclusions, including without limitation, for (i) issuances of management/employee incentive equity, (ii) equity securities issued in connection with a stock split of stock dividend of the company to holders on a pro rata basis, (iii) equity securities issuable upon exercise of any options or other capital stock equivalents, (iv) equity securities issued in connection with bona fide third party financing transactions and (v) equity securities issues in connection with acquisitions and other strategic transactions. |
| <b><i>Co-Sale / Tag-Along</i></b>  | Should any investor or common shareholder owning five percent or more of the Company’s equity make a private sale of its membership interests (to someone other than another employee, officer or director, or then current shareholder or a transfer pursuant to estate planning), then the Investors would be entitled to participate, pro-rata, in the sale of such Interests (i.e., a Tag-Along Right).   |
| <b><i>Drag-Along Rights</i></b>    | If a shareholder or group of shareholders owning more than seventy five percent of the Company’s common membership interests (on an “as if converted basis”) decides to (i) sell his or her membership interests to an unrelated third party, (ii) sell or license all of substantially all of the Company’s assets to an unrelated third party or (iii) consummate a similar “sale of the company” transaction, then he or she shall have the right (i.e., a Drag-Along Right) to require the remaining Investors and common shareholders to sell their Interests at the same price and on the same terms as offered for their membership interests.   |
| <b><i>Anti-Dilution Rights</i></b> | Standard weighted average anti-dilution protection against additional equity being issued or options granted at a value lower than that implied at the time of the closing of this offering. Options or warrants approved by the Board of Directors for issuance to Management and Key Employees shall not trigger anti-dilution adjustment.  |
| <b><i>Board of Directors</i></b>   | The Board of Directors shall initially consist of five members (the “Directors” or “Managers”). Holders of the Preferred Interests shall be entitled to designate two voting Directors. The Board will elect an Audit Committee that will have three members including a representative of the holders of the Preferred Interests. The Board shall appoint and maintain a Compensation Committee that will have three members (one of whom shall be approved by a majority of the holders of the Preferred Interests). Compensation issues will be approved unanimously by the Compensation Committee. The Company shall pay for or reimburse reasonable out-of-pocket expenses for all Directors.  |

## **Other Matters**

### ***Management Performance Options***

Management is granted options based upon realized return performance of the Investors as follows:

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| 2.0x total return on investment            | 2.5% of the Company’s capitalization |
| 3.0x total return on investment            | 5.0% of the Company’s capitalization |
| 4.0x or greater total return on investment | 7.5% of the Company’s capitalization |

### ***Fees & Expenses***

\$120,000 of the Offering issuance has been allocated to pay a placement fee to Carolina Financial Securities, LLC (CFS) equal to 6.0% of new equity funds raised from investors. Additionally, CFS will receive warrants to purchase common equity of the Company equal to 6.0% of the membership interests purchased by the Series B Preferred Interests investors, for a purchase price of \$100 and with an exercise price equal to 1/3 of the price per unit of the Preferred Interests. CFS may share up to 50% of its fees and warrants with Carofin, LLC, an affiliated Broker-Dealer, for its assistance in the placement of the Offering.

### ***Offering Period***

The offering will remain open until the earlier of the funding of the full amount of the offering or March 31, 2020. The Company may choose to extend this offering at its sole discretion.