CONFIDENTIAL

Equity — Frequently Asked Questions

A guide for Flow team members to understand our phantom unit equity structure and how it benefits you.

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1 The Basics

Q What is equity anyway?

Equity is a type of compensation, on top of your base salary, that is tied to the performance of the company.

Q Why should I care about equity?

Because you may benefit from it financially. If you hold equity in Flow, and Flow increases in value, you will have the potential to share in that value.

Q Why do companies give equity to employees?

To attract great employees, retain great employees, and align incentives between the company and its employees.

Q Who can have equity?

Founders, management teams, employees at all levels, investors, consultants, and advisors.

Q When do I get equity?

Employees typically receive a promise of equity on their hire date, as an additional incentive on top of their base salary. The actual grant of the equity occurs a few months later, once approved by the Board of Directors. Employees may also receive "refresh" or "performance" grants from time to time.

Q **Do I own my equity immediately?**

Employees have to meet certain conditions before the equity is earned. At Flow, **time-based vesting** is the standard for employees. This means that you earn your equity based on how long you've worked for the company.

Q **How does time-based vesting work?**

Think about it like gaining ownership of the company a little at a time, the longer you work here. At Flow, our standard equity grant **vests over five years**. For new hires, the "vesting start date" is always your hire date, even if the "grant date" doesn't occur until later.

Q **So I start earning equity from day one?**

Not exactly — in a time-based vesting structure, companies like Flow want to make sure you remain at the company for some time before your equity vests.

> **HOW IT WORKS**
>
> A common structure is a **"one-year cliff"** — you earn 20% of your equity after one year. After your first year, your equity vests on a month-by-month basis.

2 Flow's Structure

Q **How is Flow structured?**

Flow has three main companies:

Parent Company TopCo

Owns the Operating Company and Real Estate Company. Andreessen Horowitz invested in the Parent Company. The Parent Company is an LLC taxed as a partnership, like most PE-backed companies and privately owned real estate companies.

Operating Company OpCo

Performs management services, develops technology, and generally "operates" all of our business lines (hotel, F&B, magazine, etc.). The operating company is a corporation, like most venture-backed companies.

Real Estate Company PropCo

Owns our real estate and makes certain other investments into real estate related ventures.

Q **Why is the Parent Company not a corporation?**

It is tax inefficient, and generally not standard, to own real estate in a corporation. Nearly all real estate investment firms (and most private companies) are set up as LLCs taxed as a partnership. Even publicly traded REITs are not corporations in the traditional sense, as they have special rules that allow them to function like partnership-like LLCs.

3 Flow's Equity Plan

Q **What changes are being made to our equity plan?**

To better align incentives between employees, founders, and investors, equity is now in the **Parent Company**. Equity in the Parent Company will allow employees the possibility of sharing in the upside of our current and future real estate investments.

Q **Will I receive stock options in the Parent Company?**

No — as mentioned above, only corporations are able to grant stock options. Because the Parent Company is an LLC, employees will receive a different type of equity that is allowed under the tax laws that govern LLCs.

Q **What types of equity are allowed in LLCs?**

There are three main types of equity that employees can receive in an LLC: profits interest units, options to acquire capital interests, and **phantom units**.

The Company has explored the available options and determined that **phantom units are the best type of equity** for employees to receive in the Parent Company.

Q **Why phantom units and not the other options?**

The other options (profits interests, etc.) have the potential to create **onerous tax obligations** for employees. For example, recipients of profits interest units often find themselves filing tax returns in multiple states, filing tax return extensions, and hiring professional accountants to calculate and make quarterly tax payments.

Q What are phantom units and how do they work?

A phantom unit is a **contract between the company and the employee** that is designed to mimic the economics of a stock option.

Stock options give employees the right to purchase a share of stock at a fixed price (typically a lower price, called the "exercise price"), and then sell that share at a higher price at some point in the future (assuming the company appreciates in value).

> **EXAMPLE — STOCK OPTIONS**
>
> Susie receives a stock option that gives her the right to purchase a company's stock at $2.00 per share. 5 years later, that company IPOs for $10.00 per share. Susie can buy the stock for $2.00, sell it for $10.00, and make **$8.00 of profit**.

> **EXAMPLE — PHANTOM UNITS**
>
> Now let's say Susie has phantom units instead. Rather than an exercise price, the phantom units have a "threshold" or "base" price of $2.00 per unit. 5 years later, the company IPOs for $10.00 per unit. The company pays Susie (in cash or a cash/stock mix) the difference between the value of the underlying share ($10.00) and the threshold ($2.00) — the same **$8.00 of profit**.

Q Can you explain that in simpler terms?

Phantom units function very similarly to stock options.

Phantom units have a **"threshold" or "base" price**, which is economically similar to a "strike price" in a stock option arrangement.

The value of each phantom unit **tracks the current Fair Market Value (FMV)** of the company's equity. When the company increases in value, each phantom unit also increases in value — just like stock. As the units increase in value, the spread between the FMV of each unit and the threshold price per unit grows. This "spread" is your embedded profit.

4 Series B Fundraise

Q **Can you share the valuation of the Series B?**

The Series B valuation of the Parent Company is **$2.5 billion**.

5 Other Questions

Q **Where can I see how much my equity is worth?**

You will be prompted to accept your phantom unit award in **Carta**, and the Carta platform will display both the gross and net value of your award. The gross value shown in Carta is estimated by multiplying (a) the quantity of phantom units by (b) the Company's latest price per preferred unit (i.e., the Series B price per unit).

> **IMPORTANT**
>
> This estimate does not represent the fair market value of your award. Equity in Flow is illiquid (i.e., it does not have a market price), highly speculative, and may ultimately be worthless.

Q **What are the tax implications of phantom units vs. stock options?**

Event	Phantom Units	Stock Options
At Grant	Not taxable	Not taxable
At Exercise	N/A — there is no "exercise"	Potentially taxable (NSOs taxed as ordinary income; ISOs may trigger AMT)
When Realized	Taxed as ordinary income	Taxed as ordinary income or capital gains, depending on hold period

With phantom units, there is no ability to "exercise" and start the capital gains clock. All cash gains will always be taxed as ordinary income.

> NOTE
>
> Please consult your personal tax advisor if you have questions regarding your specific tax position.

Q **Do I have to "exercise" or pay money to own my equity?**

No, phantom unit awards **do not require you to put capital at risk** to receive the potential of future benefit.

Q

When does my equity turn into cash?

The phantom unit award and phantom equity plan documents specify which types of **liquidity events** trigger a payout. Examples include an IPO or company acquisition. The awards may be settled in cash or, less commonly, in a mix of cash and shares.

> **IMPORTANT**
>
> The awards are currently illiquid, and there may never be a liquidity event.

Q

Does my equity ever expire?

Yes. Tax regulations require that each phantom unit award have a term of **7 years from the date of grant**. If there is no liquidity event within 7 years, the phantom unit award will expire. New phantom unit awards can be granted at any time, and employees may have multiple awards. Comparatively, stock options typically have a term of 10 years.

Q

When does the term of the award begin?

The term begins on the **date of grant** (not the vesting start date, or your start date).

Q

If the award is near expiration, can the Company grant additional awards?

Yes, the Company can grant additional phantom equity, with a new term, at any time.

What happens to my equity if I leave the Company?

If you leave the Company, you **keep your vested equity** until the expiration of the award or a liquidity event. Your unvested equity is forfeited on your termination date.

Unlike stock options, you do **not** need to exercise post-termination to keep your vested shares. Vested phantom units remain outstanding for the duration of the award term.

> **WHY THIS MATTERS**
>
> At many companies, employees must exercise their stock options within 90 days of termination to avoid losing their equity — and exercising can be prohibitively expensive. With phantom units, there is no requirement to exercise or put capital at risk post-termination.

Can I sell my equity today? Is it liquid?

No. There is no market for these awards. The award does not have any monetary value until a liquidity event occurs, if one ever occurs. The awards are non-transferable and non-pledgeable.

Do phantom units give me any rights as an equityholder?

No. Phantom units do not represent equity interests and do not provide rights to vote, inspect records, receive dividends, or participate as an equityholder of the Company.

Comparatively, stock options also do not provide rights to vote, inspect records, or receive dividends — though the underlying security may, post-exercise.

Q **Which security do the phantom units track?**

The phantom unit awards track the **fair market value of the common units**. For example, if there is an IPO or sale of the company and the common units receive $10 per unit, the phantom units will also receive $10 per unit.

Typically, just prior to an IPO, a company's preferred shares all convert to common shares, and the IPO price is a price per common share.

Q **Is my equity subject to future dilution?**

Yes. If the Company raises additional capital in the future, including through the issuance of additional Series B units, your equity would be diluted. This is a feature of all types of equity, including stock options and common stock.

Q **Does the Company need a 409A valuation to set the threshold value?**

No. The Company can decide to grant awards with any threshold, or no threshold. There is no requirement to set the threshold at fair market value, and thus no 409A valuation is required.

Q **Can phantom units participate in secondary sales or other partial liquidity events?**

Yes. Phantom units can participate in any liquidity event facilitated by the Company, including but not limited to secondaries, tender offers, buybacks, distributions, etc.

> **IMPORTANT**
>
> There is no guarantee of liquidity, whether through a secondary transaction or otherwise. Any liquidity event must be facilitated by the Company, which retains sole discretion regarding which securities are included and the extent of participation.

6 Phantom Unit Details

Q How is the value of a phantom unit determined at payout?

For vested phantom units, you will receive the equivalent of what a holder of a common unit in Flow Global would have received in the Deemed Liquidation Event or Qualified IPO, as applicable, **minus the applicable base price**. If the total payment payable with respect to one common unit is less than the base price of one phantom unit, then you will not receive any payment.

> **IMPORTANT**
>
> The value of the Common Units (and, in turn, the Phantom Units) is speculative and there is no guarantee that the Phantom Units themselves will be worth any particular value on a Deemed Liquidation Event or Qualified IPO.

Q When are payments made? What form are payments made?

Assuming the Phantom Units satisfy both the Service Requirement and the Liquidity Event Requirement before the Expiration Date, you will generally receive payment **within 30 days following the closing date** of the applicable event, and no later than March 15th of the following year.

Payments may be made in cash, property, or a mix of both. Subject to compliance with applicable tax laws, payments may follow the same schedule as payments made to holders of common units, including any delays due to escrow, earnout schedules, or other holdback amounts.

Q Why must Flow's phantom equity have a seven-year term?

Phantom equity is governed by **Section 409A of the Internal Revenue Code** and needs to be structured to comply with, or be exempt from, the requirements of Section 409A.

Our awards are structured to be **exempt from Section 409A** given the rigidity of compliant awards (for example, with a compliant award, an IPO is not a permissible liquidity event). To be exempt, the award must have a defined term. Most practitioners feel comfortable that a seven-year term works under Section 409A.

> **WHY THIS MATTERS**
>
> Failure to structure the award properly under Section 409A would result in adverse tax consequences to the holder — including a 20% excise tax in addition to ordinary income tax.

Q If Flow doesn't have a liquidity event in the next seven years, does Flow have plans to address the expiration?

Keeping our employees motivated and properly incentivized is a top priority for Flow. We cannot predict the future, but our **intention is to evaluate all options** to ensure our employees remain aligned with Flow's economic outcomes.

guarantees of future results. Equity awards at Flow are inherently speculative, subject to change, and may ultimately have no monetary value. There is currently no market for these awards, and there is no assurance that any liquidity event will occur.

You should consult your own legal, financial, or tax advisors regarding your personal situation.