

2016 TechOut™ NH Startup Competition
Application Instructions

- 1.) The package of application materials includes the following documents for review and completion by you (the “Contestant” or “you”):
 - a. These Application Instructions;
 - b. Official Rules;
 - c. Investment Term Sheet and Convertible Promissory Note Form;
 - d. Application Form (which must be signed by the Contestant); and
 - e. Judging Criteria.

- 2.) Prior to preparing and filling out the Application Form, you should review the entire application package. While all of the documents in this application package should be reviewed carefully, you should pay particular attention to the 2016 TechOut™ NH Startup Competition **Official Rules** and the **Investment Term Sheet and Convertible Promissory Note Form**. You should also note that there is **no application fee**. If you have any questions, please send an email to info@nhhtc.org

- 3.) A **completed** application for the 2016 TechOut™ NH Startup Competition must include the following:
 - a. A fully completed and executed Application form;
 - b. A 5-page business summary – the summary should include:
 - i. The product or service, features and benefits
 - ii. The pain point being addressed by the product or service (demonstrated need)
 - iii. Size of the addressable market
 - iv. Competition
 - v. Pricing and distribution model
 - vi. Summary financials, including projections
 - vii. Team and experience
 - viii. Brief rationale of how by winning this competition the company will move forward, how you will invest the proceeds
 - ix. Positive impact on New Hampshire
 - x. Why this is a good investment for the limited partners who put up the prize money

The judges will evaluate only the first five pages of your business summary. Judges have been instructed not to review and to discard any data provided that exceeds five pages. Contestants are encouraged to maximize the

use of photos, graphs, charts, etc. in the first five pages to provide the information you want the judges to consider.

- 4.) Please send the executed and completed Application form and the business summary as a **single pdf file electronically** to info@nhhtc.org **by Friday, August 19.**
- 5.) Contestants that are selected as semi-finalists by the judges will be required to provide an in-person presentation to the judges during the final round of judging. During the final round, the first and second place winners will be selected by the judges, and the third place winner will be selected by the attendees at the TechOut Event. All of the winners will be announced at the TechOut Event. The timeline for the TechOut competition is as follows:

2016 TechOut Startup Competition Timeline

- | | |
|---|-------------------------|
| 1.) Competition Open – Applications Welcome: | June 15 |
| 2.) Applications Due: | August 19 |
| 3.) Semi-Final Round: | September 12 |
| 4.) Closed Door Final Round: | September 19 |
| 5.) PitchCamp | Week of Sept. 26 |
| 6.) Final Competition – TechOut Event: | October 5th |

2016 TechOut™ NH Startup Competition Official Rules

Sponsors. The TechOut Startup Competition (the “Competition”) is organized by the NH High Tech Council and Alpha Loft, which are both non-profit entities (the “Organizers”). Investments in the winners of the Competition will be made by 2016 Mill Works Fund Series, LP, a Delaware limited partnership (the “Fund”).

Prizes. Prizes under the Competition will be awarded to contestants (“Contestants”) in the Competition chosen by a panel of judges (the “Judges”) chosen by and affiliated with the Fund. The schedule of prizes may be amended from time to time by the Fund. By submitting an application in the Competition, the Contestant acknowledges that it has received and understands the terms of investment associated with an award of a prize in the Competition and agrees to take an investment from the Fund on those terms, without substantial changes. Contestant agrees to provide all necessary documentation for due diligence and enter into the Convertible Promissory Note within 60 days from the TechOut final contest date. In the event that the investment is not completed within 60 days the TechOut organizers may, at their sole option, not make a financial award.

Eligibility. The Competition is only open to a Contestant which (i) is a for-profit, technology-focused business, formed no more than five (5) years prior to the deadline for applications, (ii) as of the time it submits an application shall not have raised more than \$250,000 in funding from unaffiliated parties, (iii) as of the time it submits an application shall not have had revenues during any previous fiscal year that exceed \$250,000, and (iv) is ready and able to take an investment from the Fund on the terms and conditions set forth in the Investment Term Sheet included in the application package, as modified from time to time by the Fund. After the June 15th open application date, any company that enters into a Term Sheet with an outside investor (any person, fund or organization who is not part of the founding team or senior management) for an amount that would bring the company's cumulative investment to over \$250,000, must notify the NHHTC immediately upon signing of the Term Sheet. The Judges may, in their sole discretion, disqualify the Applicant from the Contest.

Application. Contestants must submit an application to the Competition on or before the application deadline established by the Fund (as such deadline may be extended or otherwise modified) in a form prepared by the Judges and subject to change from time to time at the discretion of the Judges. By submitting an application, Contestants will be considered to have agreed to these Official Rules, including any changes to the same that may be adopted by the Fund or by the Organizers. The rules and instructions for submission of applications will be announced by the Judges and are subject to change from time to time at the discretion of the Judges. The Judges will not be responsible for applications that (i) are lost, late, stolen, incomplete, illegible, damaged, misdirected or not received by the Judges for any reason, (ii) are the subject of problems or technical malfunctions, errors, omissions, deletions or delays in transmission, or (iii) are submitted in a manner or in a form that violates the application submission rules adopted and in effect as of such time.

Judging Criteria; Selection of Winners. The Judges have the absolute right to determine if an application is in compliance with these Official Rules, without notice to the Contestant. The Judges will also have discretion to interpret and judge applications and declare winners, using the published criteria or any other criteria deemed relevant by them, weighting such criteria as they deem appropriate. A winner of a prize under the Competition shall have a non-exclusive, limited, revocable license to use the name and logo of the Competition to announce that the Contestant won a prize through the Competition in public and private notices, unless and until such license is revoked for any or no reason or upon any revocation or forfeiture of such prize. All prize selections are final, and prizes may not be transferred or exchanged for any other consideration, provided that the Fund reserves the right to revoke or declare forfeited a prize if the Contestant is uncooperative or violates or threatens to violate these Official Rules. If the Fund declares any prize to be revoked or forfeited, then the Contestant agrees to return to the Organizers any trophy or other manifestation of a prize and agrees not to use the name or logo of the Competition in any way, including but not limited to in any public or private announcement or notice. Any applicable taxes will be the sole responsibility of the winners. Receipt of a prize is conditioned on compliance with all applicable federal, state and local laws and these Official Rules and any conditions expressly imposed by the Fund.

Suspension; Amendments. The Judges and the Fund reserve the right to (i) suspend, amend, modify or cancel the Competition, the application procedures, the eligibility criteria and these Official Rules at any time in their sole discretion, (ii) disqualify any Contestant which violates the terms of the application procedures, eligibility criteria or these Official Rules, without notice and/or a hearing, and (iii) condition the awarding of a prize on any factor deemed by them to be relevant and in the spirit of the Competition.

2016 NH Mill Works Fund Series, LP

**CONVERTIBLE PROMISSORY NOTE
TERM SHEET**

**To
[NAME OF ISSUER]**

This Term Sheet summarizes the principal terms of the proposed 6% Convertible Promissory Note (the “Note”) to be issued by **[Name of Issuer]** (the “Company”) to NH Mill Works Fund Series, LP (the “Fund”) and related transactions. The terms outlined herein are subject in all respects to due diligence by the Fund and the execution of the definitive Convertible Promissory Note, Securities Purchase Agreement and related documents. This Term Sheet does not create any legal obligations on the part of the Fund or any of its affiliated parties.

Title of Security	6% Convertible Promissory Note
Principal Amount	The original principal amount of the Note will be [First Place: \$50,000/Second Place: \$30,000/Third Place: \$20,000]
Interest	The Note will accrue interest on the unpaid principal balance thereof at an annual rate of 6%, calculated on the basis of a 360-day year of twelve 30-day months. Interest will not be payable until the Maturity Date, as defined below.
Maturity	The Note will mature, and all principal, accrued interest and any other Company obligation under the Note will become due and payable, on the second anniversary of the issuance thereof (the “ <u>Maturity Date</u> ”), unless earlier converted as set forth below in this Term Sheet
Closing	The closing of the issuance of the Note (the “ <u>Closing</u> ”) will occur upon the execution of a Securities Purchase Agreement in customary form not later than sixty (60) days after the awarding of the prizes in the annual TechOut Startup Competition (the “ <u>Competition</u> ”) sponsored by the NH High Tech Council and Alpha Loft. The Fund reserves the right to cease negotiating with the Company if negotiations are not, in the judgment of the Fund, proceeding toward a Closing within this time period. The Company will provide to the Fund, promptly after a request therefor, any due diligence materials reasonably requested by the Fund, in addition to the Fund’s due diligence questionnaire to be completed by the Company in connection with the Competition.
Security; Ranking of Note	The Note will not be secured. Upon request of the Company, the Fund will enter into a subordination agreement on customary terms with any institutional lender to the Company.

Default Price; Target Price	Under certain circumstances, the Note may become convertible into units of preferred equity of the Company of the class and series with the highest priority, or if no units of preferred equity are then issued or issuable, into units of common equity, at a price per unit which corresponds to (1) a total valuation of the Company, on a fully-diluted basis and less any outstanding indebtedness, of \$1,000,000 (the “ <u>Default Price</u> ”), or (2) a total valuation of the Company, on a fully-diluted basis and less any outstanding indebtedness, of \$2,000,000 (the “ <u>Target Price</u> ”).
Next Equity Financing	Upon the closing by the Company of an equity financing prior to the Maturity Date in which the Company receives gross cash proceeds of at least \$250,000 (a “ <u>Qualified Financing</u> ”), all outstanding principal and interest on the Note will automatically convert into the preferred units or other equity instrument issued in such financing at a price per unit equal to the price per unit paid in such Qualified Financing with a 20% discount, but in no event greater than the Target Price.
Change of Control	The Fund may, at its election, convert all outstanding principal and interest on the Note at the Target Price upon the happening of any of the following events: (1) a sale of all or substantially all of the Company’s assets, a merger of the Company, a sale of greater than 50% of the Company’s outstanding equity interests, or an issuance of new equity interests totaling more than 50% to new persons (a “ <u>Change of Control Event</u> ”), and (2) the Maturity Date occurs and the Company tenders payment of the outstanding principal and interest on the Note.
Prepayment	The Note may not be prepaid by the Company without the written consent of the Fund.
Information Rights	Upon reasonable advance notice, the Fund will have the right to review and copy information regarding the Company’s business, prospects, finances, accounting records, material agreements, ownership and minutes of meetings of the Board of Directors and shareholders. Upon reasonable advance notice to the Company, the Company shall make available to the Fund’s representatives responsible officers to answer questions by the Fund regarding any of the foregoing matters. In addition, the Company will provide to the Fund unaudited financial statements on an annual basis.
Expenses	Each party will bear and pay its expenses incurred in issuing the Note and carrying out the other transactions contemplated herein.

Conditions to Closing

The funding of the Note is conditioned on the occurrence or the delivery of the following matters and documents:

1. The Company shall have responded to the Fund's reasonable satisfaction any due diligence information request, and the Fund shall be reasonably satisfied with such information; and
2. The Company shall have made any necessary amendment to its articles of incorporation or operating agreement to authorize a sufficient number of units of common and preferred equity to give effect to the conversion of the Note in accordance with the terms set forth in this Term Sheet, and shall have reserved a number of units of common equity sufficient to permit the conversion of the Note into common units at the Default Price.

Default

A default under the Note will occur upon the occurrence of any one of the following:

1. Failure to pay any interest, principal or other obligation as an when specified in the Note when due;
2. Bankruptcy, insolvency or other similar proceedings involving the Company; or
3. Any material breach by the Company of any representation, warranty, covenant or agreement under the terms of the Note, the Securities Purchase Agreement or any other agreement entered into in connection with the issuance of the Note; or
4. Any Sale Event.

**2016 TechOut™ NH Startup Competition
Application Form**

Contestant Contact Information:

Name of Business: _____

Name of Contact Person: _____

Title of Contact Person: _____

Address: _____

Phone: _____

Email: _____

Website: _____

Twitter: _____

Please describe your business in 140 characters or less:

In what State is your business formed? _____

Date of formation: _____

Organized as: Sole Proprietorship Partnership Limited Liability Company
 "S" Corporation "C" Corporation Business Entity Not Yet Formed

Corporate Lawyer Name: _____

Corporate Lawyer Contact Info: _____

Competition Terms and Conditions

Representations and Warranties. By submitting an application to the Competition, the undersigned Contestant represents and warrants to the Judges, the Organizers and the Fund that (i) the information contained therein is true, correct and complete in all material respects and that they may rely on such information, (ii) the Contestant has all necessary rights and authority to (a) contract in its own name, (b) grant the rights granted hereunder, and (c) be bound by the Official Rules and these Competition Terms and Conditions, (iii) the Contestant has read, understands, and agrees to abide by the Official Rules and these Terms and Conditions and to be bound by all decisions and interpretations made in good faith by the Judges. In addition, Each Contestant represents and warrants that it will use the investment capital, if any, provided by the Fund for capital expenditures and working capital purposes only. Among other things, the Contestant will not use such investment capital for distributions (other than tax distributions), unreasonable executive compensation or related party transactions except as legally approved.

Release of Liability. Each Contestant agrees that the Organizers, the Judges and the Fund, and their respective officers, directors, shareholders, members, managers, employees, agents and representatives (the “Released Persons”) shall not be liable for and are hereby released from, any claim against the Released Persons arising from or related to any loss or damage of any kind or nature or any other cause of action or claim related to the Contestant’s participation in the Competition, including without limitation, arising from or related to the acceptance or use of the prize awarded, or a claim based on publicity rights, defamation or invasion of privacy (each, a “Claim”). The Contestant hereby waives any and all Claims and hereby covenants and agrees that the Contestant shall not initiate a lawsuit or any other cause of action against any of the Released Persons in connection with any Claim. The Contestant agrees that the Contestant shall indemnify, defend and hold harmless the Released Persons from and against any loss, damage or expense that any or all of them may suffer or incur as a result, directly or indirectly, of the Contestant’s participation in the Competition.

Use of Winner’s Name and Likeness. The Contestant hereby grants to the Organizers, the Judges and the Fund, at any time and from time to time, the right and license, to print, publish, broadcast and use, worldwide and in any media now known or hereafter developed (including without limitation the Internet) the name, picture, voice, likeness and public information about the Contestant or any of its officers, directors, managers, shareholders or other equity holders as news or information and for advertising and promotional purposes, without additional consideration or right of review or notification, and agrees to provide documentation in writing to confirm the foregoing promptly upon the request of the Sponsors, the Judges or the Fund.

Limitation of Liability. UNDER NO CIRCUMSTANCES SHALL ANY OF THE RELEASED PERSONS BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, WHETHER IN TORT OR IN CONTRACT, ARISING OUT OF OR IN CONNECTION WITH THE CONTESTANT’S PARTICIPATION IN THE COMPETITION OR ACCEPTANCE OR USE OF ANY OF THE PRIZES.

Governing Law; Jurisdiction; Venue. These Official Rules will be interpreted and enforced in accordance with the internal substantive laws of the State of New Hampshire without regard to its conflicts of law provisions. Each Contestant agrees that the state and federal courts located in New Hampshire will have exclusive jurisdiction over any dispute arising from or relating to the Official Rules or the Competition. Each Contestant hereby waives any and all objections to the laying of venue in such courts.

Acknowledgement and Agreement

The undersigned Contestant, in consideration of its participation in the Competition, hereby acknowledges and agrees that (i) the Contestant has reviewed, understands and is bound by the Official Rules and the Competition Terms and Conditions, (ii) the Contestant has reviewed and understands the terms of the Investment Term Sheet and the Contestant has consulted with its own counsel to the degree that the Contestant considers necessary regarding such terms, (iii) the Contestant has obtained all necessary company approvals by its board, managers, members, shareholders, partners and other key constituents necessary under the organizational documents and/or ownership agreements of the Contestant to implement an investment on the terms set forth in the Investment Term Sheet, and (iv) if awarded a prize through the Competition, the Contestant will proceed diligently, with reasonable promptness, and in good faith to close an investment by the Fund on the terms set forth in the Investment Term Sheet.

Executed as a legally binding document by the Contestant as of the date set forth below:

Contestant (Company) Name: _____
(please print or type)

Name of Contestant Authorized Signatory: _____
(please print or type)

Title of Authorized Signatory: _____
(please print or type)

Signature of Authorized Signatory: _____

Date: _____

**2016 TechOut™ NH Startup Competition
Score Card**

Round I: Executive Summary Review

Company Name: _____

Judge Name: _____

Please evaluate the executive summary on the following aspects, taking into overall account the clear, exciting, and effectiveness of this document as a stand-alone overview of a full business plan.

(Using this rating system: 1 = poor, 2 = fair, 3 = adequate, 4 = good, 5 = excellent)

	Poor			Excellent	
1. Innovation & Value Proposition	1	2	3	4	5
<p>(There is innovation in technology, how technology is applied, how the product/service is marketed or in how revenue is generated. Has the team demonstration innovation? What problem are they solving for the customer? Is their product a must-have or nice-to-have?)</p>					
2. Market Opportunity	1	2	3	4	5
<p>(The market potential of the business is understood and translates into revenue potential if the Company is successful in executing its plan. Can the company capture market share and grow profit in this market?)</p>					
3. Competitive Advantage/Intellectual Property	1	2	3	4	5
<p>(Competitive advantage is what allows the company to compete successfully in its market. Does the Company have a cost advantage, management advantage, technology advantage, manufacturing or value chain advantage, or technology or process advantage it can protect? Does the team have an IP strategy? Have they verified their product is novel vis a vis their competitors? Have they protected their IP by patent filings, registration of trade and domain names, etc.?)</p>					

Company Name: _____

(Note: Not attributable to any judge. These comments will be summarized and provided anonymously to participants)

Feedback and Comments:

I: Strengths of the Executive Summary:

II: Areas for Improvement: