

# **M12 & VC PARTNERS FEMALE FOUNDERS COMPETITION OFFICIAL RULES**

## **1. OVERVIEW**

The objective of this competition is to bring together the most promising early stage SaaS and Deeptech startups that have at least one female founder and provide access to equity funding for the winners.

### **Geographic Groups**

This competition consists of two (2) unique geographic groups based on the location of each company's headquarters (each a "Geographic Group"):

- a. Group One: United States, District of Columbia, and Puerto Rico
- b. Group Two: Austria, Belgium, Bulgaria, Canada (excluding Quebec), Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, India, Ireland, Israel, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, and United Kingdom

### **Entry Categories**

This competition consists of two (2) unique entry categories based on technology and business model (each an "Entry Category"):

- a. Enterprise Software-as-a-Service ("Enterprise SaaS"): Enterprise SaaS startups are new businesses that offer a business-to-business software licensing model in which access to the software is provided to enterprise customers on a subscription basis, with the software being located on external servers rather than on servers located in-house. Enterprise SaaS is typically accessed through a web browser, with users logging into the system using a username and password.
- b. Deep technology ("Deeptech"): Deeptech startups are new businesses founded on breakthrough science or engineering. These momentous revolutionary technical solutions redefine or create new markets. "Deep" denotes the expansive potential of technological innovations to impact the world we live in.

Entrants will self-identify their Geographic Group and Entry Category and compete against other entrants in the same Geographic Group and Entry Category, with up to five (5) finalists per Entry Category and Geographic Group attending a finals event with a live pitch competition determining the final winner per Entry Category and Geographic Group.

M12 and its venture capital funding partners Mayfield and Pivotal Ventures (each a "VC Partner") will be involved in judging and providing the prizes. Mayfield and Pivotal Ventures are the VC Partners for entrants in Group One. Mayfield is the VC Partner for entrants in Group Two.

## **2. SPONSOR**

These Official Rules ("Rules") govern the operation of the M12 & VC Partner Female Founders Competition ("Contest"). M12/Microsoft Corporation, headquartered at One Microsoft Way, Redmond, WA, 98052, USA, is the Contest sponsor ("Sponsor"). Mayfield and Pivotal Ventures are prize providers along with M12/Microsoft.

## **3. DEFINITIONS**

In these Rules, "M12", "Microsoft", "we", "our", and "us" refer to Sponsor and "you" and "yourself" refers to a Contest participant. By entering you agree as a representative of your company to be bound by these rules.

#### 4. ENTRY PERIOD

The Contest starts at 6:00 a.m. Pacific Time (PT) on October 17, 2019, and ends at 11:59 p.m. PT on December 15, 2019 and will consist of multiple “phases” as follows:

**Phase 1:** October 17, 2019 – December 15, 2019. Will consist of the initial application submission and evaluation period. All entries must be received during Phase 1 to continue to advance in the Contest.

**Phase 2:** December 16, 2019 – February 28, 2020. Will consist of application evaluation and finalist selection. Sponsor may request additional information and updates from applicants as part of finalist diligence. Finalists will be invited to the finals competition shortly after the evaluation period ends.

**Phase 3:** March 18-19, 2020. Will consist of in-person close-door finals competition where finalists will pitch their companies to a panel consisting of representatives of M12 and the VC Partners.

**Phase 4:** March 20, 2020 – April 30, 2020. Winner selection, final diligence, and announcements. \*Exact date TBD but announcements shall take place no later than May 1, 2020.

#### 5. ELIGIBILITY

To participate:

- a. You must be a company headquartered in one of the countries indicated in the Geographic Groups listed above;
  - Companies headquartered in Group One (50 United States, District of Columbia, and Puerto Rico) must be incorporated as a C-corporation in the United States. No other types of corporate entities will be accepted, including S-Corporations, limited liability companies and partnerships.
  - Companies headquartered in one of the Group Two countries must be incorporated as a corporation in Canada (excluding Quebec), India, Israel, United States, or the United Kingdom (the “Incorporation Countries”). If your company is not incorporated in an Incorporation Country, we may require you to reincorporate as a corporation in one of the Incorporation Countries prior to being selected as a winner and receiving the prizes. If your company is not a corporation in an Incorporation Country, you will be required to reorganize your company as a corporation in an Incorporation Country. No other types of corporate entities will be accepted, including limited liability companies or partnerships. Submission of your application constitutes acceptance of these terms, with the necessity of reincorporation and/or reorganization and the terms of such reincorporation and/or reorganization to be determined at the sole and exclusive discretion of M12 and the applicable VC Partner(s), on a case by case basis during finalist due diligence. If a winner must reincorporate or reorganize, the reasonable legal and regulatory filing fees associated with doing so would be payable out of the Prize amount.
- b. Your technology and business model must fall within one of the two Entry Categories– SaaS or Deeptech;
- c. There must be at least one (1) founder of your company who identifies as female and is a legal resident 18 years of age or older in the applicable Geographic Group;
- d. Your company should currently offer or intend to release a product, service, or platform which solves a critical business problem; such a product must be based on a model developed by your

company, and/or be built with data obtained/generated by your company or a 3<sup>rd</sup> party where your company has the exclusive right to use such data;

- e. Your company has raised no more than \$5,000,000 USD (equity or loan) or equivalent amount using foreign exchange rates as of your application date. Any additional funding raised after your application date that increases your company's total amount raised over the \$5,000,000 USD threshold will be addressed on a case by case basis during the finalist diligence process.

None of Microsoft Corporation, either VC Partner, nor their respective employees, directors, partners, members, subsidiaries, affiliates, advertising agencies, or sponsors are eligible to participate in this contest, nor are persons involved in the execution or administration of this Contest, or the family members of any of the above (parents, children, siblings, spouse/domestic partners, or individuals residing in the same household). Potential Applicants with officers, advisors or directors who are current employees or directors of Microsoft Corporation or members, partners or officers of either VC Partner are not eligible to apply.

If you are participating in the contest in your capacity as an employee, it is your sole responsibility to comply with your employer's gift policies. Neither Microsoft nor either VC Partner will be party to any disputes or actions related to this matter. Microsoft and each VC Partner is committed to complying with government gift and ethics rules and therefore **government and public sector employees are not eligible** to enter.

## 6. HOW TO ENTER

To enter, visit [www.femalefounderscomp.com](http://www.femalefounderscomp.com) and complete and submit an application that will require you to provide basic contact and company information, and to submit a pitch deck consisting of 10 or fewer slides addressing all of the following topics:

- Product and business offering;
- Thesis supporting the offering;
- Technological approach – description of the proprietary technology utilized in your products/offering;
- Market – size, target customers/global addressable market, traction (e.g. proofs of concept, betas, paying customers, partnerships) and business model;
- Uniqueness and competitiveness;
- Funding – basic data such as total amount raised, list of existing investors, date of most recent round capitalization table;
- Financial performance and projections through 2022; and
- Team – short founding team bios (including job titles and LinkedIn URLs), contact details

File formats accepted are: .PPT, .PPTX, or .PDF

There is a limit of one entry per company, overall. If your company has locations in multiple countries or within one or more entry region, please submit within the entry region in which your company is headquartered.

## 7. ELIGIBLE ENTRY

To be eligible, an entry must meet all the following content/technical requirements:

- Your entry must be your own original work;
- Your pitch deck must be 10 or less slides and be in .PPT, .PPTX, or .PDF format;
- You must have obtained any and all consents, approvals, or licenses required for you to submit your entry;

- To the extent that your entry requires the submission of user-generated content such as software, photos, videos, music, artwork, essays, etc., you warrant that your entry is your original work, has not been copied from others without permission or apparent rights, and does not violate the privacy, intellectual property rights, or other rights of any other person or entity. You may include Microsoft trademarks, logos, and designs, for which Microsoft grants you a limited license to use for the sole purposes of submitting an entry into this Contest; **and**
- Your entry may NOT contain, as determined by us in our sole and absolute discretion, any content that is obscene or offensive, violent, defamatory, disparaging or illegal, or that promotes alcohol, illegal drugs, tobacco or a particular political agenda, or that communicates messages that may reflect negatively on the goodwill of Microsoft or either VC Partner.

## 8. USE OF ENTRIES

We are not claiming ownership rights to your entry. However, by submitting an entry, you grant Microsoft and each VC Partner an irrevocable, royalty-free, worldwide right and license to use, review, assess, test and otherwise analyze your entry and all its content in connection with this Contest and feature your entry and all content in connection with the marketing, sale, or promotion of this Contest (including but not limited to internal and external sales meetings, conference presentations, tradeshow, and screen shots of the Contest entry in press releases) in all media (now known or later developed). You will not receive any compensation or credit for use of your entry, other than what is described in these Official Rules.

By entering you acknowledge that Microsoft and/or each VC Partner may have developed or commissioned materials similar or identical to your entry and you waive any claims resulting from any similarities to your entry. Further you understand that Microsoft and/or each VC Partner will not restrict work assignments of representatives who have had access to your entry and you agree that use of information in our representatives' unaided memories in the development or deployment of our products or services does not create liability for us under this agreement or copyright or trade secret law.

We are not obligated to use your entry for any purpose, even if it has been selected as a winning entry. Non-winning entrants may be contacted by the Microsoft team or the VC Partners for additional partnership opportunities.

## 9. WINNER SELECTION AND NOTIFICATION

Judging will consist of two rounds as follows:

**Round 1:** During a 6-week period following Phase 1, a panel of judges consisting of members of M12 and each VC Partner will select ten finalists per Geographic Group (five per Entry Category for an overall total of twenty finalists) from among all eligible entries received based on the equally weighted judging criteria listed below.

1. Problem addressed
2. Market size and growth potential
3. Differentiated/disruptive solution
4. Technical depth and complexity
5. Performance and traction with customers
6. Ability of founding team to execute

The finalists will then be invited to advance to the next stage of the Contest by being invited pitch their startup at the finals event to be held in Silicon Valley, California in March 18-19, 2020. Finalists will be required to send at least one representative to Phase 3 (the live competition) to participate, including the female founder.

As noted below, finalists will each have up to two nights of their lodging provided by Sponsor and the VC Partners, but will need to cover their own airfare, transportation, meals and other expenses during their stay.

**Round 2:** At the finals event, finalists will each have 20 minutes (inclusive of Q&A) to pitch their startup vision to a panel of judges in a private, closed door session. At the end of each pitch, judges will evaluate the pitch based on the same equally weighted judging criteria listed above to determine the top winners as outlined below.

Final winners will be announced on a date to be specified following the conclusion of the pitch competition, but instructions on how to claim the prizes will be sent to the winners separately during the days after the event.

In the event of a tie between any eligible entries, an additional judge will break the tie based on the judging criteria described above. The decisions of the judges are final and binding. If we do not receive enough entries meeting the entry requirements, we may, at our discretion, select fewer winners than the number of Contest Prizes described below.

## 10. PRIZES

**20 Finalist Prizes.** Each finalist will be awarded one hotel room for a two-night stay in Silicon Valley. Approximate Retail Value (ARV) \$1,200 USD. \*All other travel costs including but not limited to, airfare, transportation, additional hotel costs, meals and other expenses are the sole responsibility of the finalists.

**Four Grand Prizes (Two for Group One and Two for Group Two).** All amounts in USD.

The SaaS winning companies will receive:

- \$2M of funding via convertible promissory notes from a combination of M12 and VC Partner(s) as applicable (subject to due diligence, executed definitive investment agreements among the parties and compliance with applicable securities laws,). See “additional prize terms and conditions” below.
- \$250K in Azure credits for use over 2 years, and up to 100 Office 365 E3 licenses for use over two years (Approximate Retail Value \$72,000).

The Deeptech winning companies will receive:

- \$1M of funding via convertible promissory notes from a combination of M12 and VC Partner(s) as applicable (subject to due diligence, executed definitive investment agreements among the parties and compliance with applicable securities laws,). See “additional prize terms and conditions” below.
- \$250K in Azure credits for use over 2 years, and up to 100 Office 365 E3 licenses for use over two years (Approximate Retail Value \$72,000).

The total Approximate Retail Value (ARV) of all prizes: **\$7,288,000.**

### **Additional prize terms and conditions:**

Each winning company must meet all criteria of this competition.

Each grand prize includes an investment in the winning company by M12 and the VC Partners under the following terms and conditions:

- The investment will be in the form of a Convertible Loan Agreement (CLA) included in the appendix (as Exhibit A) to these official rules, or a similar vehicle as modified as may reasonably be required in the country of incorporation (if not the United States). Applying to this competition constitutes acceptance of these terms barring any non-material adjustments if selected as the winner.
- Should a winning company be required to reincorporate into one of the Incorporation Countries, the reasonable legal and regulatory filing fees associated with doing so will not be additionally

covered by M12 or VC Partners. In all cases, winning is subject to the completion of final due diligence and the execution of definitive investment agreements, in compliance with applicable securities laws.

- The Chief Executive Officer of each winning company will be subject to a criminal and other public record background check as part of winner due diligence as a condition to receiving funding. By entering the contest, the Chief Executive Officer hereby consents to this requirement, and acknowledges and agrees that the results of such a background check may be used by Sponsor and the VC Partners in their sole and exclusive discretion to determine whether a prize will ultimately be awarded to a company.
- Azure credits and Office 365 licenses are good for 24 months and are subject to the terms and conditions listed at: <https://azure.microsoft.com/en-us/support/legal/subscription-agreement/>. The \$250K Azure credits offer is a once in a lifetime per company opportunity, meaning that if any of the winning companies has already taken advantage of a previous Azure credits offer, Microsoft will only provide the remaining balance in Azure credits should the \$250K not have been reached. Use of these benefits is optional and not required.

For Group One winners: Funding will be provided from M12, Mayfield, and Pivotal Ventures equally.

For Group Two winners: Funding will be provided from M12 and Mayfield equally.

We will only award one prize per person/company during the Entry Period. No more than the stated number of prizes will be awarded. No substitution, transfer, or assignment of prize permitted, except that Sponsor reserves the right to substitute a prize of equal or greater value in the event the offered prize is unavailable. Prizes will be sent no later than 60 days after winner selection pending final due diligence, execution of definitive investment agreements, and compliance with applicable securities laws. Prize winners may be required to complete and return prize claim and / or tax forms (“Forms”) within the deadline stated in the winner notification. Taxes on the prize, if any, are the sole responsibility of the winner, who is advised to seek independent counsel regarding the tax implications of accepting a prize. By accepting a prize, you agree that Sponsor may use your entry, name, image and hometown online and in print, or in any other media, in connection with this Contest without payment or compensation to you, except where prohibited by law. The final terms of the Convertible Loan Agreement and any related documentation shall be in the sole and exclusive discretion of M12 and the VC Partners

## **11. ODDS**

The odds of winning are based on the number of eligible entries received.

## **12. GENERAL CONDITIONS AND RELEASE OF LIABILITY**

To the extent allowed by law, by entering you agree to release and hold harmless M12/Microsoft and each VC Partner, and its respective parents, partners, subsidiaries, affiliates, employees, members, officers, affiliates and agents from any and all liability or any injury, loss or damage of any kind arising in connection with this Contest or any prize won.

The decisions of Sponsor and VC Partners are final and binding.

We reserve the right to cancel, change or suspend this Contest for any reason, including cheating, technology failure, catastrophe, war or any other unforeseen or unexpected event that affects the integrity of this Contest, whether human or mechanical. If the integrity of the Contest cannot be restored, we may select winners from among all eligible entries received before we had to cancel, change or suspend the Contest. Rules violators will be prosecuted to the full extent of the law and may be banned from participation in future promotions offered by M12/Microsoft or either VC Partner.

None of the advertising of the Contest, the invitation to participate in the Contest, terms and conditions of the Contest or your participation in the Contest shall constitute an offer to buy or sell, a solicitation of an offer to buy, or a commitment to buy or sell any securities.

### **13. GOVERNING LAW**

This Contest will be governed by the laws of the State of Washington in the United States, and you consent to the exclusive jurisdiction and venue of the courts of the State of Washington for any disputes arising out of this Contest.

### **14. WINNERS LIST**

The four winners will be posted to <https://m12.vc/> and [www.femalefounderscomp.com](http://www.femalefounderscomp.com) during Spring 2020 to align with public announcement following the conclusion of the pitch competition.

**EXHIBIT A – CONVERTIBLE LOAN AGREEMENT**

**THIS CONVERTIBLE PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE HOLDER SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION.**

**UNSECURED CONVERTIBLE PROMISSORY NOTE**

\$ \_\_\_\_\_, 2020  
[Seattle, WA]

For value received [\_\_\_\_\_] , Inc., a Delaware corporation (“*Payor*” or the “*Company*”), promises to pay to [HOLDER NAME] or its respective assigns (collectively, the “*Holder*”), the principal sum of \$[\_\_\_\_\_] with interest on the outstanding principal amount at the rate of interest equal to the short term Applicable Federal Rate for purposes of Section 1274(d) of the Internal Revenue Code of 1986, as amended, for the month of issuance of this note (the “*Note*”), currently [\_\_\_\_\_] per annum (the “*Interest Rate*”), compounded annually, subject to Section 9 hereof. Interest shall commence with the date hereof and shall continue on the outstanding principal until paid in full or converted. Interest shall be computed on the basis of a year of 365 days for the actual number of days elapsed.

1. This note (the “*Note*”) is issued as part of a series of similar notes (collectively, the “*Notes*”) to be issued pursuant to the terms of that certain Note Purchase Agreement (the “*Agreement*”) dated as of \_\_\_\_\_, 2020 (the “*Agreement Date*”) to the persons and entities listed on the Schedule of Purchasers thereof (collectively, the “*Holder*s”).

2. All payments of interest and principal shall be in lawful money of the United States of America and shall be made pro rata among all Holders. All payments shall be applied first to accrued interest, and thereafter to principal.

3. In the event that Payor issues and sells shares of its Next Equity Securities (as defined below) to investors (the “*Investors*”) while this Note is outstanding in an equity financing with total proceeds to the Payor of not less than \$2,000,000 (excluding the conversion or cancellation of indebtedness evidenced by the Notes) in one transaction or a series of related transactions, or such other financing as approved by the Holders of at least a majority of the outstanding principal amount of the Notes (the “*Majority Holders*,” and any such financing, a “*Qualified Financing*”), then the outstanding principal balance of this Note and any unpaid accrued interest shall automatically convert in whole without any further action by the Holder into such number of shares of Next Equity Securities (rounded down to the nearest whole share) as is determined by dividing (i) the principal and unpaid accrued interest outstanding on the date of the initial closing of the Qualified Financing by (ii) the price per share equal to, at the election of the Holder, an amount equal to the lowest price per share paid by the Investors (other than pursuant to the conversion or cancellation of indebtedness evidenced by the Notes or other indebtedness converting at the initial closing of the Qualified Financing) at the Qualified Financing multiplied by 80%. For purposes of this Note, the term “*Next Equity Securities*” means Payor’s Preferred Stock issued in the Qualified Financing following the date hereof. Upon such conversion, the Holder will be entitled to the same rights as the Investors in such Qualified Financing.

4. In the event that Payor issues and sells shares of its Other Equity Securities (as defined below) to investors (“*Purchasers*”) prior to the conversion or repayment of the Notes in an equity financing that is not a Qualified Financing (a “*Non-Qualified Financing*”), then, at the option of the Majority Holders, the outstanding principal balance of each Note and any unpaid accrued interest shall automatically convert in whole without any further action by the Holder of such Note into such number of shares of Other Equity Securities (rounded down to the nearest whole share) as is determined by dividing (i) the principal and unpaid accrued interest outstanding on the date of closing of the Non-Qualified Financing of such Note by an amount equal to the lowest price per share paid by the Investors (other than pursuant to the conversion or cancellation of indebtedness evidenced by the Notes) at the Non-



Qualified Financing multiplied by 80%. For purposes of this Note, the term “*Other Equity Securities*” means Payor’s Preferred Stock issued in the Non-Qualified Financing following the date hereof. Upon such conversion, the Holder will be entitled to the same rights as the Purchasers in such Non-Qualified Financing.

5. The Company will provide the Holder at least 10 days’ prior written notice of the anticipated closing date of any Qualified Financing or Non-Qualified Financing.

6. Notwithstanding any provision of this Note to the contrary, if the Company consummates a Change of Control (as defined below) prior to the conversion or repayment in full of this Note, then (a) the Company will give the Holder at least 10 days’ prior written notice of the anticipated closing date of such Change of Control and (b) the Holder shall elect, by written notice to the Company within such 10 day period, to:

(i) in the event no Preferred Stock of Payor is authorized, have the outstanding principal balance and all unpaid accrued interest of the Notes convert, immediately prior to the closing of such Change in Control, in whole into that number of shares of the Company’s Common Stock (rounded down to the nearest whole share) equal to the quotient obtained by dividing (x) the amount of the outstanding principal balance and all unpaid accrued interest of the Notes by (y)(i) if the last issued convertible security (other than the Notes) has a valuation cap, the quotient obtained by dividing (1) the valuation cap applicable to the Company’s last issued convertible security (other than the Notes) by (2) the Fully Diluted Capitalization of the Company as of the consummation of the Change of Control or, (y)(ii) if the last issued convertible security (other than the Notes) does not have a valuation cap, then the price per share equal to the price at which Common Stock was last issued by the Company or, if later, the exercise price of options most recently granted to employees (other than executives) of the Company,

(ii) in the event Preferred Stock of Payor is authorized, have the outstanding principal balance and all unpaid accrued interest of the Notes convert, immediately prior to the closing of such Change in Control, in whole into that number of shares of the Company’s last authorized series of Preferred Stock (rounded down to the nearest whole share) equal to the quotient obtained by dividing (x) the amount of the outstanding principal balance and all unpaid accrued interest of the Notes by (y) the price per share equal to the price at which such Preferred Stock was last issued by the Company,

(iii) have the outstanding principal balance and all unpaid accrued interest of the Notes convert, immediately prior to the closing of such Change in Control, in whole into that number of shares of a to-be-authorized series of the Company’s Preferred Stock (rounded down to the nearest whole share) equal to the quotient obtained by dividing (x) the amount of the outstanding principal balance and all unpaid accrued interest of the Notes by (y) the price per share the quotient obtained by dividing \$20,000,000 by the Fully Diluted Capitalization, or

(iv) at the closing of such Change of Control, in full satisfaction of the Company’s obligations under the Notes, have the Company pay Holder an amount equal to (x) 200% of the amount of principal then outstanding under the Note plus (y) all accrued but unpaid interest on such Note through the date of the closing of the Change of Control.

The term “*Change of Control*” means (i) a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the Company’s assets, (ii) any merger, consolidation or other business combination transaction of the Company with or into another corporation, entity or person, other than a transaction in which the holders of at least a majority of the shares of voting capital stock of the Company outstanding immediately prior to such transaction continue to hold (either by such shares remaining outstanding or by their being converted into shares of voting capital stock of the surviving entity) a majority of the total voting power represented by the shares of the voting capital stock of the Company (or surviving entity) outstanding immediately after such transaction, or (iii) the direct or indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of voting power of the then outstanding shares of capital stock of the Company (but excluding ownership acquired in bona fide venture capital equity financings).

The Company shall not consummate a Change of Control unless this Note shall have either (i) if so elected by Holder, been converted to capital stock pursuant to clauses (i), (ii) or (iii) of this Section 5 or (ii) if so elected by Holder, paid the amount described in clause (iv) of this Section 5.

7. Unless this Note has been converted or repaid in accordance with the terms of Sections 3, 4 or 5 above, the entire outstanding principal balance and all unpaid accrued interest shall become fully due and immediately payable upon the earlier of (i) the demand of the Majority Holders any time on and after the one year anniversary of the Agreement Date (the “**Maturity Date**”) or (ii) immediately prior to the closing of a Change of Control.

8. In the event of any default hereunder, Payor shall pay all reasonable attorneys’ fees and court costs incurred by Holder in enforcing and collecting this Note.

9. Payor may not prepay this Note without the written consent of the Majority Holders.

10. If there shall be any Event of Default hereunder, (i) at the option and upon the declaration of the Majority Holders and upon written notice to the Payor (which election and notice shall not be required in the case of an Event of Default under Section 9(c) or 9(d)), this Note shall accelerate and all principal and unpaid accrued interest shall become due and payable and (ii) following the occurrence of, and during the continuation of, any Event of Default, the Interest Rate shall equal the lower of (A) 8% and (B) the highest rate allowed by applicable law. The occurrence of any one or more of the following shall constitute an Event of Default:

(i) Payor fails to pay timely any of the principal amount due under the Notes on the date the same becomes due and payable or any accrued interest or other amounts due under the Notes on the date the same becomes due and payable;

(ii) Payor shall default in its performance of any covenant under the Agreement or the Notes and such failure continues for 30 days after notice of default from the Majority Holders;

(iii) Payor files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing; or

(iv) An involuntary petition is filed against Payor (unless such petition is dismissed or discharged within 60 days under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee, assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of any property of Payor.

11. Payor hereby waives demand, notice, presentment, protest and notice of dishonor.

12. If the Company issues any Subsequent Convertible Securities (as defined below) prior to repayment or conversion in full of this Note, the Company will promptly provide the Holder with written notice thereof, together with a copy of all documentation relating to such Subsequent Convertible Securities and, upon written request of the Holder, any additional information related to such Subsequent Convertible Securities as may be reasonably requested by the Holder. In the event the Holder determines that the terms of the Subsequent Convertible Securities are preferable to the terms of this instrument, the Holder will notify the Company in writing. Promptly after receipt of such written notice from the Holder, the Company agrees to amend and restate this instrument to be identical to the instrument(s) evidencing the Subsequent Convertible Securities. “**Subsequent Convertible Securities**” means convertible securities that the Company may issue after the issuance of this instrument with the principal purpose of raising capital, including but not limited to, other convertible promissory notes, SAFE’s, other convertible debt instruments and other convertible securities. Subsequent Convertible Securities excludes: (i) options issued pursuant to any equity incentive or similar plan of the Company; (ii) convertible securities issued or issuable to (A) banks, equipment lessors, financial institutions or other persons engaged in the business of making loans pursuant to a debt financing or commercial leasing or (B) suppliers or third party service providers in connection with the provision of goods or services pursuant to transactions; and (iii) convertible securities issued or issuable in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships.

13. This Note shall be governed by and construed under the laws of the State of Delaware, as applied to agreements among Delaware residents, made and to be performed entirely within the State of Delaware, without giving effect to conflicts of laws principles.

14. Any term of this Note may be amended or waived with the written consent of the Payor and the Majority Holders. Notwithstanding the foregoing sentence, if any amendment or waiver of this Note affects this Holder differently and in a materially adverse manner relative to the other Holders of the Notes, the consent of such Holder shall be required for such amendment or waiver. Upon the effectuation of such waiver or amendment in conformance with this Section 13, Payor shall promptly give written notice thereof to the record Holders of the Notes who have not previously consented thereto in writing.

15. The indebtedness evidenced by this Note is subordinated in right of payment to the prior payment in full of any Senior Indebtedness in existence on the date of this Note. “*Senior Indebtedness*” shall mean, unless expressly subordinated to or made on a parity with the amounts due under this Note, all amounts due in connection with (a) indebtedness of Payor to banks or other lending institutions regularly engaged in the business of lending money (excluding venture capital, investment banking or similar institutions and their affiliates, which sometimes engage in lending activities but which are primarily engaged in investments in equity securities), and (b) any such indebtedness or any debentures, notes or other evidence of indebtedness issued in exchange for such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor.

16. This Note may be transferred only upon its surrender to the Company for registration of transfer, duly endorsed, or accompanied by a duly executed written instrument of transfer in form reasonably satisfactory to the Company. Thereupon, this Note shall be reissued to, and registered in the name of, the transferee, or a new Note for like principal amount and interest shall be issued to, and registered in the name of, the transferee. Interest and principal shall be paid solely to the registered holder of this Note. Such payment shall constitute full discharge of the Company’s obligation to pay such interest and principal.

17. In the event the Holder converts this Note into equity securities pursuant to the terms stated herein, then upon request by the Holder, the Company shall conduct a reasonable investigation to determine whether the equity securities issued upon conversion of this Note qualifies as “qualified small business stock” within the meaning of Sections 1045 and 1202 of the Internal Revenue Code of 1986, as amended, and shall transmit, in writing, the results of such investigation to such Holder as expeditiously as reasonably possible, but in no event later than ten (10) business days following the Company’s receipt of such request.

**18. NOTICE REGARDING ORAL COMMITMENTS. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING PAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

[ \_\_\_\_\_ ], INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_