

# SECURITIES AND EXCHANGE COMMISSION

## FORM 1-K

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### FILER

#### **TerraCycle US Inc.**

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

**FORM 1-K**

PURSUANT TO REGULATION A OF THE SECURITIES ACT OF 1933

For the fiscal year ended December 31, 2021

**TerraCycle US Inc.**

(Exact name of issuer as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

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**82-2479091**

(IRS Employer  
Identification No.)

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**121 New York Avenue  
Trenton, NJ**

(Address of principal executive offices)

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**08638**

(Zip code)

**(609) 656-5100**

(Registrant's telephone number, including area code)

**Class A Preferred Stock**

(Title of each class of securities issued pursuant to Regulation A)

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*In this Annual Report, the term "TerraCycle," "we," or "the company" refers to TerraCycle US Inc. and its consolidated subsidiaries. The term "TCI," "parent," or "parent company" refers to our parent company, TerraCycle, Inc.*

This report may contain forward-looking statements and information relating to, among other things, the company, its business plan and strategy, and its industry. These forward-looking statements are based on the beliefs of, assumptions made by, and information currently available to the company's management. When used in this report, the words "estimate," "project," "believe," "anticipate," "intend," "expect" and similar expressions are intended to identify forward-looking statements, which constitute forward looking statements. These statements reflect management's current views with respect to future events and are subject to risks and uncertainties that could cause the company's actual results to differ materially from those contained in the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The Company does not undertake any obligation to revise or update these forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events.

**Item 1. BUSINESS**

**TerraCycle's Business**

**Overview:** Operating in 20 countries, our parent company is a world leader in the collection and recycling of waste streams that are traditionally considered not recycled. We were formed in August 2017, and, our wholly owned subsidiary, TerraCycle US, LLC, has been operating in the United States since January 1, 2014. At that time, our now wholly owned subsidiary assumed all income and

expenses associated with our parent company's US operations. We conduct our business exclusively through our operating subsidiary, which generated revenues in each fiscal year since its inception.

Our company's mission is to eliminate waste in the context of a profitable business. To do this we first focus on hard-to-recycle waste streams, and typically set up national collection platforms for them. This platform is typically funded by consumer product companies, retailers, cities, manufacturing facilities, distribution centers, small businesses and individuals. The collected waste is principally recycled and sold to manufacturers that make new products and materials. Where possible, we and our parent focus on how to integrate hard-to-recycle materials into specific products.

Over the past nearly two decades of operation, our parent company and we have focused on this neglected area of recycling, which has been profitable for both companies now for several years. The reason why most waste streams are not recycled—and are instead sent to landfill or are incinerated—is because the cost to collect and process them far outweighs the value generated from the recovered material. In order to achieve our mission, we have created an array of new business models that generate value well beyond the material value of the waste that is collected, allowing us to recycle everything from cigarette butts to chip bags and candy wrappers.

**Positioning:** Through a range of services (largely deploying third-party supply chains), we engage consumer product brands, manufacturing and distribution facilities, cities, retailers, small business and consumers across 48 states. Our platforms include services that are free to consumers (typically funded by consumer product companies and retailers) where individuals and locations (such as schools, community centers, religious institutions, civic organizations, etc.) can voluntarily collect and recycle products and packaging that would otherwise likely end up in landfills and oceans or waterways, or be incinerated. For small businesses and individuals, we offer low cost, turnkey recycling platforms for hundreds of hard-to-recycle waste streams from plastic packaging, disposable gloves and masks, and candy and snack wrappers; these Zero Waste Boxes are paid for by a distributor or end-user. For cities, we offer a variety of platforms and citywide programs for hard-to-recycle waste streams like cigarette butts, disposable razors, and health and nutrition packaging. By becoming a public recycling location, cities are supplied collection bins to facilitate community recycling. For laboratories, distribution centers and manufacturing facilities, we deploy large scale recycling platforms for everything from packaging write-offs to personal protective equipment.

With many of these platforms, we provide our partners a range of agency services, including traditional media/PR, social media, and communications and marketing services. We are aware of no other company that provides marketing and a range of agency services that also collects and recycles waste, or that has a Research and Development (R&D) department to analyze and innovate with diverse waste streams for recycling. To our knowledge, we are part of one of the few multinational companies operating in 20 countries that exclusively provides green/sustainability services.

**Economic underpinnings of recycling:** The key to understanding TerraCycle begins with the economics of recycling. Almost all products and packages can be technically recycled (with some level of R&D and/or design investment), but practically most are not and instead are sent to landfill or incineration. Currently—with some local exceptions—only four types of waste are commonly recycled: clear glass, uncoated paper, certain rigid plastics and certain metals. The main driver is whether it's cheaper to produce new products and packaging from virgin materials or recycled materials. In the case of making new glass, paper and other generally recycled items, it's less expensive to use recycled materials than virgin materials. That is, it's cheaper to collect, sort and recycle those waste streams than it is to extract and manufacture virgin materials. Most other kinds of waste, such as pens, toothbrushes, candy wrappers, cigarette butts and coffee cartridges are rarely recycled, largely because collecting, sorting and recycling is more expensive than manufacturing replacement products from virgin materials. As a result, these wastes are principally sent to landfill or incineration. To recycle "generally non-recycled" waste streams, TerraCycle works with its clients (consumer product brands, retailers, distribution and manufacturing facilities, cities, small business and individuals) to generate value beyond the material value of the waste. This incremental value ranges from communication and shopper marketing platforms for consumer product companies, to incremental foot traffic for retailers, to cleaner streets for cities, to charitable donations. Many of these clients have told us (as they renew those programs), that they have experienced increased customer loyalty, higher revenue and/or greater market share that they attribute to their TerraCycle programs.

**By engaging the wide range of market participants, and increasing scope of value beyond just material value, we reverse engineer a system where waste is wasted, to one where waste is reutilized, emulating nature's circular systems:** We turn a vicious cycle of waste into a more virtuous one, reducing the amounts of products and packaging that are dumped in landfills and oceans, or are incinerated, and thus reduce the amount of new materials that need to be extracted from the Earth to produce virgin materials for replacement products.

**Our lens:** We believe that most people and waste management companies perceive waste as a liability, something to put out of sight and out of mind. At TerraCycle, we celebrate waste and continually look to innovate around how to solve for it by making it exciting, which we can do through our vision that such waste has positive not negative value. Through our programs, we've developed unprecedented markets for waste streams (such as contact lenses) that previously only had negative value.

**Our participants:** We engage collectors, who come from all backgrounds. Our programs are successful in red and blue states, and we engage people in collecting where they live, where they go to school, where they work and where they gather for community and service.

**Innovation is at our core:** We have created recycling solutions for many waste streams that were previously considered insolvable, from latex and nitrile gloves to coffee capsules, from cosmetic packaging to industrial adhesives packaging, from cigarette butts to lighters and used chewing gum to toothbrushes to toothpaste tubes. We regularly develop new business models to engage diverse participants in recycling solutions as well as continue innovate and improve within our business models.

**We think outside of the box:** We begin with the assumption that everything can be circularly solved (via reuse, upcycling or recycling) and develop systems to bring these solutions to life. Then we come up with business models that justify a stakeholder paying the price by generating value that is important to that stakeholder (*i.e.*, foot traffic for a retailer). We don't own processing facilities as it produces CAPEX risk and lowers nimbleness. Also many processors are willing to either use their existing equipment to process our unique waste streams or install new equipment as needed. To our knowledge, no other company collects the waste streams we do for recycling, nor holds the knowledge of how to recycle these materials. We have spent years developing collection models and recycling solutions for a whole spectrum of common waste streams.

**Significant public exposure:** Our company is in the press almost every day, often several times per day. We have been featured on covers or prominent features of several magazines and other publications, ranging from Chief Executive and Smart CEO to Business Insider, Yahoo! News, Fast Company, as well as section covers of the New York Times and other notable newspapers. TerraCycle is covered in the press every day, averaging over fifty placements daily, which highlight our company and the innovative solutions for waste we develop for the world's largest brands. Recent features include outlets as INC., CNN, ABC News, NPR and many other notable mainstream media outlets. TerraCycle and Founder/CEO Tom Szaky are regularly honored with highly respected awards such as INC. 5000 List, the GOOD Design Best 100, 2021 Time Most Influential Companies, Real Leaders 150 Top Impact Companies and numerous recognitions by Fast Company, including one of Most Innovative Companies of 2021.

**Our business is generating net income and growing; we expect these results to continue:**

"The Circular Economy" is among the key themes discussed among global corporations, governments and leading academics at the World Economic Forum. As TerraCycle's principal focus is developing and implementing circular solutions for products and packaging where there are otherwise only linear options (landfill and incineration), our partnerships with major businesses are recognized as circular economy activities. We are pleased to be an innovator within this timely global movement, and continue to expect to see our engagements with leading companies grow, as we provide a wide range of turnkey solutions that enable companies of any size to participate in the Circular Economy.

**Growth:** We continue to pursue companies to acquire that will allow us to grow our revenue and expand our service offerings. We expect to use the majority of proceeds raised from our Regulation A offering to acquire additional companies and revenue streams.

**Some attributes of our stock:** Subject to the availability of funds lawfully available for distribution to the stockholders under Delaware law, we commit to distribute the remaining balance of at least 50% of our after-tax profits among the Preferred and Common stockholders on a pro rata basis. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the company, the holders of Class A Preferred Stock are entitled to receive \$1.00 per share from the assets of the company available to distribution to its stockholders before any payment are made to the holders of Common Stock (our parent company). In the event of an initial public offering (IPO) or sale of the company, the Preferred Stock would automatically be converted into shares of Common Stock on a one-for-one basis immediately prior to the closing of such IPO.

We operate four principal business divisions that generate revenue: Sponsored Waste Programs, Zero Waste Boxes, Material Sales, and Regulated Waste.

With our Sponsored Waste Programs, we design and administer turnkey programs through which we bring manufacturers or brands and the public together to recycle certain categories of products and/or packaging that the manufacturers produce. These programs are sponsored and funded by manufacturers or brands and are free to the public. For example, Colgate has contracted with us to set up a national recycling program to collect and recycle its oral care products and packaging. These programs offer the individuals and entities collecting the waste “TerraCycle rewards”, which are points that can be converted into donations to charities.

Regulated Waste provides products and services to help consumer facilitate the effective and compliant management of regulated, universal and hazardous waste. This may include fluorescent lamps, bulbs, batteries, and e-waste as well as organic waste, medical waste and other waste streams that are potentially harmful to the environment.

We also sell Zero Waste Boxes to customers who wish to collect a specific waste stream not sponsored by a brand. For example, customers can buy a box to recycle coffee capsules or baby food pouches. Once a box is filled with the specified waste, the customer arranges a UPS pick up to deliver the waste to our warehouse for sorting, aggregation, storage, and recycling.

In many cases, we sell waste directly to a recycler and do not retain ownership of the end product; for instance, one of our major waste processors has purchased certain polypropylene and polyethylene blends; in other cases, we resell the end product after processing by a third-party recycling plant.

We can recycle the wastes collected through these programs into new materials and sell them to companies that make new products with the recycled materials. The principal types of waste we process are combinations of HDPE/PP, PET, aluminum, and other traditionally non-recyclable combinations that include engineering grade plastics. The principal outputs of our process are lower end material mixtures (often comprised of multiple polymers), which can be used by manufacturers that make industrial type products that are traditionally more forgiving. Some examples of these products include plastic lumber, plastic containers, plastic shipping pallets and dunnage (large containers used for carrying objects).

## **Overview**

TerraCycle, Inc, is our parent company and owns 100% of our voting stock. TerraCycle US, LLC is our wholly owned operating subsidiary. While we were formed in August 2017, our parent company has been operating in the United States since 2003, and internationally since 2009, and our operating subsidiary has been operating in the United States since January 1, 2014. At that time, our now wholly owned subsidiary assumed and has since operated all US business activities previously associated with our parent’s US operations. We conduct our business only in the United States and exclusively through our operating subsidiary, which generated revenues in each fiscal year since its inception. We own the two buildings that comprise TerraCycle’s global headquarters (our parent company pays us rent).

## **Principal Products and Services**

In the United States, we currently operate four principal business divisions that generate revenue: Sponsored Waste Programs, Zero Waste Boxes, Material Sales, and Regulated Waste.

### *Sponsored Waste Programs*

Sponsored Waste Programs are turnkey programs we design and administer for manufacturers/brands that seek to recycle their products or packaging. For example, Colgate has contracted with us to set up a national recycling program to collect and recycle its oral care products and packaging. These programs are free to the public and offered on our website, [www.TerraCycle.com](http://www.TerraCycle.com).

Everyone, including individuals, schools, office buildings, municipalities, etc. may sign up through our website to become a collector of any brand-sponsored waste. After signing up, a collector would begin collecting the waste in any box, which when full, would be shipped to one of our warehouses using a free UPS mailing label downloaded from our website.

In return, the collector receives “TerraCycle charity points.” These points are awarded based on the net weight of the waste items collected. Although programs differ, the points can usually be converted into a \$0.02 payment per waste item collected to a charity or school designated by the collector.

The cost of shipping the waste to our warehouse and recycling center, storage, recycling, and charity donations/gifts associated with each shipment are incorporated into the pricing of our waste collection services in our contracts with the sponsoring brands. The sponsoring brand also pays us a management fee for administering the program as well as significant marketing and promotional services in many cases. Through our engagement with the public in our collection network, the sponsoring brands often receive positive recognition in the press and social media for their role in enabling recycling of otherwise non-recyclable waste.

The waste items collected from the programs are sorted, aggregated, and stored in our warehouses until there is sufficient quantity of a particular waste from which we can recycle into new materials. We arrange for the waste to be transported and recycled from the warehouses to a third-party recycling facility. We pay the third-party recycling center to clean, shred and recycle the waste into new plastic pellets, according to our specification. Non-compliant materials (e.g. products unrelated to category), contamination (e.g. food or other residual products), or material loss during processing (e.g. burn-off or fall-out) may impact the full extent of material recovery.

As of December 31, 2021, we have over 150 brand sponsored national recycling programs, operating in 48 states. These programs generated \$15.649 million in revenue in 2021.

### Zero Waste Boxes

Zero Waste Boxes can be used to collect a specific waste stream (like coffee capsules) or a category of waste (such as non-compostable kitchen or bathroom waste). Whereas Sponsored Waste Programs are paid for by the sponsoring brand and are free to the collector, Zero Waste Boxes are paid for by the collecting customer.

We sell these boxes directly to end users through our website, resellers (like Amazon and Staples), and to event organizers, such as conferences or concerts that seek to reduce their waste footprint. We also provide private label box services for companies and distributors that seek to offer a recycling option as part of their sale or service. Pricing of the boxes depends on size, weight, costs to recycle, value of recycled materials, and whether sorting is needed.

The boxes are affixed with a pre-paid shipping label. Once a box is filled with the specified waste, the customer would arrange a UPS delivery of the box to our warehouse for sorting, aggregation, storage, and ultimately recycling into new materials for sale by our Material Sales department.

Similar to the waste items collected from the brand sponsored programs, we arrange for waste to be transferred from the warehouses to a third-party recycling facility once there is sufficient quantity of a particular waste that can be recycled. We will pay the third-party recycling center to clean, shred and recycle the waste into new plastic pellets according to our specification. The cost of transportation of waste items from the warehouse to the recycling center, as well as the cost of recycling, are factored into the cost of the box sold to the customer.

We currently offer more than 90 categories of publicly offered Zero Waste Boxes on our website. This division generated \$11.224 million in 2021 sales.

### Material Sales

TerraCycle recycles a wide range of traditionally non-recyclable materials collected through the Sponsored Waste and Zero Waste Boxes programs. For example, coffee capsules often include both plastic and metals, as well as coffee grounds. Pens generally include a range of plastics and metals. In almost all cases, all plastics are turned into new plastic pellets that can be used to make new products by third-party manufacturers, and metals are separated and sold on to buyers of recycled metals. Organic materials such as coffee grounds and cigarette ash are separated and sent to composting.

Although we principally recycle plastic materials ranging from simple single-polymer items like Polypropylene (#5) to complex multi-layer items (that are categorized as Other (#7)), we also recycle complex streams like clothing, furniture, and electronics.

Our Material Sales team either sells the materials to a buyer before we incur the cost of recycling, in which case we pay a third-party recycler for the recycling, or we deliver the collected materials to a processor that will recycle and sell the recycled materials to a manufacturer. The manufacturers then incorporate the recycled materials into new products.

In some cases, our Material Sales team works with our R&D team to recycle collected waste into a format that meets the unique specifications requested by the buying parties. In our R&D lab at headquarters, we are able to perform relatively sophisticated sample testing; we outsource any production work to strategic processors so that we can ensure that the sample meets client needs. When an order is ready to move into production, we move aggregated loads of materials from our storage facilities to one of several third-party processing (or conversion) facilities. This third-party recycling center will then perform the necessary processing work (such as shredding, washing, drying, pelletizing, compounding, etc.) to produce recycled pellets that meet the specified deliverables of our clients. In many cases, the processed materials are then sent to our client's third-party manufacturer for immediate incorporation into new products.

Our Material Sales division generated \$1.015 million in revenue in 2021. Given that recycled materials are a commodity and thus pricing is dictated by market conditions, this division traditionally generates lower margins than other business divisions of the company that have more unique product offerings that can be priced at a premium.

#### Storied Plastics (within Material Sales)

As discussed above, the Material Sales division typically sells recycled materials at a price competitive in the market and thus, at lower margins than generated by other business units. Since 2017, however, we have developed several opportunities to sell recycled materials at premium prices.

TerraCycle's "Storied Plastics," carries a narrative about the material's prior usage and thus generates special meaning to new products that incorporate those plastics. The best example of a storied plastic is our "beach plastic" initiative, which has been the genesis for our belief that a range of recycled materials from TerraCycle can be sold at a premium price.

In January 2017, our parent company announced a collaboration with Procter & Gamble (P&G) in its campaign to use recycled beach/ocean plastics in Head & Shoulders shampoo bottles. The brand produced the world's first recyclable shampoo bottle made from up to 25% recycled beach plastic. Later in 2017, these Head & Shoulders bottles were exclusively sold at Carrefour (one of the world's largest retailers) in France. P&G then expanded this initiative into other markets. P&G also expanded the inclusion of TerraCycle collected and recycled ocean and beach plastics into multiple business units (including dish soap and other hair care products). Each P&G business unit uses a specific type of plastic from our beach and ocean collections to replace materials that those products were traditionally made from. For instance, Head & Shoulders is using the HDPE portion of the beach plastic collections for its shampoo bottles.

Since the initial projects with P&G TerraCycle has expanded its "Storied Plastics" reach into many other companies. Examples include sporting event waste, music festival waste, Pride event waste, national parks and trails waste, etc. While potential partners are currently evaluating many of these projects, we expect commercialization and announcements later this year.

Manufacturers pay TerraCycle a higher than commodity price to source, collect and recycle these materials. They are incentivized to do so because inclusion of the materials generates significant media and consumer interest in the products.

To generate collections, we employ a team of project and sourcing managers who are charged with forging relationships with organizations who can provide the desired material to us. In the Beach and Ocean example, these organizations are already managing beach cleanup events and looking for an outlet for the collected materials. In the sporting event example, we may partner with student organizations at a prominent university who would sort and then provide the desired materials to us after certain events are conducted on campus. In all cases, TerraCycle manages the relationship with the source of the collections, the transportation companies responsible for moving the material into our possession, and the processors who convert the material into the desired format for our customers.

#### Regulated Waste

We opened the TerraCycle Regulated Waste division as an extension of the Zero Waste Boxes division in November 2017, immediately after the acquisition of the assets of Air Cycle Corporation ("Air Cycle"), a then 20-year old company that brokers recycling services for florescent light bulbs and batteries. The assets acquired from Air Cycle comprised all of Air Cycle's tangible assets such as machinery, furniture, fixtures, supplies and certain inventory, the rights of Air Cycle under its contracts, its intellectual property and its books and records.

The Regulated Waste division includes: the sale of boxes for the pre-paid return of light bulbs and electronics, and bins for the return of batteries; bulk collections of universal waste from factories, office buildings and hotels (here, the same materials are collected as single pallets on the small side or as truckloads on the larger side); and, the Bulb Eater bulb crusher, which concentrates the mercury from light bulbs using manufactured parts and is assembled in the division's Chicago area office.

Consistent with its practices in other operating divisions, TerraCycle does not own and operate universal waste processing facilities; rather, all collected waste is shipped directly to third-party EPA registered universal waste processing companies.

This division generated \$5.702 million in sales in 2021.

## **Market**

Sponsored Waste Programs generates revenues from over 100 sponsoring brands, including Procter & Gamble, Garnier, Bausch & Lomb, Santa Fe Natural Tobacco, Colgate, Bausch & Lomb, Tom's of Maine, and Kiehl's.

We do not rely on any particular customer for our Zero Waste Boxes business.

Procter & Gamble and Unilever were a couple of our top customers for our Material Sales business in 2021.

The main industries served by our regulated waste line of business are contractor, distribution, government and various commercial businesses including manufacturing and property management companies.

## **Competition**

### Sponsored Waste Programs

We believe that our Sponsored Waste Program has a unique business model and therefore has no direct competition.

In many ways, our Sponsored Waste business model is an aggregation of several types of business, allowing us to engage different parties at various stages of the production and consumption cycle. Part of our work resembles that of an agency, in that we seek out and contract with clients that make products (brands) and help them implement sustainability initiatives as part of their marketing objectives. We are also an operations and logistics company managing hundreds of thousands of pick-ups, check-ins, sorting, warehousing, recycling and delivery of recycled materials nationally. Additionally, we conduct research and development activities to evaluate waste streams before we contract to collect and recycle a particular type of waste, which has resulted in our developing innovative and pioneering recycling solutions for previously non-recycled waste streams.

Because our unique business model incorporates marketing and public relations services, our customers experience market related benefits accompanying the resultant sustainability gains. These benefits justify their covering the costs of collecting and recycling traditionally "non-recyclable" waste streams, which TerraCycle implements without either losing money or obtaining government or charitable subsidies. We believe that no other companies currently collect and recycle most of the waste streams that we principally focus on.

### Zero Waste Boxes

Similar to the Sponsored Waste Program, this division focuses on recycling waste streams that are rarely recycled, such as factory gloves, coffee capsules, etc. There is not much economic incentive to collect and recycle them; we are not aware of much competition for any of the waste streams collected through zero waste boxes, and know of no other company that provides a similar service for diverse categories of generally non-recyclable waste.

### Regulated Waste

There is, however, significant competition in the Regulated Waste space, as there are companies, many much larger than us, that collect and process universal waste. We believe, however, that we will be able to grow a significant universal waste business, differentiating

ourselves from the competition because of our name and reputation, our ability to tap into our significant corporate customers, and our unique synergies between our various business units and service offerings, including our rare ability among waste collectors to generate favorable publicity for our clients.

### Material Sales/Storied Plastic

TerraCycle does not sell traditional commoditized plastics like HDPE (milk jugs) and PET (soda/water bottles). We sell traditionally non-recyclable plastics to processors and end users in the United States. Generally speaking, these materials are not in high demand; it takes a unique pitch to convince an outside company to use these materials in their supply chain. While there are plenty of other recyclers that process and sell traditional commoditized plastic, we believe TerraCycle is uniquely positioned to corner the market for non-traditional items. Our business model, starting with the front-end collection programs, gives our Material Sales team the flexibility to move material downstream using a wide range of options and pricing.

As part of P&G's campaign to use recycled beach plastic for its hair care, home care, and grooming divisions, we (and our parent) are now leading one of the world's largest beach/ocean plastic collection efforts through a range of non-government organization (NGO) partnerships in 10+ countries.

## **Employees**

We contract for approximately 53% of the time of our parent company's employees (discussed in more detail under the "Interest of Management and Others in Certain Transactions" below). Additionally, we have 83 full-time employees and no part-time employees.

## **Regulation**

Our core business is to offer a service to collect, store, transport, and recycle post-consumer materials. These materials are generally not hazardous and are not subject to federal or state regulations, as such regulations generally apply only to solid waste or hazardous materials. Since the materials are not solid waste, TerraCycle is exempt from the requirements outlined by US EPA and the environmental departments of the 48 states in which we operate.

In some cases, TerraCycle provides solutions for materials that have slightly hazardous qualities such as aerosol containers. Shipping of aerosols is regulated by the US Department of Transportation, which provides for an exemption of limited quantity shipments of compressed gas. Our shipment of aerosols fits within the limited quantity exemption, and the aerosol canisters are shipped to third party aerosol recyclers that are licensed by the EPA.

## **Intellectual Property**

Our parent company has registered a number of trademarks, including the Infinity Arrow logo, "TerraCycle" and "ELIMINATING THE IDEA OF WASTE".

Neither we nor our parent hold any patents and have not applied for any patents.

## **Litigation**

We are not aware of any pending or threatened legal actions that we believe would have a material impact on our business.

## **The Company's Property**

We own two adjacent buildings at our headquarters at 121 New York Avenue and 21 Hillside Avenue, Trenton, NJ. The buildings are offices for our and our parent company's staff. Certain areas of the buildings are not yet insulated or set up with heating and cooling. As we grow, it will be important to make improvements to expand the workspace in the buildings. The buildings are estimated to be valued at approximately \$1 million. There are two mortgages on the buildings totaling to approximately \$386,000 as of December 31, 2021. We receive revenue from our parent company for its pro-rata use of the buildings.

## **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion of our financial condition and results of operations for the fiscal years ended December 31, 2021 and December 31, 2020 should be read in conjunction with our consolidated financial statements and the related notes included in this Annual Report. The consolidated financial statements included in this Annual Report are those of TerraCycle US Inc. and represent our entire operation. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements.

### **Discussion of Financial Results**

We were formed in August 2017, and our wholly owned subsidiary, TerraCycle US, LLC, has been operating in the United States since January 1, 2014. At that time, our now wholly owned operating subsidiary assumed all income and expenses associated with our parent company's US operations, which had been operating since 2003. The consolidated financial statements include the accounts of TerraCycle US, LLC and its domestic subsidiary, which is wholly owned. On August 14, 2017, TerraCycle, Inc., (the sole member of TerraCycle US, LLC) contributed that membership in TerraCycle US, LLC to us. We conduct our business exclusively through our operating subsidiary, which generated revenues in each fiscal year since its inception. Our business focuses on helping companies and consumers find a solution to collect and recycle many kinds of waste that are not commonly recycled. We provide premium recycling services to manufacturers (brands), retailers, organizations and individuals that pay us to recycle a product and/or package they manufacture or use.

Our net sales are derived primarily from sale of products and services in four principal operations: Sponsored Waste, Zero Waste Boxes, Material Sales, and Regulated Waste. In addition, certain corporate items are included in net sales. This relates to assets that are not managed directly by the reportable segments.

In Sponsored Waste, we design and administer turnkey programs through which we bring manufacturers or brands and the public together to recycle certain categories of products and/or packaging that the manufacturers produce. These programs are sponsored and funded by manufacturers or brands and are free to the public. We generally record revenue from these programs both from management fees that we charge the sponsors as well as variable fees that we charge the sponsors based on the amount of waste received. In some programs we provide additional add-on services such as shopper marketing and sale of specialty products made from recycled materials.

We also sell recycling services via Zero Waste Boxes. Through this program we send Zero Waste Boxes to customers or clients to be returned to us once filled with the applicable waste stream. This program is used by customers or clients who wish to collect and recycle a specific waste stream not sponsored by a brand. We receive revenues from the sale of these services. In addition, we work with some Zero Waste Boxes customers to design custom programs where we provide marketing and support services to help promote the collection of certain waste streams. In addition to the revenue earned from the sale of recycling services via Zero Waste Boxes, we also earn management fees for the marketing and support service that we provide to support those programs.

In Material Sales we receive revenues from the sale of pre-processed waste directly to a recycler and/or sale of the processed recycled materials recycled through third party recycling facilities.

Regulated Waste provides products and services to mainly offices for the effective and compliant management of Regulated Universal waste. Revenue from Regulated Waste is derived from fees we charge for these products and services.

Our cost of revenues primarily consists of logistics expenses (both shipping and warehousing), redemption of charity points, processing costs and cost of employees associated with the delivery of services).

### **Estimates**

The discussion and analysis of the company's financial condition and results of operations are based on the consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires that management make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates the

estimates, including, but not limited to, those related to receivable allowances, inventories, accruals, goodwill and other intangible assets. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

### Operating Results

Our net sales are derived primarily from sale of products and services in four principal operations: Sponsored Waste Collection Programs, Zero Waste Boxes, Material Sales, and Regulated Waste. Our net sales increased to \$33,451,674 for the year ended December 31, 2021 from \$24,679,652 for the year ended December 31, 2020, an increase of \$8,772,022 or about 36%. The increase was primarily attributable to:

- An approximately \$5,124,000 increase (49%) in sales from Sponsored Waste, driven primary both by higher management fees due to acquisition of new clients and new programs with existing clients, and an increase in variable revenue due to higher collections.
- An increase Zero Waste Boxes revenues of approximately \$3,747,000 (50%), driven by the continued expansion of this segment across individual and corporate customers (including some corporate customers who elect to use premium services for which we charge annual management fees).

The increase was partially offset by:

- An approximately \$386,000 decrease (28%) in revenues from Material Sales, driven by lower processing demand as a result of the COVID-19 pandemic.
- A decrease of Regulated Waste revenues of approximately \$354,000 (6%), as the impact of office closures associated with the COVID-19 pandemic started mitigating.

In addition, there was an approximately \$642,000 increase, as a result of the timing of revenue recognition of annual contracts. This increase was primarily attributable to the deferred revenue on the variable fees as we increase the amount of waste processes, which are not recorded at the segment level.

Our cost of sales primarily consists of logistics expenses (both shipping and warehousing), redemption of charity points, processing costs and cost of employees associated to the delivery of services. The cost of sales increased to \$11,522,521 for the year ended December 31, 2021 from \$10,644,085 for the year ended December 31, 2020, an increase of \$878,436 or about 8%. This was driven by \$1,016,000 of higher costs associated with the higher revenues, an increase of \$375,000 in costs from the deferred revenue, offset by a \$512,000 reduction in operational overhead costs.

Our gross profit was \$21,929,153 for the year ended December 31, 2021 compared with \$14,035,567 for the year ended December 31, 2020, an increase of \$7,893,586, or about 56%. Gross margin increased to 65.6%, compared to 56.9% same period last year, reflecting operational savings and a more favorable product mix.

Operating expenses totaled \$14,382,161 for the year ended December 31, 2021 and \$10,031,621 for the year ended December 31, 2020, an increase of \$4,350,540 or about 43%. This increase was driven by \$3,041,000 higher TCI Parent management and IP fees, mainly associated with increased support to the businesses, \$2,165,000 higher personnel expenses, \$371,000 in professional fees, \$146,000 in marketing and sales expenses, \$90,000 in technology expenses, \$66,000 in financial transaction fees associated with the growth of Zero Waste Boxes, and \$25,000 in miscellaneous office expenses, partially offset by \$838,000 forgiveness of PPP loan and \$716,000 reduction in bad debt expenses.

Other (income) expenses consist of interest income, interest expense and foreign currency exchange. Other expenses was \$14,283 for the year ended December 31, 2021 compared with other expenses of \$9,286 for the year ended December 31, 2020, mainly due to the payment of the loan facility with Parent TCI resulting in lower interest income generated.

The company recorded a provision for income tax of \$1,909,320 and \$1,065,656 for 2021 and 2020, respectively, due to the higher level of before tax profits.

As a result of the foregoing, the company's net income increased to \$5,623,389 in 2021 from \$2,929,004 in 2020.

## **Liquidity and Capital Resources**

### *Cash Flow – Fiscal Year 2021*

#### Operating Activities

Operating activities provided approximately \$4,344,827 of cash in 2021. Our net income was approximately \$5,623,389 and adjustments included the following:

- Deferred income, related mostly to management fees paid up front by sponsoring brands, generated approximately \$176,000 of cash.
- PPP loan forgiveness impact of \$838,000
- Accrued expenses and redemption points used approximately \$207,000 of cash.
- Accounts receivable generated approximately \$104,000 of cash, reflecting increased revenue.
- Changes in inventory used approximately \$192,000 of cash, which given the size of inventory levels (which remained fairly constant), this reflects only a very small change.
- Accounts payable generated approximately \$800,000 of cash.
- Related party receivables and payables used about \$368,000 of cash.

#### Investing Activities

In line with our directive to preserve cash, there were minimal investing activities during this period.

#### Financing Activities

Our financing activities used \$2,971,862 of net cash during 2021. The payment of dividends used \$2,930,730 in cash.

#### *Commitments*

On March 27, 2014, TerraCycle US, LLC entered into a mortgage note payable to TD Bank, N.A. related to the purchase of office space located on 121 New York Avenue, Trenton, New Jersey. The principal amount of that loan is \$300,000 and is subject to interest at 5.75%. TD Bank has a call to reset the interest rate at each five-year anniversary of the mortgage; however, we have option to pay off the entire mortgage at that time without penalty. The mortgage note is secured by the building and matures on April 1, 2029. As of December 31, 2021, amount outstanding under the mortgage note payable was approximately \$175,000.

On May 26, 2016, TerraCycle US, LLC entered into a mortgage note payable with Bank of America Merrill Lynch related to the purchase of additional office space for the building located on 21 Hillside Avenue in Trenton, New Jersey. The principal amount of that loan is \$300,000 and is subject to interest at 4.5%. The mortgage note is secured by the building and matures on May 25, 2031. As of December 31, 2021, the outstanding principal on that loan was approximately \$211,000.

On February 25, 2019, the Company opened a \$2,000,000 Line of Credit with Bank of America. Terms include an interest rate of daily LIBOR plus 2.75%, and expiring on December 31, 2020 with a temporary renewal until June 30, 2022. The line of credit has been used from time to time, with no balance outstanding as of December 31, 2021.

The company contracts with various third-party properties for storage facilities on an as-needed basis. Storage facilities are on a month-to-month basis and not subject to lease agreements, with the exception of one facility located in Hamilton Township, NJ near our headquarters in which the company has entered into a lease agreement with a stockholder of its parent company that expired on January 31, 2021. The lease continued on a month-to-month basis following the expiration date at the existing base rate amount. For the years ended December 31, 2021 and 2020, rent expense paid to this stockholder was approximately \$179,000 and \$195,000, respectively. The lease was terminated as of November 30, 2021.

### *Liquidity and Capital Resources*

As of December 31, 2021, we had \$27,535,471 of cash. Management believes that the company's existing cash balances at December 31, 2021 along with cash expected to be generated from future operations, will be sufficient to fund activities for the foreseeable future.

As discussed below, our operations and future outlook have been affected by COVID-19.

### **Management's Report**

The Sponsored Waste segment (recycling paid for by brands, free to the public) enjoyed significant growth (as reported above) over the previous year, as we continue to focus on driving incremental revenue through existing business. New program launches also continue on an impressive pace.

Zero Waste Boxes revenue for 2021 also experienced a meaningful increase over 2020. We are pleased that our investment in digital marketing of Zero Waste Boxes (expert hires and budgeted spend) has resulted in significant targeted exposure of this unique offering and is paying off well. Corporate clients continue to enter into Zero Waste Boxes programs that include management fees than in prior years. Earth Month (April) as well as Black Friday and Cyber Monday (November, after Thanksgiving) have proven to be reliable and important sales opportunities for this division.

Material Sales and Regulated Waste divisions both saw small declines in revenue compared to 2020 as the slower than expected recovery in 2021 from the impact of lockdown, closed offices, and reduced economic activity in 2020 have had more of an effect on these segments as described above. Processing delays have shifted some expected 2021 Material Sales revenue to 2022. Recent new product launches for Regulated Waste show promise for growth this year. Of note, this was the best PR year to-date for Regulated Waste at over 34 million readers reached, a feat for targeting mostly niche trade-specific news outlets. The Regulated Waste division also conducted a website overhaul, launched ITAD (Information Technology Asset Disposition) and e-waste recycling solutions, and received awards and recognition for the EasyPak PPE recycling solutions.

Public Relations surpassed its previous media placement record earning nearly 12,000 such placements highlighting TerraCycle-specific news throughout 2021. This all-time year-end high eclipsed the previous record set in 2019 by about 13%. Similarly, the number of earned media impressions has followed this trajectory, reaching 17.8 billion readers for a 37% increase over the previous record.

### **Other Trend Information**

#### COVID-19

Similar to many companies, we have been impacted by COVID-19. The largest impact on the company was the decrease in Regulated Waste sales during to office closures, which has begun to recover. With offices reopening, we anticipate that may change in the second half of 2021. Further, to adapt during this period, the company focused more on longer-term sales/fixed revenue versus short-term variable collection revenue.

#### General Market Trends

- We believe that the revenue in the business (which grew except in Material Sales due to a one-time deal in 2019, and Regulated Waste, which was impacted by COVID-19) should continue growing, while costs are continually being monitored closely.
- We believe that the market for our products and services will continue to improve if economic conditions in the United States remain consistent or improve.
- Global efforts spearheaded by the World Economic Forum and Ellen MacArthur Foundation have raised the public's and corporations' awareness to transition from a "linear disposable economy" to a "recycle circular economy".
- More corporations are integrating sustainability programs into their operations and marketing initiatives.

### Item 3. Directors and Officers

The table below sets forth the directors of our company.

Name	Position	Employer	Age	Term of Office (if indefinite, give date appointed)
Tom Szaky	Director	TerraCycle US Inc.	40	August 2017
Richard Perl	Director	TerraCycle US Inc.	65	November 2017
Javier Daly	Director	TerraCycle US Inc.	68	November 2017
Daniel Rosen	Director	TerraCycle US Inc.	40	November 2017
David Zaiken	Director	TerraCycle US Inc.	70	November 2017
Udi Laska	Director	TerraCycle US Inc.	73	November 2017
Tom Miller	Director	TerraCycle US Inc.	68	November 2017
Marian Chertow	Director	TerraCycle US Inc.	67	November 2017

The table below sets forth the executive officers, directors, and significant employees of our parent company, TerraCycle, Inc. We contract about 60% of their time from our parent company.

Name	Position	Employer	Age	Term of Office (if indefinite, give date appointed)
Executive Officers:				
Tom Szaky	Chief Executive Officer and Director	TerraCycle, Inc.	40	January 2003
Richard Perl	Chief Administrative Officer	TerraCycle, Inc.	65	February 2008
Javier Daly	Chief Financial Officer VP & General Counsel	TerraCycle, Inc.	68	September 2011
Daniel Rosen	(also, VP of Global Administration since 2010)	TerraCycle, Inc.	40	June 2016
Directors:				
Tom Szaky	Chief Executive Officer and Director	TerraCycle, Inc.	40	January 2003
Steven Russo	Director	TerraCycle, Inc.	61	August 2009

Brett Johnson	Director	TerraCycle, Inc.	52	August 2009
Stephen Baus	Director	TerraCycle, Inc.	57	June 2011
David Zaiken	Director	TerraCycle, Inc.	70	September 2013
Veronique Cremades-Mathis	Director	TerraCycle, Inc.	55	February 2021

**Tom Szaky, Chief Executive Officer and Chairman of the Board of Directors of TerraCycle, Inc. and TerraCycle US Inc.**

Tom is the founder and CEO of TerraCycle, Inc. He is a world-renowned entrepreneur, business leader, innovator and public speaker, who oversees one of the world’s few green multinational companies. Through TerraCycle, Tom has pioneered a range of business models that engage manufacturers, retailers and consumers in recycling products and packaging (such as beauty care and dental care waste, cigarette butts, coffee capsules and food packaging) that would otherwise be destined for landfill or incineration. To implement circular solutions for previously disposable materials, Tom had the foresight and courage to pioneer a business model that incorporates several distinct lines of business, so that TerraCycle could serve as a unique catalyst among market participants.

While a student at Princeton University, after winning multiple contests for his business plan for TerraCycle, Tom left school to develop the company. He is now an advisor to CEOs of some of the world’s largest consumer products companies. Tom is the author of three books, “Revolution in a Bottle” (2009, Portfolio) and “Outsmart Waste” (2014, Berrett-Koehler) and “Make Garbage Great” (2015, HarperCollins). Tom created, produced, and starred in TerraCycle’s reality show, “Human Resources” which aired on Pivot TV from 2014-2016. Tom and TerraCycle have received over 200 social, environmental and business awards and recognition from a range of organizations including the United Nations, World Economic Forum, Forbes Magazine, Fortune Magazine, and the Environmental Protection Agency.

**Richard Perl, Chief Administrative Officer of TerraCycle, Inc. and Director of TerraCycle US Inc.**

Richard met Tom and joined TerraCycle, Inc. in 2008. He has undergraduate, law and business degrees from Columbia University. For over 35 years, Richard worked within the “green” business world in which he has extensive long-term relationships. He was involved in a range of businesses, mediations and transactions in clean energy development, carbon credits, real estate and resort planning, international tax structuring, business planning and management, all with a green/mission focus. He is one of the founders of Social Venture Network and Threshold Foundation. He has worked internationally extensively, having been to Japan over 40 times and worked with businesses in India, South America, and Europe. At TerraCycle, Richard has overseen international growth (from 1 to 20+ countries), strategic partnerships, investor relations and capital raising.

**Javier Daly, Chief Financial Officer of TerraCycle, Inc. and Director of TerraCycle US Inc.**

Javier has been the Chief Financial Officer at TerraCycle, Inc. since September 2011. Prior to that, he was the CFO of the American Red Cross COE of New Jersey (January 2010 to August 2011), leading the restructuring of the ARC New Jersey’s 15 chapter financial operations from multiple accounting, payroll and banking systems into one center. From October 2006 until September 2009, he was the CFO of the Pharma Unit of Wolters Kluwer Health, overseeing its global operations. From September 2002 until September 2006, he held senior financial positions at DHL-Deutsche Post, initially as its VP Accounting for the US, then as CFO for the DHL Express Latin American operations. From January 1998 until September 2002 he was CFO Latin America for Clorox. From January 1978 until December 1997, he held finance positions of increasing responsibilities at Procter & Gamble, the latest one as its CFO for the Paper Sector Latin America. He has a MA in International Affairs from Ohio University and a BS in Economics from Universidad Catolica del Peru.

**Daniel Rosen, Vice President & General Counsel of TerraCycle, Inc. and Director of TerraCycle US Inc.**

Daniel has held the position of Vice President & General Counsel at TerraCycle, Inc. since June 2016 after having spent the previous six years as its Vice President for Global Administration responsible for overseeing the company’s expansion into 20 foreign markets. Prior to joining TerraCycle, Inc., Daniel worked at the American Enterprise Institute in Washington, D.C., studying monetary policy. He holds a BA in Government from Cornell University and a JD from the University of Miami (FL) School of Law.

**David Zaiken, Director of TerraCycle, Inc. and TerraCycle US Inc.**

David has served on TerraCycle, Inc. Board of Directors since 2013 and TerraCycle US Inc. Board of Director since November 2017. David is currently a Managing Director at Grant Thornton LLP, Washington National Tax Office focusing on International Tax and financial matters. Prior to joining Grant Thornton, he was the Associate Vice President of International Tax Planning at Weatherford International, plc, from December 2013 until March 2017. Prior to that he was a partner at Arthur Andersen, KPMG, and Alvarez and Marsal, where he was a senior international tax and financial consultant to numerous large global corporations and transactions. David is a licensed CPA and a member of the AICPA. David holds a BBA in accounting from the University of Iowa and a Master in Taxation degree from the University of Texas at Austin. David filed a petition under the federal bankruptcy laws in May 2017.

**Ehud “Udi” Laska, Director of TerraCycle US Inc.**

Udi is an experienced senior investment banker and executive with a strong track record of funding, building, running and selling profitable and turn-around companies. Since August of 2018, Udi has been heading and supervising the investment banking activities of Strategic Capital Investments, LLC (C2M Securities). Udi is also the Chairman and CEO of Photonic Capital, Inc where he has served since 2015. Photonic Capital is a finance, sales and marketing company for the lighting retrofit market. Prior to joining Photonic, Udi served as a Director and a supervising CFO for 9 Lead Avenue, LLC, an Internet lead generation company from 2012 until 2015. From 2006-2012, Udi was President and CEO of Pelion Financial Group, Inc. a diversified financial service company he helped building. The group is composed of a pension plan administration company, a registered investment advisory company, an insurance agency and a full service broker/dealer. Among other prior engagements, Udi served as the Chairman & CEO of American Benefit Resources, Inc. (ABR), an integrated retirement benefits company. He built ABR through a series of acquisitions and at the time, it was the largest independent provider of pension administration and advisory in the country. Udi also served as a deputy CFO for Citicorp where he was responsible for long-term funding and capital compliance. He holds an undergraduate degree in engineering from the University of Massachusetts, a Masters of Science in Engineering from Brown University and an MBA from Stanford University.

**Tom Miller, Director of TerraCycle US Inc.**

Tom is CEO of Eagle River Capital, formed in 2017 to acquire, integrate and manage small waste collection companies in six Western US states. He has close to three decades of experience as an executive in the waste management business. From 2010 to 2016, he was Vice President for Mergers and Acquisitions for Progressive Waste Solutions, a \$2 billion waste management company operating in the US and Canada. Prior to that, Tom worked at Republic Services, the second largest waste management company in the US, serving as Vice President and Regional Operations Manager. He graduated from Hanover College with a degree in Geology.

**Marian Chertow, Director of TerraCycle US Inc.**

Marian is a Professor of Industrial Environmental Management at the Yale School of Forestry & Environmental Studies, where she has served as Director of the Program on Solid Waste Policy and as Director of the Industrial Environmental Management Program since 1991. Her research and teaching focus on industrial ecology, business and environment, waste management, circular economy, and urban-industrial issues. She also holds academic appointments at the Yale School of Management and the National University of Singapore. Prior to her time at Yale, she spent ten years in environmental business and state and local government, including service as president of a large state bonding authority charged with developing a billion dollar waste infrastructure system. She currently serves on the Board of Directors of the Alliance for Research in Corporate Sustainability (ARCS) and the External Advisory Board of the Center for Energy Efficiency and Sustainability at Ingersoll Rand. Professor Chertow has a B.A. from Barnard College, and her M.P.P.M. and Ph.D. from Yale University.

**Steven Russo, Director of TerraCycle, Inc.**

Steve has been on TerraCycle, Inc. Board of Directors since 2009. With over 25 years in the industry, Steve is an accomplished leader in the Youth and Adult Handbag and Accessory market. A graduate of Wharton School of Finance, Steve worked in and studied the industry for ten years before founding FAB NY in 1997, the company where he still serves as President & CEO. FAB NY established itself as a key resource for Kid's Accessories and in 2003, with the acquisition of the industry dominant Pyramid Accessories, became a leader in the Kids Character License market, anchored by multi category license with Hello Kitty, as well as in depth partnerships with Nickelodeon, Hasbro and many others. In 2014, Steve made significant investments in E-Commerce Retailers, dELiA\*s and Alloy Apparel which broadened his investment portfolio in the Fashion Industry.

### **Brett Johnson, Director of TerraCycle, Inc.**

Brett joined TerraCycle Inc. Board of Directors in 2009. He is currently the Co-Chairman of the Phoenix Rising Football Club ([www.phxrisingfc.com](http://www.phxrisingfc.com)), a minor league professional soccer team, based in Phoenix, Arizona. From 2013 to 2015, Brett was a member of the Board of Directors, and the Chairman of the Compensation Committee, at Blyth Inc. (NYSE: BTH). Blyth is a \$1 billion direct to consumer sales company and leading designer and marketer of accessories for the home and health & wellness products. During the same period, Brett was the President and Director of Greenwood Hall. Founded in 1997, Greenwood Hall is a full service education management firm. Greenwood Hall provides the infrastructure and student lifecycle solutions that enable post-secondary institutions to compete successfully in the global e-learning marketplace. In 2005, Brett founded Benevolent Capital, a private equity fund with investments in real estate, manufacturing and consumer brands, including Phoenix Rising FC, Octagon Partners, ArcherDX, TerraCycle, and NYC Office Suites.

### **Veronique Cremades-Mathis, Director of TerraCycle, Inc.**

Veronique joined TerraCycle Inc. Board of Directors in 2021. Ms. Cremades-Mathis was at Nestle for over thirty years. Most recently she was the Global Head of Sustainable Packaging (2019-2021) in charge of the Sustainable Packaging transformational journey for the company across 100+ countries, 450 factories, 5000 production lines, leading the recycled food grade plastic market creation and supported the creation of Nestle Institute of Packaging Science. Prior to that she was Global Head of Dairy, Food & Confectionery, Nestle Professional (2017-2019) and Managing Director & CEO, Nestle New Zealand (2011-2017). Veronique holds a BA from Hotel Business School, and a Masters in Business and Food Science from Strasbourg University, France.

### **Compensation of Directors and Executive Officers**

For the fiscal year ended December 31, 2021, we compensated our three highest-paid directors and executive officers as follows:

<b>Name</b>	<b>Employer</b>	<b>Capacities in which compensation was received</b>	<b>Cash compensation (\$)</b>	<b>Other compensation (\$)(2)</b>	<b>Total compensation (\$)</b>
Tom Szaky	TerraCycle, Inc.	Chief Executive Officer, Director	\$ 163,073(1)	N/A	\$ 163,073
Richard Perl	TerraCycle, Inc.	Chief Administrative Officer	\$ 128,923(1)	N/A	\$ 128,923
Javier Daly	TerraCycle, Inc.	Chief Financial Officer	\$ 128,923(1)	N/A	\$ 128,923

TerraCycle, Inc. is the employer of the executive officers. Allocated amount varies by each executive, based on the amount

- (1) determined each dedicates to the US operations, see “Item 5. Interest of Management and Others in Certain Transactions -- Operational Support Services Agreement” below.
- (2) The executives also received medical and health benefits, generally available to all salaried employees.

Our parent company did not provide any cash compensation to its board members for year 2021. Each parent company board member was awarded 4,000 shares of options to purchase our parent company's stock at strike price for each of the four board meetings attended.

We will award our non-management board members with 10,000 shares of options to purchase our parent company's stock for their 2021 service in mid 2022.

### **Item 4. Security Ownership of Management and Certain Security Holders**

The following table sets out, as of December 31, 2021, our voting securities that are owned by executive officers and directors, and other persons holding more than 10% of our voting securities, or having the right to acquire those securities.

### **TerraCycle US Inc. Beneficial Ownership Table**

Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Amount and nature of beneficial ownership acquirable	Percent of class
Common	TerraCycle, Inc. 121 New York Avenue, Trenton, NJ 08638	500,000	N/A	100.0%
Class A Preferred Stock	ITOCHU Corporation Nobuyuki Tabata 107-8077 Japan	50,000	N/A	25.5%
	All Executive Officers and Directors of TerraCycle US Inc.	107	N/A	< 0.1%

The following table sets out, as of December 31, 2021, the voting securities of our parent company that are owned by executive officers and directors, and other persons holding more than 10% of our voting securities, or having the right to acquire those securities.

#### TerraCycle, Inc. Beneficial Ownership Table

Title of class	Name and address of beneficial owner (1)	Amount and nature of beneficial ownership	Amount and nature of beneficial ownership acquirable	Percent of class
Common, Preferred: Series A, B, C & E	Tom Szaky (2)	Common: 8,205,898	Common: 26,810,606 (3)(4)	Common: 81.99% (5)
		Preferred Series: A: 4,357,143 B: 3,835,556 C: 244,000 E: 254,166		Preferred Series: A: 30.10% B: 18.74% C: 9.12% E: 2.43%
Common, Preferred: Series A, B, C & E	All Executive Officers and Directors of TerraCycle US Inc. (2)	Common: 10,953,715	Common: 32,935,606 (3)(4)	Common: 89.87% (5)
		Preferred Series: A: 7,142,857 B: 6,287,797 C: 400,000 E: 486,109		Preferred Series: A: 49.35% B: 30.73% C: 14.96% E: 4.66%

- (1) The address for all the executive officers and directors is c/o TerraCycle, Inc., 121 New York Avenue, Trenton, NJ 08638. Includes shares held through Lorax Holdings LLC ("Lorax"), beneficially owned by Tom Szaky (61%), Richard Perl (16%), Javier Daly (13%) and Daniel Rosen (10%). Lorax owns 4,481,581 shares of Common Stock, 7,142,857 shares of Class A Preferred Stock, 6,287,797 shares of Class B Preferred Stock, 400,000 shares of Class C Preferred Stock and 416,665 shares of Class E Preferred Stock.
- (2)
- (3) Acquirable from the exercise of options.
- (4) Acquirable from the conversion of preferred shares.  
This calculation is the amount the person owns now, plus the amount that person is entitled to acquire. That amount is then shown as a percentage of the outstanding amount of securities in that class if no other person exercised their rights to acquire those securities. The result is a calculation of the maximum amount that person could ever own based on their current and acquirable ownership, which is why the amounts in this column may not add up to 100% for each class.
- (5)

## **Item 5. Interest of Management and Others in Certain Transactions**

### **Operational Support Services Agreement**

We have entered into an “Operational Support Services Agreement” with our parent company, TerraCycle, Inc. Under this agreement, our parent company provides trained and experienced executive, administrative and operational staff services in support of our business, specifically, services including executive services, Sponsored Waste Program management, business development, corporate communication, program design, graphic presentation, engineering, financial reporting, human resources, information systems, insurance, internal audit, internet technology, legal, licensing and material sales, operational planning and oversight, and public relations training and management.

To provide this full range of services, TerraCycle, Inc. employs about 70 staff in the US and its international operations. In addition, TCI contracts with an exclusive IT services provider in Budapest with about 30 employees and two providers based in Ukraine with about 15 employees. Due to the relatively small number of contractors based in Ukraine, we do not believe the current conflict in that area will have a material impact in our operations. This team of staff employed by the parent company (“Global Services Team”) is dedicated to serving all of our parent company’s subsidiaries in all countries, including us. We draw upon the Global Services Team in the same manner as other subsidiaries outside of the US. We share the cost of the Global Services Team based on an activity-based costing analysis prepared at the beginning of the year, where each subsidiary is charged based on the time required by the Global Services Team to support them. In addition to the actual cost of the Global Services Team, our parent company also charges a 6% mark-up on the costs related to services rendered for: (1) business development, (2) Sponsored Waste Program management, (3) engineering services, and (4) executive services. For the fiscal years 2021 and 2020, our share of the cost and fees of the Global Services Team was 54%, and 53%, respectively. For the fiscal years 2021 and 2020, we paid our parent company a total of \$7,929,000 and \$5,092,000, respectively, for the services we received from the Global Services team. We anticipate our share will remain at 54% for fiscal year 2022.

### **Company Funding to the Parent**

On a regular basis, we advance funds to our parent to cover items such as payroll. At the same time, our parent incurs on expenses on behalf of its subsidiaries including our company, expenses which are charged on a quarterly basis. Finally, as indicated under the Tax Sharing Agreement section, we reimburse the parent for the federal income tax we would have paid had we not made use of the parent’s NOL carryforward. In the event the net of these transactions results in a net receivable from the parent, we charge the parent an interest of LIBOR + 2.25%, accrued on a quarterly basis. At December 31, 2021 and 2020, we had a net payable to the parent of \$292,746 and \$324,336, respectively.

### **Office Rental Agreements**

We own two adjacent buildings at our headquarters at 121 New York Avenue and 21 Hillside Avenue, Trenton, NJ. The buildings are offices for our and our parent company’s staff. We have entered into rental agreements with our parent company for our pro rata use of the office space. In fiscal years 2021 and 2020, our parent company paid us approximately \$225,000 and \$215,000 in rent, respectively.

### **GRN Movement Agreement**

Steven Russo, a director of TerraCycle, Inc. and CEO of FAB NY (as further described in “Item 3. Directors and Officers”), formed a new company called GRN Movement in late 2021. GRN Movement approached TerraCycle in connection with purchasing recycled materials from TerraCycle’s Storied Plastics division to be used in the manufacturing of new products in categories such as back-to-school items (backpacks, totes, laptop cases, etc.), dorm room decor items (laundry bags, couch pillows, blankets, etc.) and beach items (towels, insulated bags, hats, swimwear, etc.). On March 28, 2022, TerraCycle entered into an agreement with GRN Movement, in which TerraCycle agreed to (i) sell such materials to GRN Movement at a lower margin than is customary in TerraCycle’s ordinary course of business and (ii) charge a lower research and development fee for costs associated with specific formulations required by GRN Movement (if applicable) in exchange for GRN Movement’s agreement to pay TerraCycle a higher royalty than GRN normally pays in its ordinary course of business (percentage of the wholesale price) for products it sells to retailers. In addition, TerraCycle has granted GRN Movement an exclusive license to use the TerraCycle name and logo in the product categories for the goods it manufactures using the storied materials. GRN Movement will need to maintain certain sales goals to maintain this right. The deal also provides for the possibility that customers may be able to return same category products for recycling at end of life to a TerraCycle collection point at the retailer where the products are sold.

Though this agreement is with TerraCycle US Inc., the (parent company) TerraCycle, Inc. Board reviewed and discussed this matter at its December 7, 2021 Board meeting. Mr. Russo recused himself from the discussions and dropped off the call as they took place. The Board agreed that Mr. Russo has vast experience in selling back-to-school category and the other products to major retailers and Mr.

Russo had indicated he would be prepared to invest heavily to build the GRN Movement business, it was in the company's best interest to strike a deal that would provide GRN Movement with lower up-front costs and TerraCycle with higher success-based returns, making sure we still cover all costs at the lower margin through fees charged up front. If this business works with GRN Movement, it could open doors with other manufacturers in other categories and into the fashion industry which is still in its infancy stage in terms of growth opportunities around sustainability. As a result, this deal could also result in incremental business for TerraCycle, that could help grow the sale of recycled materials as well as potentially collection of more post-consumer waste from retailers where products made from these recycled materials are sold. Accordingly, the TerraCycle, Inc. Board unanimously conceptually approved the proposed transactions between GRN Movement and TerraCycle US, noting that this would be recognized as a related party transaction.

A copy of this agreement is attached as an exhibit to this report.

#### **Item 6. Other Information**

None.

#### **Item 7. Financial Statements**

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## **TerraCycle US Inc. and Subsidiaries**

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Consolidated Financial Statements  
Years Ended December 31, 2021 and 2020

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### **TerraCycle US Inc. and Subsidiaries**

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### **Independent Auditor's Report**

### **Opinion**

We have audited the consolidated financial statements of TerraCycle US Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of operations, equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*RSM US LLP*

Blue Bell, Pennsylvania  
April 29, 2022

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**TerraCycle US Inc. and Subsidiaries**

**Consolidated Balance Sheets**

<i>December 31,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 27,535,471	\$ 26,172,310
Accounts receivable, net of allowance to doubtful accounts of \$278,263, 2021 and \$565,291, 2020	4,201,054	4,018,776
Related partly receivables, net	565,819	352,381
Inventory, net	1,497,473	1,305,732
Deferred tax asset	133,468	269,265
Prepaid expenses and other current assets	1,047,348	353,745
<b>Total current assets</b>	<b>34,980,633</b>	<b>32,472,209</b>
Property, plant and equipment, net	1,166,688	1,220,912
Goodwill	953,455	953,455
Other intangible assets, net	1,124,500	1,228,300
<b>Total assets</b>	<b>\$ 38,225,276</b>	<b>\$ 35,874,876</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 46,234	\$ 883,773
Accounts payable	1,534,648	734,959
Related party payables	225,739	457,600
Accrued redemption points	353,163	329,498
Accrued expenses and other current liabilities	2,161,024	2,391,883
Deferred income	7,329,971	7,154,193
<b>Total current liabilities</b>	<b>11,650,779</b>	<b>11,951,906</b>
Long-term debt, net of current portion	340,405	376,537
<b>Total liabilities</b>	<b>11,991,184</b>	<b>12,328,443</b>
<b>Commitment and contingencies (Note 7)</b>		
<b>Stockholders' equity</b>		
Common stock, par value \$0.0001 per share, 1,500,000 shares authorized: 500,000 shares issued and outstanding at December 31, 2020 and 2019	50	50
Preferred stock, par value \$0.0001 per share; 500,000 shares authorized:		
Non-voting Class A - 250,000 shares authorized; 196,142 and 99,404 shares issued and outstanding at December 31, 2020 and 2019, respectively; liquidation preference of \$196,142 at December 31, 2020	20	20
Additional paid-in capital	18,747,785	18,752,785
Retained earnings	7,486,237	4,793,578

Total stockholders' equity	26,234,092	23,546,433
Total liabilities and stockholders' equity	<u>\$ 38,225,276</u>	<u>\$ 35,874,876</u>

See accompanying notes to consolidated financial statements.

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**TerraCycle US Inc. and Subsidiaries**  
**Consolidated Statements of Operations**

<i>Years Ended December 31,</i>	2021	2020
Net sales	\$ 33,451,674	\$ 24,679,652
Cost of sales	11,522,521	10,644,085
<b>Gross profit</b>	<u>21,929,153</u>	<u>14,035,567</u>
Operating expenses		
Selling, general and administrative expenses	14,382,161	10,031,621
Income from operations	7,546,992	4,003,946
Other (income) expenses:		
Interest income	(9,561)	(15,751)
Interest expense	20,888	22,835
Foreign currency exchange	2,956	2,202
<b>Total other (income) expenses</b>	<u>14,283</u>	<u>9,286</u>
Income before income taxes	7,532,709	3,994,660
Provision for income taxes	1,909,320	1,065,656
<b>Net income</b>	<u>\$ 5,623,389</u>	<u>\$ 2,929,004</u>

See accompanying notes to consolidated financial statements.

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**TerraCycle US Inc. and Subsidiaries**  
**Consolidated Statements of Equity**

	Common Stock		Preferred Stock		Additional	Retained	Total
	Amount	Shares	Amount	Shares	Paid-in Capital	Earnings	Stockholders' Equity
<b>Balance at January 1, 2020</b>	50	500,000	10	99,404	9,532,533	3,481,339	\$ 4,585,643
Reg A+ Class A preferred stock issued			10	96,738	9,220,252		6,286,870
Dividend Distribution						(1,616,765)	(1,096,734)
Net Income						2,929,004	3,238,153
<b>Balance at January 1, 2021</b>	50	500,000	20	196,142	18,752,785	4,793,578	23,546,433
Reg A+ Class A preferred stock adjustment			(0)		(5,000)		(5,000)

Dividend Distribution						(2,930,730)	(2,930,730)		
Net Income						5,623,389	5,623,389		
<b>Balance at December 31, 2021</b>	<b>\$</b>	<b>50</b>	<b>500,000</b>	<b>\$</b>	<b>20</b>	<b>196,142</b>	<b>\$ 18,747,785</b>	<b>\$ 7,486,237</b>	<b>\$ 26,234,092</b>

See accompanying notes to consolidated financial statements.

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TerraCycle US Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Statement of Cash Flows

Years Ended December 31,

		2021	2020
<b>Operating Activities</b>			
Net Income	\$	5,623,389	\$ 2,929,004
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization		103,800	103,800
Depreciation		64,028	71,418
Deferred Tax Provision		135,797	379,503
Bad Debts		(287,028)	434,815
Forgiveness of PPP Loan		(837,539)	
Changes in operating assets and liabilities:			
Accounts receivable		104,750	(1,044,040)
Related party receivables, net		(213,438)	(304,232)
Inventory		(191,741)	(188,070)
Prepaid expenses and other current assets		(693,603)	(261,037)
Accounts payable		799,689	(248,883)
Related party payables		(231,861)	85,910
Accrued expenses and redemption points		(207,194)	585,823
Deferred Income		175,778	2,268,817
<b>Net cash provided by operating activities</b>		<b>4,344,827</b>	<b>4,812,828</b>
<b>Investing activities:</b>			
Purchase of property and equipment		(9,804)	(48,550)
<b>Net cash used in investing activities</b>		<b>(9,804)</b>	<b>(48,550)</b>
<b>Financing activities:</b>			
Repayment of long-term debt		(36,132)	(34,186)
Proceeds from PPP Loan		-	837,539
Proceeds from issuance of preferred stock		(5,000)	9,220,262
Dividends paid		(2,930,730)	(1,616,765)
<b>Net cash provided by financing activities</b>		<b>(2,971,862)</b>	<b>8,406,850</b>
Net increase in cash		1,363,161	13,171,128
Cash, beginning of year		26,172,310	13,001,182
<b>Cash, end of year</b>	<b>\$</b>	<b>27,535,471</b>	<b>\$ 26,172,310</b>
<b>Supplemental disclosure of cash flow data:</b>			
Interest paid	\$	20,605	\$ 22,434

See accompanying notes to consolidated financial statements.

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## TerraCycle US Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### 1. Organization

TerraCycle US Inc. ("TCUSI") was incorporated on August 14, 2017 under the laws of the State of Delaware. At the same date, TerraCycle US LLC ("LLC") which had been incorporated on September 16, 2013 under the laws of the State of Delaware, transferred 100% of its membership units to TCUSI, becoming a 100% owned operating subsidiary of TCUSI. LLC has two US operating subsidiaries which are also 100% wholly-owned. As used herein, the "Company" refers to TCUSI and its subsidiaries. All the operating activities are conducted under LLC and subsidiaries, while TCUSI only has holding company activities. The consolidated financial statements represent full years of operations for LLC for the years ended December 31, 2021 and 2020.

The Company is a wholly-owned subsidiary of TerraCycle, Inc. ("TCI" or "Parent Company"). The consolidated financial statements include certain assumptions and estimates to allocate a reasonable share of TCI's corporate overhead to the Company through a global management fee so that the accompanying consolidated financial statements reflect substantially all costs of doing business. For the years ended December 31, 2021 and 2020, overhead charges, include primarily compensation and related benefits, were approximately \$7,929,000 and \$5,092,000, respectively. The overhead corporate charges were allocated to the Company based on their revenues relative to the total consolidated revenues of the Parent Company.

The Company designs and manages programs to collect a wide range of non-recyclable waste materials for repurposing. Such materials are either sold as is, processed into a form which can be used by a manufacturer, or in some cases, manufactured into an eco-friendly product, which is sold directly to consumers. In addition, TerraCycle Regulated Waste ("TCRW"), a subsidiary of LLC, is a sustainable solutions and technologies company with products and services designed to enable companies to implement comprehensive environmental program for their facilities, focusing on regulated waste (e.g. fluorescent lamps, batteries and e-waste).

#### 2. Summary of Significant Accounting Policies

##### *Basis of presentation*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

##### *Principles of consolidation*

The consolidated financial statements include the accounts of TCUSI and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

##### *Use of estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## TerraCycle US Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### *Currency Transactions*

The Company accounts for its foreign currency transactions in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 830, Foreign Currency Matters. Transactions affecting revenues and expenses are generally

translated at the exchange rate in effect on the transaction date. For the years ended December 31, 2021 and 2020, the Company recognized a foreign currency transaction loss of \$2,956 and \$2,202, respectively.

### ***Impairment of long-lived assets***

The Company assesses the recoverability of the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds the estimated future cash flows, then an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no events that would indicate an impairment as of December 31, 2021 and 2020.

### ***Concentration of credit risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company maintains cash balances with a high-credit quality financial institution. At times, cash may exceed federally insured limits. At December 31, 2021 and 2020, the Company had cash balances in excess of federally insured limits of approximately \$26,532,000 and \$25,577,000, respectively.

For the year ended December 31, 2021, the Company had four customers that represented approximately 10% of sales and at December 31, 2021 one of these customers and four additional customers represented approximately 23% of accounts receivable. For the year ended December 31, 2020, the Company had four customers that represented approximately 11% of sales and at December 31, 2020 one of these customers and six additional customers represented approximately 32% of accounts receivable. The Company routinely assesses the financial strength of its customers and establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. The Company writes off accounts receivable as a charge to the allowance for doubtful accounts when, in the Company's estimation, it is probable that the receivable is worthless.

### ***Revenue recognition***

The Company adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606") on January 1, 2019. In accordance with Topic 606, revenue is recognized when performance obligations under the terms of a contract with our customer are satisfied; generally, this occurs with the transfer of control of products or services. Revenue is measured as the amount of consideration the Company expects to receive in exchange for providing services or transferring products.

Revenue is recognized when all of these conditions are satisfied: (1) persuasive evidence of a contract or arrangement exists with a customer, (2) performance obligations of the contract have been identified, (3) the price is fixed or determinable, (4) the price is allocated to performance obligations of the contract, and (5) delivery has occurred or the services have been rendered.

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## **TerraCycle US Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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The Company has various recycling programs for which revenue is generated. The Company enters into agreements with customers under various programs that seek to recycle their products or packaging through a sponsored collection or zero waste program. If the Company receives an up-front payment (annual fee and sometimes an exclusivity fee) to allow the customers to use the Company logo on its packages and advertise that the Company is a partner, revenue recognition is deferred and recorded to income over the term of the contract which usually spans one year, with some contracts as long as three years. An unearned amount related to such fees of approximately \$3,837,000 and \$3,803,000 is included in deferred income at December 31, 2021 and 2020, respectively.

The Company also receives a variable fee, usually billed monthly for the collection and recycling of products. Revenue is deferred until such waste is processed. An unearned amount of approximately \$3,493,000 and \$3,351,000 is included in deferred revenue at December 31, 2021 and 2020, respectively.

Merchandise sold is recorded as revenue upon shipment.

### ***Inventory***

Inventory, which consists of post-consumer waste, supplies and finished goods is stated at the lower of cost or net realizable value. A reserve is recorded when the Company determines inventory is obsolete or in excess of expected use.

### ***Property and equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

Maintenance and repairs are charged to expense as incurred. Significant replacements and betterments are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss on disposition is reflected in other expense in the accompanying consolidated statements of operations.

### ***Goodwill and Other Intangible Assets***

Goodwill from the acquired Air Cycle Corporation business is not amortized and is tested annually for impairment on a quantitative basis. There was no impairment during the year ended December 31, 2021. Other identifiable intangible assets are amortized on a straight-line basis over a 15-year period. Amortization expense amounted to approximately \$104,000 for the years ended December 31, 2021 and 2020.

### ***Advertising costs***

The Company expenses the costs of advertising as incurred. For the years ended December 31, 2021 and 2020, advertising expenses amounted to approximately \$418,000 and \$271,000, respectively.

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## **TerraCycle US Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### ***Research and development costs***

Research and development costs are charged to operations as incurred and amounted to approximately \$27,000 and \$36,000 for the years ended December 31, 2021 and 2020, respectively. These costs do not include research and development costs incurred by TCI which are proportionately allocated to the Company through the global management fee charge. Such costs are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

#### ***Shipping costs***

Shipping and handling costs are included in cost of sales. For the years ended December 31, 2021 and 2020, shipping and handling costs were approximately \$4,329,000 and \$2,869,000, respectively.

#### ***Income taxes***

The Company is part of the consolidated tax return of the Parent Company and as such it includes the Company's taxable income or loss on its income tax returns through February 2020. After February 2020, the Company files its own tax return separate from the Parent Company. The Company signed a Tax Sharing Agreement with its Parent Company effective January 1, 2017 by which the Company pays its Parent for the estimated income tax liability had it been a deconsolidated entity for income tax purposes. Prior to January 1, 2017, the Company was treated as a limited liability company for federal and state income tax purposes, and the Parent Company includes the Company's taxable income or loss on its income tax returns.

The Company follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires evaluations of tax positions taken or expected to be taken in the course of preparing the Parent Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Company is not currently under audit by any tax jurisdiction however, the 2018 through 2020 tax years are still subject to tax examinations at the Federal, State, and local level.

### ***Accrued Redemption Points***

Participants of certain waste collection programs earn points (usually two points) per unit or weight (usually pounds) collected depending on each specific program rules. These points can be redeemed every six months for payments to charitable 501(c)(3) organizations. Points not redeemed are cancelled after one year, as long as participants have not had activity in their account for the past twelve months. The Company recognizes a liability for the outstanding points not yet redeemed. As of December 31, 2021 and 2020, this liability amounted to approximately \$353,000 and \$329,000, respectively.

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## **TerraCycle US Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### ***Recent Accounting Pronouncements***

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 840)*. The ASU will require that all leasing activity with initial terms in excess of twelve months be recognized on the balance sheet with a right of use asset and lease liability. The standard will require entities to classify leases as either a finance or operating lease based upon the contractual terms. For finance leases, the right to use asset and lease liability will be calculated based upon the present value of the lease payments. The asset will then be amortized and the interest on the obligation will be recognized separately within the statement of operations. For operating leases, the right to use asset and lease liability will also be calculated based upon the present value of the lease payments. However, the cost of the lease will generally be allocated over the lease term on a straight-line basis and presented as a single expense on the statement of operations. The new standard will be effective for periods beginning after December 15, 2021 and will require entities to use a modified retrospective approach to the earliest period presented. The Company is currently evaluating the impact on its consolidated financial statements of adopting the new standard.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The new guidance requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The new guidance will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting the new standard on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for the Company beginning on January 1, 2022. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

### **3. Inventory**

Inventory consists of the following:

**December 31,**

**2021**

**2020**

Raw materials	\$ 1,289,704	\$ 1,201,770
Finished goods	248,910	119,520
<b>Total</b>	<b>1,538,614</b>	<b>1,321,290</b>
Less reserve for obsolete inventory	41,141	15,558
<b>Total</b>	<b>\$ 1,497,473</b>	<b>\$ 1,305,732</b>

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TerraCycle US Inc. and Subsidiaries

Notes to Consolidated Financial Statements

**4. Property and Equipment, Net**

Property and equipment are comprised as follows:

December 31,	Estimated Useful Lives	2021	2020
Land		\$ 31,565	\$ 29,500
Vehicles	5 years	60,076	60,076
Machinery and equipment	5-7 years	443,249	443,249
Buildings and improvements	39 years	1,375,346	1,367,607
Computer equipment	3-5 years	315,538	315,538
Furniture and fixtures	7 years	45,156	45,156
<b>Total</b>		<b>2,270,930</b>	<b>2,261,126</b>
Less accumulated depreciation and amortization		1,104,242	1,040,214
<b>Total</b>		<b>\$ 1,166,688</b>	<b>\$ 1,220,912</b>

For the years ended December 31, 2021 and 2020, depreciation expense amounted to approximately \$64,000 and \$71,000.

**5. Related Party Transactions**

On a regular basis, the Company enters into various transactions with its parent (TCI) and subsidiaries of TCI. The most material activities occur with TCI and include a quarterly global management fee charge from TCI to the Company, a tax sharing agreement between TCI and the Company, as well as the Company funding TCI with cash to cover such items as payroll. At December 31, 2021 the Company has a net related party short term receivable to TCI in the amount of \$370,477, and a short term payable of \$324,336 at December 31, 2020. At December 31, 2021 and 2020 the Company has a net related party receivable from other subsidiaries of the Parent Company in the amount of \$195,342 and \$352,381, respectively, and has a net related party payable to other subsidiaries of the Parent Company in the amount of \$225,739 and \$133,264, respectively.

The Company allocated approximately \$844,000 and \$920,000 for the years ended December 31, 2021 and 2020, respectively, of office and related expenses to the Parent Company and related subsidiaries, which is recorded as a reduction in selling, general and administrative expenses in the consolidated statements of operations.

The Company entered into a lease agreement with a stockholder of the Company to rent a storage facility that expired on January 31, 2021. The initial base rent at the commencement of the new lease was \$15,450 per month. The lease will continue on a month-to-month basis following the expiration date at the existing base rate amount. The base rent as of December 31, 2021 and 2020 was \$16,268 per month. For the years ended December 31, 2021 and 2020, rent expense paid to this stockholder was approximately \$179,000 and \$195,000, respectively. The lease was terminated as of November 30, 2021. No future minimum lease payments are expected.

**6. Debt Obligations**

On March 27, 2014, the Company entered into a mortgage note payable with TD Bank, N.A. related to the purchase of additional office space in Trenton, New Jersey. The mortgage note is payable in \$2,446 monthly installments of principal plus interest at 5.75% and

matures on April 1, 2029. The mortgage note payable is secured by the mortgaged premises. The amount outstanding under the mortgage note payable was approximately \$175,000 and \$194,000 at December 31, 2021 and 2020, respectively.

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**TerraCycle US Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

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On May 26, 2016, the Company entered into a mortgage note payable with Bank of America Merrill Lynch. The mortgage is secured by the building located on Hillside Avenue in Trenton, NJ. The mortgage note is payable in \$2,305 monthly installments of principal plus interest at 4.50% and matures on May 25, 2031. The amount outstanding under the mortgage note payable was approximately \$211,000 and \$229,000 at December 31, 2021 and 2020, respectively.

On February 25, 2019, the Company opened a \$2,000,000 Line of Credit with Bank of America. Terms are interest rate of daily LIBOR plus 2.75%, collateralized by fixed assets, inventory and receivables, and expiring on December 31, 2019 with a temporary renewal until June 30, 2022. The line of credit has been used from time to time, with no balance outstanding as of December 31, 2021 or 2020.

On April 14, 2020, the Company was granted a loan (“PPP Loan”) of approximately \$838,000 from the Paycheck Protection Program (“PPP”) as authorized by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. Funds from the PPP Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. On March 30, 2021, the Company received written notice that the full value of the PPP Loan has been forgiven.

Estimated future annual maturities of debt, excluding capital lease obligations, as of December 31, 2021 are as follows:

Years ended December 31,	Amount
2022	\$ 46,234
2023	51,175
2024	52,060
2025	52,986
2026	53,954
Thereafter	130,230
<b>Total</b>	<b>\$ 386,639</b>

## 7. Commitments and Contingencies

### *Lease commitments*

The Company leases various properties for storage facilities and office space. Storage facilities are on a month-to-month basis. Additionally, the Company leased one storage facility from a related party on a month-to-month basis (see Note 5). Total rent expense was approximately \$598,000 and \$470,000 for the years ended December 31, 2021 and 2020, respectively.

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**TerraCycle US Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

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Future minimum lease payments are expected to be as follows:

Years ended December 31,	Amount
2022	\$ 163,794
2023	168,707
2024	173,769
2025	178,981
<b>Total</b>	<b>\$ 685,251</b>

The Company is also required to pay property taxes and common area maintenance charges related to the leases.

### **Litigation**

The Company, from time to time, may be involved with lawsuits arising in the ordinary course of business. In the opinion of the Company's management, any liability resulting from such litigation would not be material in relation to the Company's consolidated financial position, results of operations and cash flows.

### **8. 401(k) Plan**

The Company participates in a 401(k) Plan sponsored by its parent company. The charge to expense for the Company's matching contribution amounted to approximately \$153,000 and \$143,000 for the years ended December 31, 2021 and 2020, respectively. The plan covers eligible employees, as defined by the plan, who elected to participate.

### **9. Income Tax Provision**

The provision for income taxes consists of the following:

Year ended December 31,	2021	2020
<b>Current:</b>		
Federal	\$ 1,186,753	\$ 442,399
State	586,770	243,754
Total current provision	1,773,523	686,153
<b>Deferred:</b>		
Federal	99,205	302,047
State	36,592	77,456
Total deferred provision	135,797	379,503
<b>Total income tax provision</b>	<b>\$ 1,909,320</b>	<b>\$ 1,065,656</b>

Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect for years in which differences are expected to reverse.

Significant components of the Company's deferred tax assets for federal income taxes as of December 31, 2021 and December 31, 2020 consisted of the following:

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## **TerraCycle US Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

At December 31,	2021	2020
<b>Deferred tax asset:</b>		
Inventory reserve	\$ 72,865	\$ 65,270
Property and equipment	(58,108)	(64,910)
Accrued expenses	110,427	162,099
Other assets	8,284	106,806

**Total deferred tax asset**

<b>\$ 133,468</b>	<b>\$ 269,265</b>
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The Company does not have unrecognized tax benefits as of December 31, 2021 or December 31, 2020. The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

In December 2017, the Tax Cuts and Jobs Act (the “2017 Tax Act”) was enacted. The 2017 Tax Act includes a number of changes to existing U.S. tax laws that impact the company, most notably a reduction of the U.S. corporate income tax rate from 34 percent to 21 percent for tax years beginning after December 31, 2017. The 2017 Tax Act also provides for a one-time transition tax on certain foreign earnings and the acceleration of depreciation for certain assets placed into service after September 27, 2017 as well as prospective changes beginning in 2018, including repeal of the domestic manufacturing deduction, acceleration of tax revenue recognition, capitalization of research and development expenditures, additional limitations on executive compensation and limitations on the deductibility of interest.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provided guidance on accounting for the federal tax rate change and other tax effects of the Tax Act. SAB 118 provided a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740, Income Taxes. In consideration of SAB 118, there were no changes made to the provisional amounts recognized in 2017 in connection with the enactment of the Tax Reform Act. The accounting for the income tax effects of the Tax Reform Act is complete as of December 31, 2018.

A reconciliation of income tax benefit at the statutory federal income tax rate and income taxes as reflected in the financial statements as of December 31, 2021 and December 31, 2020 is as follows:

<b>Rate Reconciliation</b>	<b>2021</b>	<b>2020</b>
Federal tax benefit at statutory rate	<b>21.0%</b>	21.0%
State tax, net of federal benefit	<b>6.6</b>	<b>6.8</b>
<b>Permanent differences</b>	<b>(2.3)</b>	0.1
<b>Other</b>	<b>0.0</b>	<b>(1.2)</b>
<b>Total provision</b>	<b>25.3%</b>	<b>26.7%</b>

On March 27, 2020, the CARES Act was signed into law making several changes to the Internal Revenue Code. The changes include, but are not limited to: increasing the limitation on the amount of deductible interest expense, allowing companies to carryback certain net operating losses, and increasing the amount of net operating loss carryforwards that corporations can use to offset taxable income. The tax law changes in the CARES Act did not have a material impact on the Company’s income tax provision.

**TerraCycle US Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

The Consolidated Appropriations Act, 2021, which included changes to the Paycheck Protection Program loans, was signed into law on December 27, 2020. As a result of the changes, the Company expenditures paid with the proceeds of the PPP Loan, which previously resulted in non-deductible expenses for tax purposes, was treated as tax deductible in 2020. In addition, the Company also benefits as there is no recognition for tax of income in 2021 related to the PPP Loan forgiveness.

**10. Stockholders’ Equity**

The Company shall have an irrevocable option to repurchase any or all shares of Class A Preferred Stock under defined circumstances with 18 months of issuance at a price equal to the greater of the original issue price plus any declared but unpaid dividends or the fair market value as defined. The Class A preferred stock has a liquidation preference of \$1 per share.

Upon the closing of the sale of shares of Common Stock to the public in a public offering, each outstanding share of Class A Preferred Stock shall automatically be converted into one share of Common Stock and such share may not be reissued by the Company.

At December 31, 2018, the 34,182 shares of the Company’s non-voting Class A Preferred stock are held by a shareholder who exchanged shares in TCI for the Class A Preferred stock. 29,221 shares were sold pursuant to the Company’s Regulation A+ offering throughout

2019, as described below. On December 27, 2019, the remaining 4,961 unsold shares were put back to TCI in the ratio of one share of the Company's preferred shares to 493 shares of the TCI Series D and Series C shares, in a defined formula.

On January 11, 2019, the Company had elected a partial closing of the Regulation A+ capital raise of Non-voting Class A Preferred Stock. The gross cash received from this closing was \$2,595,200. Total shares associated with the closing are 25,952, 18,166 shares are new shares and 7,786 shares came from shares sold by the existing shareholder.

On February 25, 2019, ACC exercised the option to exchange 2,000 shares of Non-voting Class A Preferred Stock as payment against an outstanding promissory note. The 2,000 shares are new shares.

On April 5, 2019, the Company had elected a partial closing of the Regulation A+ capital raise of Non-voting Class A Preferred Stock. The gross cash received from this closing was \$786,400. Total shares associated with the closing are 7,864, 5,505 shares are new shares and 2,359 shares came from shares sold by the existing shareholder.

On September 16, 2019, the Company had elected a partial closing of the Regulation A+ capital raise of Non-voting Class A Preferred Stock. The gross cash received from this closing was \$5,497,400. Total shares associated with the closing are 54,974, 38,482 shares are new shares and 16,492 shares came from shares sold by the existing shareholder.

On December 18, 2019, the Company had elected a partial closing of the Regulation A+ capital raise of Non-voting Class A Preferred Stock. The gross cash received from this closing was \$861,400. Total shares associated with the closing are 8,614, 6,030 shares are new shares and 2,584 shares came from shares sold by the existing shareholder.

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## TerraCycle US Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

On March 2, 2020, the Company had elected a partial closing of the Regulation A+ capital raise of Non-voting Class A Preferred Stock. The gross cash received from this closing was \$2,751,200. Total shares associated with the closing are 27,512, all of which are new shares.

On July 31, 2020, the Company had elected a partial closing of the Regulation A+ capital raise of Non-voting Class A Preferred Stock. The gross cash received from this closing was \$1,995,000. Total shares associated with the closing are 19,950, all of which are new shares.

On September 30, 2020, the Company had elected to close the Regulation A+ capital raise of Non-voting Class A Preferred Stock.

On November 13, 2020, the Company had elected a final closing of the Regulation A+ capital raise of Non-voting Class A Preferred Stock. The gross cash received from this closing was \$4,938,350. Total shares associated with the closing are 49,276, all of which are new shares.

#### 11. Segments

The Company defines its business in four segments: 1) Sponsored Waste (SW), 2) Zero Waste Boxes (ZW), 3) Material Sales (MS), and 4) Regulated Waste (RW). The Company defines its segments as those operations that engage in business activities from which it may recognize revenue and incur expenses, whose results its chief operating decision maker regularly reviews to analyze performance and allocate resources and for which discrete financial information is available. The Company measures the results of its segments using, among other measures, each segment's net sales and operating income, which includes certain corporate overhead allocations.

Information for the Company's segments, as well as certain corporate operating and non-operating results that are not used internally to measure and evaluate the business, including the reconciliation to income before income taxes, is provided in the following table:

(In Thousands)	SW	ZWB	MS	RW	CORP	TOTAL
<b>Year Ended December 31, 2021</b>						

Net Sales	\$ 15,649	\$ 11,224	\$ 1,015	\$ 5,702	\$ (138)	\$ 33,452
Income (loss) before income taxes	\$ 5,879	\$ 4,464	\$ (2,678)	\$ (109)	\$ (23)	\$ 7,533

#### Year Ended December 31, 2020

Net Sales	\$ 10,525	\$ 7,477	\$ 1,401	\$ 6,056	\$ (779)	\$ 24,680
Income (loss) before income taxes	\$ 3,338	\$ 1,816	\$ (1,058)	\$ (373)	\$ 272	\$ 3,995

## 12. Market Conditions

During the year ended December 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. The impact of COVID-19 could negatively impact the company's operations. The extent to which the pandemic impacts the company's results will depend on future developments which are uncertain and cannot be predicted including new information that may concern the severity of COVID-19 and actions taken to contain the virus or its impact, among other factors.

## 13. Subsequent Events

The Company has evaluated subsequent events through April 29, 2022, the date the consolidated financial statements were available to be issued, and has disclosed all required events.

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## Item 8. Exhibits

The documents listed in the Exhibit Index of this report are incorporated by reference or are filed with this report, in each case as indicated below.

[2.1 Certificate of Incorporation \(1\)](#)

[2.2 Bylaws \(1\)](#)

[6.1 Operational Support Services Agreement \(1\)](#)

[6.2 Rental Agreements \(1\)](#)

[6.3 GRN Movement Agreement](#)

(1) Filed as an exhibit to the TerraCycle US Inc. Regulation A Offering Statement on Form 1-A (Commission File No. 024-10734)

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## SIGNATURE

Pursuant to the requirements of Regulation A, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Trenton, New Jersey, on May 2, 2022.

TerraCycle US Inc.

By: /s/ Tom Szaky

Tom Szaky

Chief Executive Officer

Pursuant to the requirements of Regulation A, this report has been signed below by the following persons on behalf of the issuer and in the capacities and on the dates indicated.

/s/ Tom Szaky

Chief Executive Officer and Director

May 2, 2022

/s/ Javier Daly  
Chief Financial Officer (Chief Accounting Officer) and  
Director  
May 2, 2022

/s/ Richard Perl  
Chief Administrative Officer and Director  
May 2, 2022

/s/ Daniel Rosen  
General Counsel and Director  
May 2, 2022

/s/ David Zaiken  
Director  
May 2, 2022

/s/ Ehud Laska  
Director  
May 2, 2022

## MASTER SUPPLY AND LICENSING AGREEMENT

THIS MASTER SUPPLY AGREEMENT (this “**Agreement**”), dated as of March 28<sup>th</sup> 2022 (the “**Effective Date**”), is entered into by and between TerraCycle US, LLC, a Delaware limited liability company having an address at 1 TerraCycle Way, Trenton, NJ 08638 (“**TerraCycle**”), and GRN Movement (“**Customer**”), a Delaware Public Benefit corporation having an address at \_\_\_\_\_ (together with TerraCycle, the “**Parties**”, and each, a “**Party**”).

WHEREAS, Customer is in the business of manufacturing and selling various consumer goods, including those listed on Schedule C, to the public through retail channels (the “**Goods**”);

WHEREAS, TerraCycle produces recycled materials through the collection and recycling of waste derived from its programs (“**Materials**”);

WHEREAS, Customer wishes to purchase such certain Materials and license certain trademarks from TerraCycle in order to manufacture and sell such Goods that will bear TerraCycle Trademarks (as defined herein) as further agreed between the Parties.

WHEREAS, Customer also seeks to utilize TerraCycle’s take-back programs at certain retailers to provide recycling services for its Approved Goods, as further agreed herein;

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### AGREEMENTS

**1. Definitions.** Capitalized terms used but not otherwise defined in this Agreement have the meanings set out or referred to in this Section 1.

“Affiliate” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.

“Approved Goods” is defined as the list of products set forth on Schedule C, as it may be amended from time to time.

“Approved Retailer” is defined as a retailer listed on Schedule C and any other retailer approved by TerraCycle to purchase Goods made from TerraCycle-sourced Materials.

“Basic Purchase Order Terms” means, collectively, the Purchase Order terms specified in Section 3.1.

“Collection Program” has the meaning ascribed to it in Section 2.2 below.

“Confidential Information” is defined as information which includes, but is not limited to, information regarding a Party’s products, sources of products, formulations, business partners, trade secrets, services, business, business models, designs, suppliers, customers, costs, prices, product or marketing plans or methods of operation learned by the other Party and with respect specifically to TerraCycle, all matters related to its recycling, reuse, and/or Materials creation.

“Customer Supplied Materials” means any components (including but not limited to raw materials, parts and packaging) supplied by Customer or other third parties in producing its products.

“Defective” or “Nonconforming Materials” means not conforming to the Materials Warranty under Section 9.

“Delivery Location” means the location for delivery of the Materials specified in the applicable Purchase Order.

“Governmental Authority” means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the

force of applicable laws, rules, regulations, statutes, and the like of the United States (collectively, “**Laws**”), or any arbitrator, court or tribunal of competent jurisdiction.

“Indemnified Party” is defined as the Party claiming indemnity.

“Indemnifying Party” is defined as the Party charged with providing the indemnity

“Initial Term” is as defined in Section 7.

“Intellectual Property Right” means any and all patent, copyright, trademark, trade secret, know-how, trade dress, or other intellectual or industrial property rights or proprietary rights (including, without limitation, all claims and causes of action for infringement, misappropriation or violation thereof and all rights in any registrations, applications and renewals thereof), in individual countries or political subdivisions thereof, or regions, including, the United States.

“Materials” means the Materials supplied by TerraCycle and sold to Customer pursuant to this Agreement, as identified in any Purchase Order.

“Minimum Sales Quantity” is defined as the fewest number of units Customer must sell to Approved Retailers or minimum totally royalties paid to TerraCycle in order for Customer to receive certain discounts and exclusivity provisions hereunder.

“Net Sales” means Customer’s gross sales to a retailer minus actual deductions made by that retailer.

“Person” means any individual, partnership, corporation, trust, limited liability entity, unincorporated organization, association, Governmental Authority or any other entity.

“Personnel” of a Party means any agents, employees, contractors or subcontractors engaged or appointed by such Party.

“Product Category” means the Customer’s lines of business as agreed to in section 7.1

“Purchase Order” means Customer’s purchase order issued to TerraCycle hereunder, including all Basic Purchase Order Terms and conditions attached to, or incorporated into, such purchase order.

“Quote” means the price that TerraCycle proposes for Materials requested by Customer.

“Renewal Term” is defined as set forth in Section 8.2.

“Representatives” means a Party’s Affiliates and each of their respective Personnel, officers, directors, partners, shareholders, attorneys, third party advisors, successors and permitted assigns.

“Specifications” means the specifications used to describe Materials in Quote.

“Term” is defined as the Initial Term and the Renewal Term(s), if any, together.

“TerraCycle Trademarks” is defined as set forth in Section 6.1.

“Territory” is defined as the United States.

“Trademarks” means all rights in and to United States and foreign trademarks, service marks, trade dress, trade names, brand names, logos, corporate names and domain names and other similar designations of source, sponsorship, association or origin, together with the goodwill symbolized by any of the foregoing, in each case whether registered or unregistered and including all registrations and applications for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection in any part of the world.

## 2. General.

2.1 Purchase and Sale of Materials. During the Term of this Agreement: (a) Customer shall purchase from TerraCycle, and TerraCycle shall supply to Customer certain Materials for the purpose of integrating such Materials into Customer's Goods the specifics of which shall be set out in each respective Purchase Order (substantially in the form of Schedule A attached hereto); and (b) the Parties agree that TerraCycle will sell such Materials to Customer at a lower margin than is customary in TerraCycle's ordinary course of business in exchange for which Customer agrees to pay TerraCycle a higher royalty (to be determined on a case-by-case basis and specified on each Purchase Order) for each Approved Good that is sold to the Approved Retailers than Customer would traditionally pay in its ordinary course of business.

2.2 Recycling Program at Approved Retailers. The will Parties endeavor in good faith to engage with Approved Retailers to provide one or more TerraCycle-operated take-back/recycling programs, each of which will offer consumers the opportunity to exchange products in the same Product Category as Goods sold by Customer that are at the end of their product life to the Approved Retailer for the purpose of recycling, in exchange for a coupon or other opportunity to buy Goods manufactured with TerraCycle supplied Materials (and bearing the TerraCycle Trademarks) and sold by Customer to the Approved Retailer ("**Collection Program**").

2.3 Research and Development. In the event that TerraCycle is required to create a specialized material formula to meet Customer's manufacturing needs (whereby creation of such formula shall be the property of TerraCycle), TerraCycle must then provide Customer with certain research and development services in order to meet Customer's specifications. The cost of providing such research and development services will be as agreed upon by the Parties at the time of engagement and set forth in the respective Purchase Order (substantially in the form of Schedule A attached hereto); however, TerraCycle agrees that any research and development cost it incurs to produce said Materials would be covered by Customer at cost plus a smaller margin than is customary for such TerraCycle research and development fees, with a compensating adjustment to be factored into a higher royalty (to be determined on a case-by-case basis and specified on each Purchase Order) for each Approved Good that is sold to consumers than Customer would traditionally pay in its ordinary course of business.

2.4. Approved Retailers. Customer shall provide TerraCycle with a list of retailers in which it seeks to sell its Approved Goods in Schedule C, which may be amended from time to time, and TerraCycle agrees to give Customer its confirmation of approval (which shall not be unreasonably withheld) of such list within five (5) business days of Customer's provision of such list.

2.5. Promotion and Sales Support. TerraCycle agrees to promote the sale of TerraCycle trademarked Goods produced by Customer through its existing communication and PR channels and will support GRN in promoting the sale of TerraCycle trademarked Goods produced by Customer through Customer's communication and PR channels. TerraCycle's sales teams will assist GRN in discussions and negotiations with retailers about their sale and distribution of TerraCycle trademarked Goods and arranging Collection Programs in order to increase sales and recycling volumes. For clarity, the Royalty paid to TerraCycle under this Agreement contemplates the provision of these Promotion and Sales Support services at no additional cost to Customer.

## 3. Purchase Order Process and Ordering Procedures.

3.1 Purchase Order Process. The Parties will agree in good faith on the specific commercial terms of each Purchase Order (substantially in the form shown in Schedule A) at the time such order is placed; however, it shall contain at a minimum:

- (a) a description of the Materials;
- (b) the quantity of the Materials,
- (c) the purchase price for the Material;

- (d) any Royalty to be paid by Customer;

- (e) the Delivery Location;
- (f) Any lead time required for delivery of the Materials to Customer ,
- (g) a description of any research and development work required;
- (i) a description of the Goods being made from the Materials;
- (j) the Approved Retailer(s) for the Goods; and
- (k) the Product Categories for the Goods.

For clarity, additional terms beyond those in the Quote may be specified in a Purchase Order. If accepted by TerraCycle, such terms will be binding. The Parties may, from time to time, amend a Purchase Order to reflect any agreed revisions to any of the terms described; provided that no such revisions will modify this Agreement or be binding on the Parties unless such revisions have been fully approved in a signed writing by authorized Representatives of both Parties.

**3.2 Terms of Customer's Purchase Order Prevail Over This Agreement.** The Parties intend for the express terms and conditions contained in this Agreement (including any attached Schedules and Exhibits hereto, as well as TerraCycle's Quote) and the Basic Purchase Order Terms contained in the applicable Purchase Order to govern and control each of the Parties' respective rights and obligations regarding the subject matter of this Agreement, and this Agreement is expressly limited to such terms and conditions. Without limiting the foregoing, any additional, contrary or different terms or other request, writing or communication by Customer pertaining to this Agreement and/or the sale of Materials by TerraCycle, and any attempt to modify, supersede, supplement or otherwise alter this Agreement, will not be effective nor be binding on the Parties unless such terms have been fully and expressly included in a written and approved Purchase Order or other writing and signed by authorized Representatives of both Parties.

**3.3 Quotes and Purchase Orders.** Customer shall request a Quote from TerraCycle, and TerraCycle will provide a Quote which contains the cost and lead time to produce and deliver the Material as specified by Customer. Customer shall then have thirty (30) days to accept the Quote by issuing a Purchase Order to TerraCycle as described herein. Any Quote not accepted within 30 days will expire. The Parties agree that, by issuing a Purchase Order to TerraCycle, Customer makes an offer to purchase Materials pursuant to the terms and conditions of this Agreement (including any attached Schedules and Exhibits hereto, as well as TerraCycle's Quote) on terms contained in the Purchase Order and this Agreement. Customer shall be obligated to purchase from TerraCycle quantities of Materials specified in the Purchase Order. If mutually agreed upon in writing, the Parties may, from time to time, revise the Quote or Purchase Order.

**3.4 Acceptance and Rejection of Purchase Orders.** TerraCycle must accept a Purchase Order if the terms of the Purchase Order and the terms of the Quote are the same or. If Customer has changed or added terms, by confirming the order in writing, by accepting deposit of funds for the purchase, or by delivering the applicable Materials to Customer, whichever occurs first. If Customer has modified the Quote or changed its terms, TerraCycle may reject any Purchase Order without liability or penalty, and without constituting a waiver of any of TerraCycle's rights or remedies under this Agreement, by providing Customer with prompt written notice thereof., with reasons if applicable

**3.5. Cancellation of Purchase Orders.** If Customer cancels a Purchase Order following acceptance, Customer must reimburse TerraCycle for all costs incurred by TerraCycle for Commencement of Work on the given Purchase Order prior to cancellation. If TerraCycle cancels a Purchase Order after it has accepted it, TerraCycle must reimburse Customer for all costs incurred by TerraCycle for Commencement of Work on the given Purchase Order prior to cancellation.

## **4. Shipment and Delivery.**

**4.1 Shipment & Delivery.** Unless otherwise expressly agreed by the Parties in writing, all shipments are FOB Delivery Location. Each shipment will constitute a separate sale and Customer shall pay for the Materials shipped, in accordance with the payment terms specified in TerraCycle's Quote, whether such shipment is in whole or partial fulfillment of a Purchase Order.

4.2 Risk of Loss. Risk of loss of Materials shipped under any Purchase Order passes to Customer upon TerraCycle's tender of the Materials to the carrier at Customer's Deliver Location.

## 5. Price and Payment.

5.1 Price, Payment Terms and Customer Reports. Customer shall purchase the Materials from TerraCycle in the quantities and at the price set forth in each accepted Purchase Order. TerraCycle shall invoice Customer upon delivery of shipment of each order and such invoice shall be paid within Ninety (90) days of Customer's receipt. Thereafter, Customer shall pay to TerraCycle any agreed-upon royalties on a quarterly basis (within fifteen (15) days of the end of each calendar quarter). Further, Customer will provide TerraCycle with reports of its sales of Approved Goods to Approved Retailers on a quarterly basis in the form of Schedule B to this Agreement and subject to TerraCycle's reasonable right of audit under Section 5.6.

5.2 Shipping Charges, Insurance and Taxes. Customer shall pay for, and shall hold TerraCycle harmless from, all shipping charges and insurance costs incurred to ship the Materials from TerraCycle to Customer's designated Delivery Location. In addition, all Prices are exclusive of, and Customer is solely responsible for, and shall pay, and shall hold TerraCycle harmless from, all Taxes, with respect to, or measured by, the manufacture, sale, shipment, use or Price of the Materials (including interest and penalties thereon).

5.3 Invoice Disputes. Customer shall notify TerraCycle in writing of any dispute with any invoice (along with substantiating documentation and a reasonably detailed description of the dispute) within thirty (30) days from the date of such invoice, or the delivery of the Materials, whichever is later. Customer will be deemed to have accepted all invoices for which TerraCycle does not receive timely notification of dispute and shall pay all undisputed amounts due under such invoices within the period set forth in TerraCycle's Quote. The Parties shall seek to resolve any such disputes expeditiously and in good faith in accordance with the dispute resolution provisions set forth in Section 15.16. Notwithstanding anything to the contrary, Customer shall continue to pay all due and undisputed invoice amounts in accordance with the terms of this Agreement.

5.4 Late Payments. Except for invoiced payments that Customer has successfully disputed, Customer shall pay interest on all late payments (whether during the Term or after the expiration or earlier termination of the Term), for any invoice(s) that is overdue by sixty (60) days or more from the payment due date, and TerraCycle has provided written notice to Customer of the overdue invoice(s) at least once via email. Invoices that are past due shall accrue interest at the rate of one half of one percent (0.5%) per month. Customer shall also reimburse TerraCycle for all costs incurred by TerraCycle in collecting any overdue payments, including, but not limited to attorneys' fees and court costs. In addition to all other remedies available under this Agreement or at Law (which TerraCycle does not waive by the exercise of any rights under this Agreement), if Customer fails to pay any amounts when due under this Agreement, TerraCycle may, following written notice and a reasonable opportunity to cure: (a) suspend the delivery of any Materials until payment is made; (b) reject or suspend action on Customer's pending Purchase Orders; (c) cancel accepted Purchase Orders pursuant to the terms of Section 3.5; and/or (c) terminate this Agreement pursuant to the terms of Section 8. The parties acknowledge and agree that such right does not prevent TerraCycle to use other legal or equitable rights or remedies.

5.5 No Set-off Right. Customer shall not, and acknowledges that it will have no right, under this Agreement, any Purchase Order, any other agreement, document or Law to, withhold, offset, recoup or debit any amounts owed (or to become due and owing) to TerraCycle or any of its Affiliates, whether under this Agreement or otherwise, against any other amount owed (or to become due and owing) to it by TerraCycle or TerraCycle's Affiliates, whether relating to TerraCycle's or its Affiliates' breach or non-performance of this Agreement, any Purchase Order, any other agreement between (a) Customer or any of its Affiliates and (b) TerraCycle or any of its Affiliates, or otherwise.

5.6 TerraCycle's Right of Audit. Customer shall maintain complete and accurate records, in accordance with good industry practice, to verify and document compliance with its obligations under this Agreement (in particular to allow for either TerraCycle or an auditor selected by TerraCycle to verify sales of Approved Goods manufactured with Materials purchased from TerraCycle are true and accurate). TerraCycle or its auditor may conduct an audit subject to fifteen (15) days written notice (an email shall be sufficient), at most once a year, provided that the duration of this audit may not exceed a total period of five (5) business days on site (i.e. in the premises of Customer). Upon the reasonable request of TerraCycle or its auditor, Customer shall provide (i) information regarding these records, and (ii) such other information as reasonably requested.

## 6. Trademark License.

6.1 TerraCycle's Trademark License Grant. TerraCycle has the right to license and hereby grants a limited, revocable, non-exclusive, non-transferable license to use the TERRACYCLE and TerraCycle + Logo, trademarks (“**TerraCycle Trademarks**”) to Customer such that Customer may use the TerraCycle Trademarks (a) on its Approved Goods (i.e. on the Approved Good itself or on a label attached thereto); and (b) in connection with its marketing and promotional materials for the Approved Goods in the Territory for the Term of this Agreement.

6.2 Restrictions on Use. If Customer wishes to use the TerraCycle Trademarks under the license granted in Section 6.1, such use must include reference to TerraCycle as the source of the Materials (i.e. “this product is made with TerraCycle recycled /storied/ ocean plastic” or similar language to be inserted into Schedule A at the appropriate time) subject the approval procedures set forth in Section 8.2.

## 7. Exclusivity.

### 7.1 Right to Manufacture and Sell Competitive Materials.

(a) The Parties agree that for the Term of this Agreement, Customer shall have the exclusive right to use the TerraCycle Trademarks on the Approved Goods produced using the Materials sold by TerraCycle in the Territory, solely within Customer's lines of business as set forth in Schedule C.

(b) This grant of exclusivity shall become void unless Customer's sales generate in at least \$350,000 in Royalties to TerraCycle for the period prior to December 31, 2024, and \$700,000 in total Royalties (including all previously paid Royalties) by December 31, 2025. (“Minimum Sales Quantity”). Notwithstanding the termination of any exclusivity provision hereunder, Customer will remain liable for all Royalties owed to TerraCycle as agreed to in any Purchase Order.

(c) This Agreement does not limit TerraCycle's right to sell the same or similar materials to any Person except as set forth in this Section 7.1.

7.2 TerraCycle Non Compete. The Parties agree that for the Term of this Agreement, if TerraCycle operates any Collection Program in accordance with Section 2.2 above, TerraCycle agrees that it will not provide or operate any Collection Program for any other brand/manufacturer in an approved Product Category at any Approved Retailer.

7.3 Customer Non Compete. Customer represents and warrants that during the Term of this Agreement it will not without TerraCycle's consent source any storied or cause-related materials from any party other than TerraCycle for use in any products in a Product Category listed on Schedule A or any Purchase Order.

## 8. Term; Termination.

8.1 Initial Term. The initial term of this Agreement commences on the Effective Date and continues until December 31, 2025. unless it is earlier terminated pursuant to the terms of this Agreement or applicable Law (the “**Initial Term**”). The Initial Terms shall be further divided as follows: the first year of the Initial Term will be from the date of execution through December 31, 2023. The second Year of the Initial Term will end on December 31, 2024, and the third year of the Initial Term will end on December 31, 2025.

8.2 Renewal Term. Upon expiration of the Initial Term, this Agreement will automatically renew for additional successive one (1) year terms (each, a “**Renewal Term**” and together with the Initial Term, the “**Term**”), except that either Party may refuse to renew the Agreement only if the other is in material breach of the Agreement.

8.3 TerraCycle Termination With Cause. TerraCycle may terminate this Agreement by providing written Notice to Customer if Customer fails to pay any amount when due under this Agreement (“**Payment Failure**”) following 5 business days final notice of non-payment. Additionally TerraCycle shall have the right to terminate this Agreement by giving written notice of termination to Customer if any of the following occurs: (a) Customer becomes subject to any voluntary or involuntary order of any governmental agency involving the recall of any of the Goods or the promotional or packaging material related to the Goods because of safety, health or other hazards or risks to the public or the Goods become the subject of significant adverse publicity, and Customer does not take prompt corrective action which

is reasonably satisfactory to TerraCycle; (b) Customer fails to obtain or maintain product liability and/or general liability insurance as required by this Agreement; or (c) Customer intentionally misuses or misrepresents its relationship with TerraCycle.

8.4. Customer Termination for Cause. Notwithstanding any other provision of this Agreement, Customer shall have the right to terminate this Agreement for cause in the event TerraCycle is (a) unable to fulfill an accepted Purchase Order according to its terms, (b) TerraCycle rejects more than two accepted Purchase Orders from Customer in a twelve month period; (c) TerraCycle fails to operate its take-back/recycling programs in a way that is commercially acceptable to Approved Retailers; (d) TerraCycle fails to promote GRN as promised herein; (e) TerraCycle is accused of fraud, unfair business practices, trademark infringement, discrimination, unethical or illegal behavior, or other activity that would make them unacceptable to Approved Retailers.

8.5. Effect of Expiration or Termination. Upon the expiration or early termination of this Agreement, all amounts owed by Customer to TerraCycle under this Agreement (and associated Purchase Orders) of any kind shall become immediately due and payable to TerraCycle, without further notice to Customer. The expiration or termination of this Agreement, for any reason, shall not release either Party from any obligation or liability to the other Party, including any payment and delivery obligation, that: (a) has already accrued hereunder; (b) comes into effect due to the expiration or termination of the Agreement; or (c) otherwise survives the expiration or termination of this Agreement.

8.6. Sell Through Period. Additionally, upon termination of this Agreement, Customer shall cease production of Goods containing materials sold by TerraCycle, except that (a) TerraCycle will deliver all Materials that are subject to an accepted Purchase Order at the time of termination, (b) Customer may continue to manufacture Goods from materials sold by TerraCycle that are already on Order or in Customer's inventory at the time of termination, and (c) Customer may offer and sell the Goods for one (1) year following termination so long as an inventory of Goods remains, and Customer will fully perform all of its obligations under this Agreement as if it were ongoing. The time to make required payments to TerraCycle for sales during the sell-off period shall be extended, but other time limits in this Agreement will not be extended during that period. Should additional inventory remain beyond one (1) year after the termination date, Customer will advise TerraCycle of the quantity remaining and allow TerraCycle to determine the disposition of remaining inventory, including the possible purchase by TerraCycle of the Goods at depreciated cost or rebranding/relabeling of remaining items at Customer's expense.

8.7. Survival. Subject to the limitations and other provisions of this Agreement: (a) the representations and warranties of the Parties contained herein will survive the expiration or earlier termination of this Agreement; and (b) any other provision that, in order to give proper effect to its intent, should survive such expiration or termination, will survive the expiration or earlier termination of this Agreement.

## **9. Certain Obligations of TerraCycle and Customer.**

9.1. Certain Prohibited Acts. Notwithstanding anything to the contrary in this Agreement, neither Party nor its Personnel shall: (a) make any representations, warranties, guarantees, indemnities, similar claims or other commitments: (i) actually, apparently or ostensibly on behalf of the other Party, or (ii) to any customer or other Person with respect to the Materials, which are additional to or inconsistent with any then-existing representations, warranties, guarantees, indemnities, similar claims or other commitments in this Agreement, TerraCycle's Quote, or any written documentation provided by one Party to the other Party; and (b) engage in any unfair, competitive, misleading or deceptive practices respecting the other Party, the other Party's Trademarks, Intellectual Property or the Materials, including any product disparagement.

9.2. Approvals. Customer will manufacture and distribute as agreed in Schedule A. Customer may not manufacture or offer for sale, advertise, promote, ship and/or distribute to the general public the Goods, and/or promotional materials relating to the Goods or Customer Advertising Material until approved by TerraCycle (such approval to be timely and not unreasonably withheld). Customer will submit prototypes and/or samples of the Goods ("Samples") to TerraCycle and TerraCycle will approve or disapprove of the Samples in a commercially reasonable amount of time. Goods shall be deemed disapproved until TerraCycle has provided its written approval. For the avoidance of confusion, TerraCycle approvals do not constitute certification that the Samples comply with applicable laws and regulations.

9.3 Proper Disposal. Customer will utilize all reasonable efforts to recycle scrap and commercially unusable materials to avoid disposal of materials in landfill sites whenever possible. Customer will cooperate with TerraCycle on determining methods to dispose of any materials supplied by TerraCycle or off-spec/leftover products made with materials supplied by TerraCycle.

## 10. Warranties.

10.1 Limited Warranty. Subject to the provisions of Sections 9.2 through 9.3, TerraCycle warrants to Customer (the “**Materials Warranty**”) that (a) the Materials will be suitable for Customer’s purpose (TerraCycle provides no Warranty for merchantability, use or suitability for defects in or caused by such Customer or Vendor Directed materials); and (b) it holds all such rights in and to the Materials as are necessary in order to grant to Customer the right to use the Materials in the Goods as specified hereunder.

10.2 Warranty Limitations. The Materials Warranty does not apply to: (a) any Material that has been subjected to abuse, misuse, neglect, negligence, accident, improper testing, improper installation, improper storage, improper handling, abnormal physical stress, abnormal environmental conditions or use contrary to any instructions issued by TerraCycle; (b) any Materials that has been reconstructed or altered by Persons other than TerraCycle or its authorized Representative; (c) the Materials once they have been used with any products manufactured by a third party (“**Third-Party Goods**”), or a product that has not been previously approved in writing by TerraCycle; (d) any Customer Supplied Materials; or (f) any marketing or advertising claims of any Good made by Customer that are inconsistent with the Materials Warranty.

10.3 Customer’s Remedy for Defective or Nonconforming Materials. With respect to any allegedly Nonconforming Materials, Customer shall: (a) notify TerraCycle, in writing, of any alleged claim or defect within twenty (20) business days of receiving the Materials; (b) request/receive an RMA from TerraCycle; and (c) ship, at its expense and risk of loss, such allegedly Nonconforming Materials to a facility as directed by TerraCycle’s for inspection and testing by TerraCycle. If TerraCycle’s inspection and testing reveals, to TerraCycle’s reasonable satisfaction, that such Materials are Nonconforming and any such defect has not been caused or contributed to by any of the factors described under Section 10.2, then TerraCycle shall reimburse Customer for return shipping costs and: (a) repair or replace such Nonconforming Materials; and (b) ship to Customer, at TerraCycle’s expense, the repaired or replaced Materials to the Delivery Location or, only at TerraCycle’s option, TerraCycle may refund to Customer such amount paid by Customer to TerraCycle for such Nonconforming Materials returned by Customer to TerraCycle.

10.4 Compliance with Laws. The Parties represent and warrant that they shall at all times comply with all Laws applicable to this Agreement, their performance of its obligations hereunder and their use or sale of the Materials. Without limiting the generality of the foregoing, each Party shall: (a) at its own expense, maintain all certifications, credentials, licenses and permits necessary to conduct its business relating to the purchase, use or sale of the Goods, and (b) refrain from engaging in any activity or transaction involving the Goods by way of sale, lease, shipment, use or otherwise, that violates any Law; (c) ensure that the manufacture, packaging, distribution and sale of the Goods and that the Good itself shall be in compliance with all Laws; and (d) ensure that all advertising, promotional, and sale of materials produced by or on behalf of Customer will not violate or infringe any copyright, trademark, patent, trade dress, or other intellectual property or proprietary right(s) of any third party. It is specifically understood and agreed that it is the Customer’s sole responsibility to ensure that all labels and marketing utilized in connection with the Goods, including but not limited to the design, content (including any claims in regard to use of recycled materials therein), wording, drawings and artwork, and label features be compliant with all applicable federal, state and local laws, rules and regulations.

10.5 Quality. Customer represents and warrants that it shall produce high quality products, consistent with TerraCycle’s reputation and Customer’s current business practices in regard to its other products.

10.6 **DISCLAIMER OF OTHER REPRESENTATIONS AND WARRANTIES; NON-RELIANCE. EXCEPT FOR THE MATERIALS WARRANTY SET FORTH IN SECTION 10.1: (A) NEITHER TERRACYCLE NOR ANY PERSON ON TERRACYCLE’S BEHALF HAS MADE OR MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WHATSOEVER, EITHER ORAL OR WRITTEN, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, OR NON-INFRINGEMENT, WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND (B) CUSTOMER ACKNOWLEDGES THAT IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY MADE BY TERRACYCLE, OR ANY OTHER PERSON ON TERRACYCLE’S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN SECTION 10.1 OF THIS AGREEMENT.**

## 11. Confidentiality.

11.1 Protecting Confidential Information. Each Party will treat as confidential any non-public or proprietary information that the other Party may receive from or learn about each Party or its business model and methods (“**Confidential Information**”). Confidential Information may only be disclosed to employees, agents and subcontractors on a need-to-know basis. The Disclosing Party of such Confidential Information (the “**Disclosing Party**”) owns the Confidential Information and, when this Agreement expires or terminates, the Party to whom Confidential Information is disclosed (the “**Receiving Party**”) must return it, together with any copies thereof, to the Disclosing Party if requested. Employees, agents and subcontractors must protect the Confidential Information in the same way that a Party to this Agreement is required. Both Parties also must keep confidential anything regarding this Agreement. If the Receiving Party violates this Section 11, the Disclosing Party would be seriously harmed and may seek a court order or other injunctive relief to require the Receiving Party to comply with these confidentiality obligations, prevent further violations, and obtain any other available relief. If a Party brings an action based on a breach of this Section 11, the other Party agrees to waive the requirements for the posting of a bond.

11.2 Exceptions. Parties do not have to keep confidential any information that is: (a) public at the time of disclosure or becomes public afterward (unless the Party to whom such information was disclosed made it public in violation of this Agreement), (b) known to the Receiving Party before it was disclosed by the Disclosing Party as documented by the Receiving Party’s business records, (c) told to the Receiving Party by an independent Party (unless their disclosure violated confidentiality obligations owed to the Disclosing Party), or (d) authorized by the Disclosing Party in writing.

11.3 Court Orders. In case Confidential Information is required to be disclosed by the Receiving Party by virtue of a court order or statutory duty, the Receiving Party shall be allowed to do so, provided that it shall, without delay, inform the Disclosing Party in writing of receipt of such order or coming into existence of such duty and enable the Disclosing Party to seek protection against such order or duty.

## 12. Indemnification.

12.1 Mutual Indemnity. Subject to the terms and conditions of this Agreement, each Party shall indemnify, defend and hold harmless (the “**Indemnifying Party**”) the other Party, and its and their respective successors and permitted assigns (collectively, “**Indemnified Party**”) against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys’ fees, fees and the costs of enforcing any right to indemnification under this Agreement and the cost of pursuing any insurance providers, incurred by Indemnified Party (collectively, “**Losses**”), relating to any third party claim or any direct claim against either Party alleging: (a) a breach or non-fulfillment of any representation, warranty or covenant under this Agreement by Indemnifying Party or Indemnifying Party’s Personnel; (b) any negligent or more culpable act or omission of Indemnifying Party or its Personnel (including any recklessness or willful misconduct) in connection with the performance of this Agreement; and (c) any failure by Indemnifying Party or its Personnel to comply with any applicable Laws.

12.2 Additional Indemnities. In addition to the above:

(a) Customer shall indemnify, defend and hold harmless TerraCycle and its Representatives, Affiliates, and its and their respective successors and permitted and its parent, affiliates, shareholders, directors, officers, employees, agents, subcontractors, supplier and customers from and indemnify each of them against any and all Losses which they or any of them may incur or be obligated to pay, or for which they or any of them may become liable, arising out of or relating to: (i) any acts or omissions that may be committed, suffered or permitted by it Customer, or any of its employees, subcontractors or agents, in connection with the manufacture, distribution and marketing of the Goods; (ii) any claim that the Goods infringe or misappropriate the intellectual property rights of any third party; or (iii) any bodily injury, death of any Person or damage to real or tangible personal property caused by the willful or negligent acts or omissions of Customer or its Personnel.

(b) TerraCycle shall indemnify Customer for any reasonably foreseeable costs associated with the return of Non-Conforming Materials, failures to deliver Materials on time, or other material breaches of this Agreement that are not or cannot be cured within a reasonable time following written notice.

12.3 Exceptions to Indemnity. Notwithstanding anything to the contrary in this Agreement, an Indemnifying Party is not obligated to indemnify or defend (if applicable) an Indemnified Party against any claim if such claim or corresponding Losses arise out of or result

from the Indemnified Party's or its Personnel's gross negligence or more culpable act or omission (including recklessness or willful misconduct). Any breaching Party shall be responsible for the attorneys' fees of the non-breaching Party in any successful action brought by the non-breaching Party to enforce the terms and provisions of this Agreement.

**12.4 Indemnification Procedures.** Each Party's indemnification obligations are subject to all of the following: (a) the Indemnified Party must promptly notify the Indemnifying Party of the claim or lawsuit, with a description of the claim or lawsuit and a copy of the claim if available; (b) the Indemnified Party must permit the Indemnifying Party to assume the defense of the entire claim and to select qualified legal counsel, and to defend, compromise, or settle the lawsuit in Indemnifying Party's reasonable discretion (with notice to the Indemnified Party) at its own expense; and (c) the Indemnified Party must provide the Indemnifying Party with all available information, assistance, authority and cooperation to enable the Indemnifying Party to defend, compromise or settle the claim or lawsuit. For clarity, neither Party may settle a claim or lawsuit with any third party on terms that the Indemnified Party objects to, but if the Indemnified Party objects to a settlement that the Indemnifying Party would have agreed to, the obligation of the Indemnifying Party to indemnify shall thereafter cease, and the Indemnified Party shall be responsible for the claim and any costs thereafter.

### **13. Limitation of Liability.**

**13.1 NO LIABILITY FOR CONSEQUENTIAL OR INDIRECT DAMAGES.** IN NO EVENT SHALL TERRACYCLE OR ITS REPRESENTATIVES BE LIABLE FOR CONSEQUENTIAL, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE OR ENHANCED DAMAGES, LOST PROFITS OR REVENUES OR DIMINUTION IN VALUE, ARISING OUT OF OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF (a) WHETHER SUCH DAMAGES WERE FORESEEABLE, (b) WHETHER OR NOT BUYER WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND (c) THE LEGAL OR EQUITABLE THEORY (CONTRACT, TORT OR OTHERWISE) UPON WHICH THE CLAIM IS BASED, AND NOTWITHSTANDING THE FAILURE OF ANY AGREED OR OTHER REMEDY OF ITS ESSENTIAL PURPOSE.

**13.2 MAXIMUM LIABILITY FOR DAMAGES.** IN NO EVENT SHALL TERRACYCLE'S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT, WHETHER ARISING OUT OF OR RELATED TO BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, EXCEED THE AMOUNTS PAID TO TERRACYCLE FOR THE RELATED PURCHASE ORDER GIVING RISE TO THE CLAIM, PURSUANT TO THIS AGREEMENT.

**13.3 ASSUMPTION OF RISK.** WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, CUSTOMER ASSUMES ALL RISK AND LIABILITY FOR THE RESULTS OBTAINED BY THE USE OF ANY CONFORMING MATERIALS IN THE PRACTICE OF ANY PROCESS, WHETHER IN TERMS OF OPERATING COSTS, GENERAL EFFECTIVENESS, SUCCESS OR FAILURE, AND REGARDLESS OF ANY ORAL OR WRITTEN STATEMENTS MADE BY TERRACYCLE, BY WAY OF TECHNICAL ADVICE OR OTHERWISE, RELATED TO THE USE OF THE MATERIALS.

**13.4** All liability for claims made regarding the recyclable formulas and percentages are the responsibility of Customer. This includes but is not limited to claims pertaining to any recycled content contained in finished Goods. Additionally, TerraCycle expressly disclaims any and all liability that arises or is related to the manufacture, sale, distribution of the Goods and that it has no knowledge of or involvement in the manufacture of the Goods and makes no representation as to their integrity, craftsmanship or that they will function in the way that they are intended.

**14. Intellectual Property Rights.** Nothing herein shall give either Party any interest in the Intellectual Property Rights of the other Party except as specified herein.

### **15. Insurance.**

**15.1** Each Party shall maintain, at its own cost, general liability, manufacturer's product liability, and other appropriate insurance in an amount appropriate to the nature and scope of its obligations under this Agreement, which is reasonable and customary in its respective industry for companies of comparable size and activities. Either Party shall, upon the written request of the other Party, provide a certificate of insurance confirming coverage. The Parties will maintain all insurance required under this Section 15 for as long as this Agreement is in effect and during any inventory sell off period.

## 16. Miscellaneous

16.1 Entire Agreement. This Agreement and any related exhibits and schedules, including and together with the TerraCycle's Quote, and the Basic Purchase Order Terms contained in the applicable Purchase Order, constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein and therein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

16.2 Non-Solicitation and Non-Circumvention. During the Term and for a period of two (2) years following the termination of this Agreement, neither Party shall, directly or indirectly, for itself or on behalf of any other Person: (a) solicit for employment or otherwise induce, influence or encourage to terminate employment with the other Party, or employ or engage as an independent contractor, any current or former employee of the other Party; or (b) solicit business from or induce, influence or encourage, any client, customer, supplier or other similar third party of the other Party to alter, terminate or breach the other Party; or (c) circumvent the other Party or any of its Representative by communicating or conducting business with any of the other Party's suppliers, vendors, distributors, dealers, sales agents, brokers, licensors or licensees. Each Party acknowledges and agrees that (a) a breach or threatened breach by such Party of any of its obligations under this Section would give rise to irreparable harm to the other Party for which monetary damages would not be an adequate remedy and (b) in the event of a breach or a threatened breach by such Party of any such obligations, the other Party shall, in addition to any and all other rights and remedies that may be available to such Party at law, at equity or otherwise in respect of such breach, be entitled to seek equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each Party agrees that such Party will not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this Section 16.2.

16.3 Relationship of the Parties. The relationship between TerraCycle and Customer is solely that of vendor and vendee, and they are independent contracting parties. Nothing in this Agreement creates any agency, joint venture, partnership or other form of joint enterprise, employment or fiduciary relationship between the Parties. Neither Party has any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement or undertaking with any third party.

16.4 Notices. All notices will be in writing and will be (a) mailed by first-class, registered or certified mail, postage paid, or delivered personally, by overnight delivery service or (b) or email, with confirmation of receipt and promptly following by a writing delivered as described in (a), addressed as set forth below. Notices sent by email will be effective upon confirmation of receipt, notices sent by mail or overnight delivery service will be effective upon receipt or upon refusal of delivery, and notices given personally will be effective when delivered or when delivery is refused.

To Customer:

GRN Movement, Inc.  
15 West 34<sup>th</sup> Street, Third Floor  
New York, New York 10001  
Attn: Steve Russo

To TerraCycle:

Attn: General Counsel  
1 TerraCycle Way  
Trenton, NJ 08638

16.5 Interpretation. Unless the context otherwise requires, references in this Agreement: (a) to sections, exhibits, schedules, and attachments mean the sections of, and exhibits, schedules, attachments and appendices attached to, this Agreement; (b) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof. The Parties drafted this Agreement without regard to any presumption or rule requiring construction or interpretation against the Party drafting an instrument or causing any instrument to be drafted. The exhibits,

schedules, attachments, and appendices referred to herein are an integral part of this Agreement to the same extent as if they were set forth verbatim herein.

16.6 Headings. The headings and subheadings in this Agreement are for convenience purposes only and have no substantive effect.

16.7 Severability. This entire Agreement should be interpreted to be effective and valid under applicable law. However, if any part of this Agreement is found to be illegal or invalid under applicable law, that part should be stricken or modified to conform to the law without invalidating the remainder of the Agreement. If striking or modifying the Agreement will significantly affect the economic expectations of the parties, the parties will make whatever changes to the Agreement may be necessary to fairly address this impact.

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16.8 Amendment; Modification; Waiver. No amendment to this Agreement is effective unless it is in writing and signed by each Party. No waiver by either Party under this Agreement is effective unless it is in writing and signed by such Party. Any waiver authorized on one occasion is effective only in that instance and only for the purpose stated, and does not operate as a waiver on any future occasion. Any failure or delay in exercising any right, remedy, power or privilege or in enforcing any condition under this Agreement shall not constitute a waiver or estoppel of any other right, remedy, power, privilege or condition arising from this Agreement.

16.9 Cumulative Remedies. Except as otherwise set forth in this Agreement, all rights and remedies provided in this Agreement are cumulative and not exclusive, and the exercise by either Party of any right or remedy does not preclude the exercise of any other rights or remedies that may now or subsequently be available at law, in equity, by statute, in any other agreement between the Parties or otherwise.

16.10 Remedies Not Exclusive. Any remedy granted in this Agreement is in addition to any other legal or equitable rights or remedies.

16.11 No Public Disclosure. In addition to the confidentiality obligations in Section 11 above, and except as expressly permitted herein, neither Party will publicly disclose the terms of this Agreement or the business relationship between the parties, nor use the other's name or intellectual property (including the Customer Trademarks and the TerraCycle Trademarks) without the prior written consent of the other Party;

16.12 Assignment. The rights granted hereunder to Customer shall be personal to Customer and Customer will not assign or sublicense any of its right(s) under this Agreement, or encumber this Agreement in any manner, without TerraCycle's prior written approval. "**Assign**" includes all transfers of control, whether by stock or asset transfer or merger. Upon giving notice, TerraCycle may assign this Agreement without Customer's consent to any affiliate or to any corporation or entity purchasing all or substantially all of the assets or stock of the assigning TerraCycle's business operations to which this Agreement relates. In the event of a permitted assignment under this Subsection, the assigning Party will have no further obligations arising after the date of the assignment with respect to this Agreement.

16.13 No Third-Party Beneficiaries. Except with respect to Indemnified Parties under Section 12, this Agreement benefits solely the Parties to this Agreement and their respective permitted successors and permitted assigns and nothing in this Agreement, express or implied, confers on any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

16.14 Force Majeure. Neither Party shall be liable or responsible to the other, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement, if such failure or delay is caused by or results from acts beyond such Party's control, including: (a) acts of nature; (b) flood, fire, earthquake or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) requirements of Law; (e) actions, embargoes or blockades in effect on or after the date of this Agreement; (f) action by any Governmental Authority (whether or not having the effect of Law); (g) national or regional emergency (including pandemics); (h) strikes, labor stoppages or slowdowns or other industrial disturbances; (i) shortages of or delays in receiving raw materials including any Customer Supplied Materials or Vendor Directed Materials; (j) shortages of adequate power or transportation facilities; (k) significant failures in global or regional communication systems or the internet which materially disrupts a Party's ability to perform; (l) events originating from outer space including but not limited to events caused by objects in planetary orbit and failures thereof ( each, a "**Force Majeure Event**"). Both parties acknowledge and agree that as of the Effective Date, there exists a worldwide pandemic, currently known as 'Coronavirus/COVID-19' (the "**Pandemic**") and (i) both Parties are aware of such conditions as of the Effective Date, and (ii) both Parties acknowledge and agree that it is currently not impacted by such Pandemic in a way that would prevent it from performance hereunder. It being further understood and agreed, without limiting the foregoing, in the event one Party fails in performance due to such Pandemic, that it must show that any

such performance is materially frustrated or impossible under the circumstances to constitute a Force Majeure Event. Either Party may terminate this Agreement if a Force Majeure Event occurs and thereafter prevents the other Party from performing its obligations under this Agreement for at least ninety (90) consecutive days. Nothing in this Section or elsewhere in this Agreement shall excuse Customer from its obligations of payment for any Commencement of Work, including but not limited to finished Materials.

16.15 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the state of New Jersey and all claims relating to or arising out of this contract, or the breach thereof, whether sounding in contract, tort or otherwise, shall likewise be governed by the laws of the state of New Jersey.

16.16 Dispute Resolution/Binding Arbitration. If the Parties have a dispute under this Agreement, both parties will try to settle it through cooperation and negotiation in good faith. If that fails, the Parties will cooperate in the selection of a certified mediator who will make recommendations about settling the dispute. If the Parties still cannot agree after mediation, they will submit to BINDING ARBITRATION pursuant to the rules of the American Arbitration Association, which arbitration will be conducted in Trenton, New Jersey (or other location agreed by the Parties) by a certified arbitrator applying New Jersey law. Notwithstanding the foregoing, either Party may go to court solely to seek a preliminary injunction or to prevent the statute of limitations from barring a claim. Both parties will continue to participate in the negotiation, mediation, or arbitration despite the filing of an action in court, and such participation will not be construed against either Party in any way. Any negotiation or mediation under this Agreement will be confidential and will be treated as a settlement negotiation under the applicable rules of evidence.

16.17 Counterparts. This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date set forth above. The individuals signing this Agreement represent by their signatures that they are authorized to sign on behalf of and to bind their respective companies to this Agreement. By their authorized signatures below, both parties warrant that they agree to all of the terms of this Agreement, that they have had an opportunity to discuss those terms with attorneys or advisors of their own choosing and that those terms are fully understood and voluntarily accepted by them and that they have signed this Agreement voluntarily and with full understanding of its legal consequences.

GRN Movement Inc. (“**Customer**”)

TerraCycle US, LLC (“**TerraCycle**”)

By: /s/ Steve Russo

By: /s/ Daniel Rosen

Name: Steve Russo

Name: Daniel Rosen

Title: CEO

Title: General Counsel

Date: March 28, 2022

Date: March 28, 2022

List of Schedules

Schedule A: Form of Materials Order

Schedule B: Customer Monthly Sales Report

Schedule C: Approved Goods and Retailers

*The company agrees to furnish supplementally a copy of any omitted schedule to the U.S. Securities and Exchange Commission upon request.*

