

DAIMLER

# Startup adVANce Challenge – Terms and Conditions

by Mercedes-Benz Vans (September 7,  
2016)

## **Startup adVANce Challenge by**

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# 1. GENERAL INFORMATION

## 1.1. Overview

### The Goal

Mercedes-Benz Vans', division of the Daimler AG, goals of the startup challenge ("**Startup adVANce Challenge**") are

- (1) to **conceptualize, develop and produce hardware and software prototypes** that satisfy the future needs of B2C or B2B customers in the field of "Last Mile Transportation of Goods and People", **in cooperation with the selected startups** and
- (2) to **initiate new partnerships** with the most innovative startups within the focus of the Startup adVANce Challenge that can last beyond the Startup adVANce Challenge.

In order to realize the first goal Daimler AG will grant a total of € 1,000,000 (net) to selected startups without taking any shares in return ("**Grant**"). The Grant is entrusted for the specific purpose of the various Phases of the **Startup adVANce Challenge** as follows: (a) € 100,000 (net) in total for the conceptualization (10 grantees, € 10,000 (net) for each grantee) and (b) total of € 900,000 (net) for the development and production of prototypes (up to 5 grantees; min. € 80,000 per selected grantee, max. € 500,000 per grantee, see Sec. 2.6).

The Startup adVANce Challenge intends to be the starting point for a successful long-term partnership for the development of new products in the areas of vehicle cargo space, Internet of Things ("IoT") and transport sharing solutions, in each case to cover the needs of the future last mile transportation chain. The rights in and to the work results (specifically, the Prototype) that will be developed in Phase 2 (Concept Phase) and Phase 3 (Prototype Phase) will be shared between Daimler AG and the startup as further set out in the Cooperation Agreement.

### European Commission Endorsement

The European Commission is endorsing the Startup adVANce Challenge (without providing funds) by confirming the fair and transparent conditions for the participating startups and in promoting the Startup adVANce Challenge because of its unique and focused challenge program characteristics.

### Focus of the Startup adVANce Challenge

The Startup adVANce Challenge focuses on all kinds of technology solutions (hardware and software) that enable or support new business models in connection with the following three main topics around the last mile transportation of goods and people:

1. Revolutionizing Cargo Space
2. Internet of Things (IoT)
3. Transport sharing solutions

Such technology solutions (hardware or software) will in the following be referred to as "**Product**".

For more details see Sec. 1.3 below.

## 1.2. Benefits for the participating startups

The potential benefits for the participating startups are:

- Gaining a cooperation contract with Daimler AG;
- Development of prototypes in cooperation with Daimler AG;
- Financial support of up to € 500,000 (net) per selected startup for the development and production of prototypes without having to give up any shares in return;
- Insights into the future of last mile transportation; and
- Shared rights in and to the work results developed during Phase 2 (Concept Phase) and Phase 3 (Prototype Phase), as further set out in the Cooperation Agreement.

Further potential benefits beyond the Startup adVANce Challenge:

- Long-term partnership;
- Strategic investments besides the Grant, if the startup is interested and the startup fits to Mercedes-Benz Vans' strategic focus;
- In-depth co-development and access to exclusive Mercedes-Benz Vans resources and competences; and
- Support in marketing and distributing the startup's Product, in case of joint commercialization.

Four potential cooperation models on the long-run:

- Mercedes-Benz Vans may become a customer of the startup with regard to the Product;
- Mercedes-Benz Vans may retain the startup for R&D projects or any other commissioning;
- Mercedes-Benz Vans may become a strategic partner and invest in the startup with taking shares; and
- Mercedes-Benz Vans may offer the shareholders of the startup an exit and acquire the startup.

The further potential benefits and potential cooperation models are beyond the scope of the Startup adVANce Challenge and subject to further agreements between Daimler AG and the relevant startup.

## 1.3. Startup adVANce Challenge

Startup adVANce Challenge is planned and realized by Daimler AG to foster new partnerships with startups around the world for the Mercedes-Benz Vans brand. Within Daimler's organization, the **sponsor of the Startup adVANce Challenge is Volker Mornhinweg, Head of Mercedes-Benz Vans.**

### The Startup adVANce Challenge focus

Daimler AG is looking for new Products that have not been in the core business of Mercedes-Benz Vans so far. The Startup adVANce Challenge is **focusing on three topics** represented by three tracks, as further described here below (each, a "**Track**"). Each startup can apply for one Track only.

### Tracks

#### 1. Track A: Revolutionizing Cargo Space

Transportation vehicles, especially vans, are being used for the last mile delivery of several goods like parcels or grocery. In order to cover the increasing delivery demand the van itself and the existing cargo space need to become more efficient, both in terms of using the available cargo volume as well as the enhanced organization of the goods within the cargo space. Furthermore, complementary hardware to the van that can support the delivery process is of interest. Therefore, new technology solutions and are in the focus of this Track, e.g.:

- a new automated shelving system;
- a modular active cooling system/box with individual temperature zones per cooling system/box and a plug-in system that connects the cooling system box with the shelving or the van itself;
- flexible, light and foldable loading carriers/boxes with integrated sensors (e.g. shock, temperature), which can be left with the end customers as well;
- an intelligent dolly for the last meter delivery, which can overcome obstacles and stairways;
- an automatization system to load and unload the cargo space;
- delivery robots/drones/rovers (free floating vs. stationary);
- dynamic cargo space concepts for changing parcel sizes;
- container loading system for parcels; and
- (home) lockers for parcels and groceries.

The aim of Track A is to find **new hardware solutions for the van's cargo space itself or everything needed around** to load or/and unload or/and transport the goods to the van or from the van to the end customer.

#### 2. Track B: Internet of Things (IoT)

In order to connect all physical objects (like vehicle devices, sensors, shelving systems or parcels) and software solutions (like order or routing system), new IoT solutions for the last mile transportation need to be developed. These IoT solutions shall enable a (real time) interaction between all physical objects and software solutions to monitor, control, and influence the delivery process. Examples are:

- open onboard systems
- architecture that allows for easy 3rd party integration of digital components;
- comprehensive sensor IoT solution for tracking conditions of vehicle payload;
- fleet optimized navigation routing for delivery of goods;
- cooperative intelligent transport systems;
- route optimization;
- integration of end-customer within the overall delivery process to create new values;
- intelligent devices/systems to identify, locate and track transported goods or people; and
- platforms that enable an active interaction between seller, customer, deliverer and anyone else involved in the last mile transportation process.

The aim of Track B is to develop IoT solutions for the van, the cargo space and beyond. This includes ***new software and complementary hardware needed for (real time) interactions***.

### 3. Track C: Transport Sharing Solutions

Transport sharing solutions are new demand-driven vehicle-sharing arrangements, in which companies and/or private people share vehicles either simultaneously (e.g. ride-sharing for people transport and/or transport-sharing for goods transport) or over time (e.g. vehicle sharing or bike sharing), and in the process share the cost of the journey. The transport sharing solutions aims at innovative sharing concepts for goods and people transportation. Examples are:

- matching algorithm for last mile delivery or people mover;
- creating hybrid solutions between private vehicle use and mass or public transport;
- platforms for the management and service offering of sharing solutions;
- additional services and features for in-vehicle entertainment and advertising utilization;
- smart combination of different means of transportation for optimized convenience;
- additional services and features for in-car security and monitoring (e.g. seat monitoring); and
- in-car social media platform.

The aim of Track C is to develop new solutions to reduce the down time of the vehicles and therefore the costs of the vehicles. New ***technical sharing models and corresponding business models*** are in focus.

As the three Tracks depict, the ***Startup adVANce Challenge is not about the conventional topics*** people have in mind when it comes to Daimler AG. Product ideas aiming to innovate the basic vehicle, like a new engine or autonomous driving vehicle, or the production of the vehicles are not what the Startup adVANce Challenge is looking for. Startups should apply with a product idea that fits in one of the three Tracks. Startups that do not offer products that fit one of the three Tracks may still apply for the accelerator program “Startup Autobahn”, in which Daimler AG is also involved. For further details see the Startup Autobahn Homepage (<http://www.startup-autobahn.com/en/>).

## 1.4. Startup Definition and reasons for exclusion, US-registered Startups

### 1. Startup Definition

In order to participate in the Startup adVANce Challenge the startup must meet the following requirements (“**Startup Definition**”):

Only legal entities (startups) may enter the Startup adVANce Challenge. Individuals are excluded. The startup must, throughout the Startup adVANce Challenge or to such other date as determined in the following:

- not be older than 8 years as of 1 January 2017 (i.e. the startup was registered with the respective commercial register in 2009 or later);
- be a duly registered legal entity (e.g. Inc., LLP, GmbH, etc.) under the laws of any country in the world (except embargoed countries);
- be majority-owned (50%+) by its founders;
- have, as of 1 January 2017, raised less than €100 million in external capital since it was registered with the respective commercial register; and
- have a management and development team (at least 2 persons) working full-time for the applying startup.

### 2. Reasons for Exclusion

Besides not meeting the Startup Definition, ***reasons for an exclusion*** from the Startup adVANce Challenge are if the startup:

- has any shareholder that is a legal entity active in the automotive, transport or logistic industry, in particular car manufacturers, producers of transport or last mile logistic products (OEM) or suppliers (OES);
- has already entered into a commercial arrangement regarding its Product with an OEM or OES;
- has already entered a development partnership with an OEM or OES;
- is a spin-off of an enterprise that would not qualify under the Startup Definition and this enterprise directly or indirectly owns twenty (20) percent or more of the shares of the startup;
- has any shareholder that is a public authority or governmental organization;
- does not accept German law as applicable law and Stuttgart as place of jurisdiction in case of litigation; or
- participates in other programs or intends to apply for participation in other programs that create any conflicts, in particular due to the participation in such programs by other enterprises in the automobile, logistic or transportation business or because such programs require the publication of information about the startup’s Product before completion of the Startup adVANce Challenge.

The startup must assure that no conflicts, including of the type described here above, exist at any time during the course of the Startup adVANce Challenge.

The startup may also be excluded from the Startup adVANce Challenge if the reason for exclusion arises at any point in time before the completion of the Startup adVANce Challenge.

The **preferred startups** for the challenge are in a **late seed stage** or already in **the growth stage** and have proven their capability to come up with new product ideas.

Startups need to have the capability or competence to realize prototypes that are functioning (i.e. can be used in a real environment) by the end of the Startup adVANce Challenge in cooperation with Daimler AG.

### 3. US-registered Startups

Startups that meet the Startup Definition but have their registered offices in the United States of America must, for Phase 2 and Phase 3 (see Sec. 1.5 for more details), nominate an affiliated legal entity registered within a member state of the EU (“**EU Affiliate**”) for the purpose of participating in these Phases of the Startup adVANce Challenge instead of the US-registered startup. Any nominated EU Affiliate must also meet the Startup Definition.

The nominated EU Affiliate shall replace the US-registered startup as participant in Phase 2 and, if applicable, Phase 3. Therefore, the EU Affiliate must, in particular, sign the Cooperation Agreement as set forth in Sec. 1.5. The reasons for exclusion from the Startup adVANce Challenge set forth in these terms and conditions also apply to this EU Affiliate. Consequently, the term “startup” used herein shall be construed to include EU Affiliates, to the extent required by the context.

# 1.5. Phases of the competition, grant, calls

The Startup adVANce Challenge makes available a total of € 1 million (net) (in words: one million Euro) for Grant awards as further described in these terms and conditions without taking any shares of the startups. The Startup adVANce Challenge consists of three operational phases referred to as:

- “Phase 1” or “Alignment Phase”;
- “Phase 2” or “Concept Phase”; and
- “Phase 3” or “Prototype Phase”.

The Grants will be awarded in Phase 2 and Phase 3. In order to participate in Phase 2 the startup needs to participate and successfully pass Phase 1. As for Phase 3, only startups that have participated and successfully passed Phase 2 are entitled to apply.

Timeline and Phases overview:

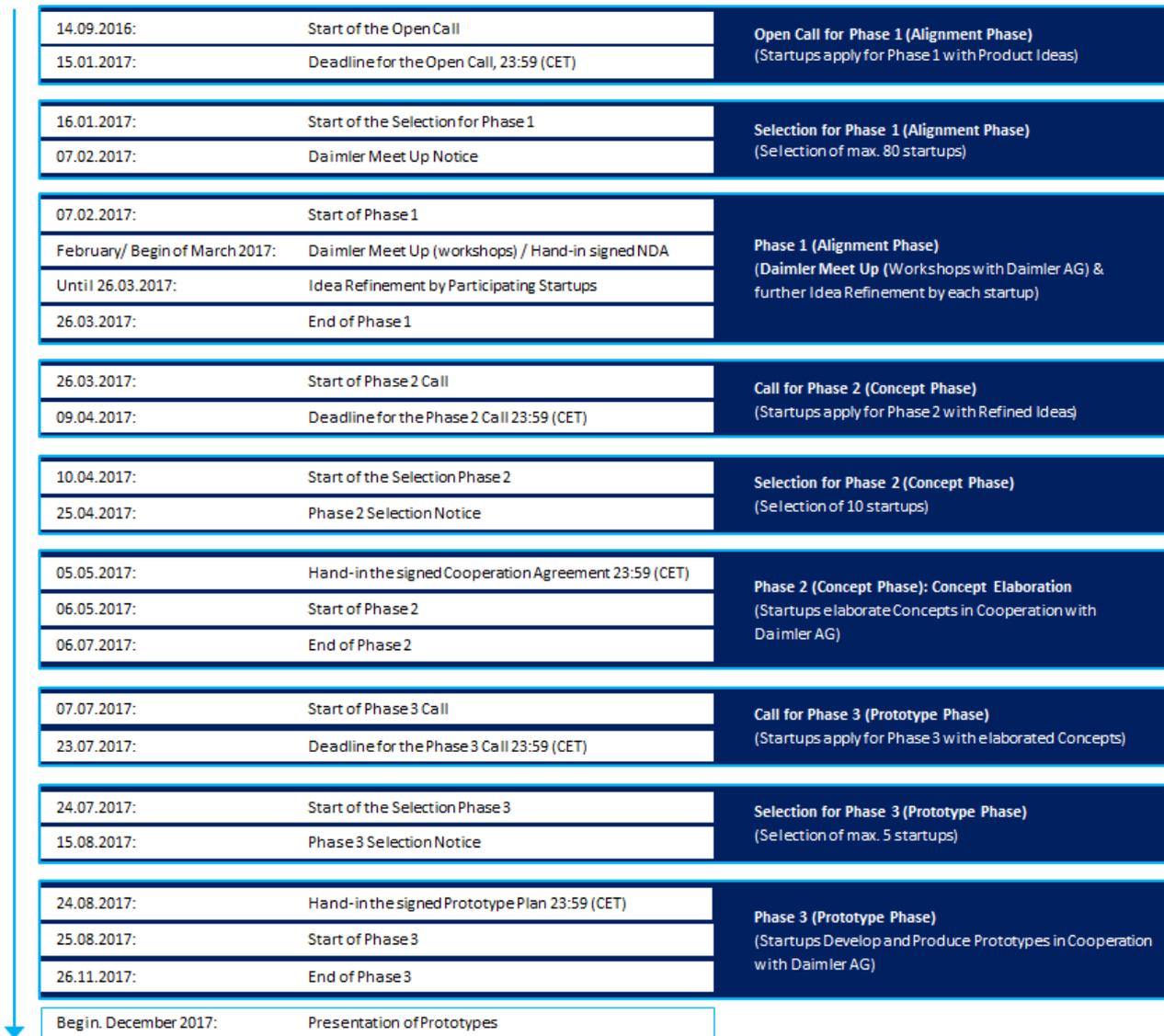


Fig.: Time Schedule for the Challenge

## Phases – detailed description

Each of the three Phases is preceded with an application and selection process referred to as “Open Call” (in case of Phase 1) or “Call” (in case of Phases 2 and 3) and “Selection”.

## Phase 1: Alignment Phase

- **Open Call for Phase 1 (Alignment Phase)**

Startups can file their application for participation in Phase 1 with a proposal for a Product (“**Product Idea**”) during an application period from September 14, 2016 through January 15, 2017, 23:59 (CET) via [f6s.com](https://www.f6s.com) (<https://www.f6s.com/startup-advance/apply>) (Open Call for Phase 1).

- **Selection for Phase 1 (Alignment Phase)**

In the Selection for Phase 1 (to be completed on February 7, 2017), Daimler AG will select up to eighty (80) startups, which will be informed about their selection for Phase 1 (“**Daimler Meet Up Notice**”). The Daimler Meet Up Notice will include an invitation to the selected startups to a workshop (“**Daimler Meet Up**”).

Participation of the startup in the Daimler Meet Up requires the prior entering into a Non-Disclosure-Agreement (NDA) with Daimler AG in order to safeguard confidential information that is exchanged during the workshop.

- **Phase 1 (Alignment Phase)**

The start of Phase 1 is February 7, 2017. The Daimler Meet Up has a duration of two days and will take place in February/beginning of March 2017 in Stuttgart, Germany (Daimler AG may decide to offer additional locations outside of Europe as an option). The startups have to bear their own costs for the participation in the Daimler Meet Up.

The aim of the Daimler Meet Up is to align the Product Idea that the startup has filed during the Open Call for Phase 1 with the purpose of the Startup adVANce Challenge, and to further refine the Product Idea. In the Daimler Meet Up, Daimler AG will provide the startups with an overview about different future transportation scenarios for Mercedes-Benz Vans and feedback to the Product Ideas.

After the Daimler Meet Up, the startup has the opportunity to rethink and refine its Product Idea until March 26, 2017 (End of Phase 1). The level of maturity expected for the end of Phase 1 (Alignment Phase) is a clear and detailed Product Idea matching Mercedes-Benz Vans’ purpose and that can be elaborated and transferred into a concept in Phase 2. Additionally the startup needs to have an idea how the corresponding Product Idea’s business model looks like.

## Phase 2: Concept Phase

- **Call for Phase 2 (Concept Phase)**

Startups that have participated in Phase 1 (Alignment Phase) can file their application for participation in Phase 2 during a filing period from March 26, 2017 through April 9, 2017, 23:59 (CET) (Call for Phase 2). The entry point for the application will be announced on the Startup adVANce Challenge Homepage (<http://startup-advance.mercedes-benz.com>) in March 2017. The subject matter of Phase 2 is the elaboration of a detailed concept and business model based on the Product Idea, as refined during Phase 1 (“**Concept**”). Together with the refined Product Idea, the startup shall submit a first draft of the Concept, which shall also specify the proposed level of cooperation the startup may require from Daimler AG during Phase 2. If the applying startup has its registered offices in the United States of America, this startup must, together with its application, nominate an EU Affiliate (cf. Sec. 1.4, item 3). More detailed information and requirements regarding the Concept as well as supporting documents will be provided in the “Application Guidelines”, which Daimler AG will make available on the Startup adVANce Challenge Homepage (<http://startup-advance.mercedes-benz.com>).

- **Selection for Phase 2 (Concept Phase)**

In the Selection for Phase 2 (to be completed on April 25, 2017), Daimler AG will select ten (10) startups, which will be informed about their selection for Phase 2 (“**Phase 2 Selection Notice**”). The Phase 2 Selection Notice will include a request to return, by May 5, 2017, 23:59 (CET), at the latest, a duly signed copy of the agreement that would be the basis of the collaboration of Daimler AG and the startup during Phase 2 and, in case Daimler was to select the startup for Phase 3, Phase 3 (“**Cooperation Agreement**”). For the Cooperation Agreement, please click [here](#). If the startup that has received the Phase 2 Selection Notice does not submit the duly signed copy of the Cooperation Agreement by May 5, 2017, 23:59 (CET), the startup will be excluded from participation in Phase 2 (Concept Phase) and Phase 3 (Prototype Phase).

As part of the Selection, Daimler AG will carry out due diligence regarding the startup, according to Daimler AG’s usual procedures for doing business with third parties. Information required from the startup in this context will be specified in the Application Guidelines.

- **Phase 2 (Concept Phase)**

The start of Phase 2 is May 6, 2017.

The Concept Phase is a pre-stage to the final Prototype Phase (Phase 3) and includes all activities required to convert the refined Product Idea into the Concept which can, in Phase 3 (assuming the selection of the startup for Phase 3), be converted into a Prototype. Relevant activities are for example the completion of initial CAD files in case of a hardware product or the initial coding in case of a software product. Daimler AG may provide information to the startup on relevant interfaces to allow startups to develop their Concept in line with the Mercedes-Benz Vans environment and compatible to Mercedes-Benz Vans products. The level of maturity expected for the end of Phase 2 (Concept Phase) is a “ready-to-go” concept that can, without any need for significant further specifications, be used to build the first rough version of the prototype. The technical aspects of the development of the Concept may occur in cooperation with Daimler AG and

pursuant to the Cooperation Agreement. Daimler AG has sole discretion regarding the actual level and scope of its cooperation in each individual case.

The business model that is part of the Concept must illustrate how the startup plans to gain profits from the Product.

The startup will receive a Grant of € 10,000 for participating in Phase 2 (see Sec. 2.6 for more details), in case the requirements described in Sec. 2.7 are met.

The startup shall submit its refined and completed Concept by the end of the period for the Call for Phase 3, i.e. July 23, 2017, 23:59 (CET) at the latest.

### Phase 3: Prototype Phase

- **Call for Phase 3 (Prototype Phase)**

Startups that have participated in Phase 2 (Concept Phase) can file their application for participation in Phase 3 during a filing period from July 7, 2017 through July 23, 2017, 23:59 (CET) (Call for Phase 3). The entry point for the application will be announced on the Startup adVANce Challenge Homepage (<http://startup-advance.mercedes-benz.com>) at the end of June 2017. The subject matter of Phase 3 is the conversion of the Concept into a functionally tested prototype that is ready for a field test run (the “**Prototype**”). Together with the refined and completed Concept, which shall include an elaborated business model, the startup shall submit a proposal for the Prototype, which shall also specify the proposed level of cooperation the startup may require from Daimler AG during Phase 3. In addition, the startup shall, based on a template made available via the Startup adVANce Challenge Homepage (<http://startup-advance.mercedes-benz.com/apply-now/>) prepare a proposal for a plan for the creation of the Prototype (the “**Prototype Plan**”). The proposal for the Prototype Plan shall include, *inter alia*, a description of the technical measures and features that are required to turn the Concept into a Prototype, broken down into work packages (each, a “**Work Package**”). The proposal for the Prototype Plan shall also specify the investments (costs, expenses, etc.) required to complete each Work Package and the dates and qualitative criteria for the completion of each Work Package (each a “**Milestone**”). More detailed information and requirements regarding the Prototype and Prototype Plan as well as supporting documents will be provided in the “Application Guidelines”, which Daimler AG will make available on the Startup adVANce Challenge Homepage (<http://startup-advance.mercedes-benz.com/apply-now/>).

- **Selection for Phase 3 (Prototype Phase)**

In the Selection for Phase 3 (to be completed on August 15, 2017), Daimler AG will select up to five (5) startups, which will be informed about their selection for Phase 3 (“**Phase 3 Selection Notice**”). Along with the Phase 3 Selection Notice, Daimler AG will specify the Work Packages that shall be the subject matter of Phase 3 and a respective adjusted Prototype Plan (the “**Phase 3 Prototype Plan**”). The startup shall return, by August 24, 2017, 23:59 (CET), at the latest, a duly signed copy of the Phase 3 Prototype Plan. If the startup that has received the Phase 3 Selection Notice does not submit the duly signed copy of the Phase 3 Prototype Plan by August 24, 2017, 23:59 (CET), at the latest, the startup will be excluded from participation in Phase 3 (Prototype Phase).

- **Phase 3 (Prototype Phase)**

The start of Phase 3 is August 25, 2017.

During the Prototype Phase the startup shall build the Prototype in close cooperation with Daimler AG, according to the startup’s Concept, the Phase 3 Prototype Plan, and the Cooperation Agreement. The startup shall build several Prototypes with increasing maturity levels with the final Prototype being suited for use in a field test run. Therefore tests in-between the different prototypes’ maturity levels are necessary for an interactive development approach and learning effect. For example, if the Product is hardware, the stages of the Prototype could be, first, a basic Prototype for the ergonomic and / functionality test, second, a Prototype built with more advanced materials, and third, a fully functional Prototype integrated into the van. Daimler AG has sole discretion regarding the actual level and scope of its cooperation in each individual case during this Phase 3 (Prototype Phase).

Each startup selected for Phase 3 will receive a Grant, subject to the further requirements described in Sec. 2.7. The Grants for Phase 3 amount to € 900,000 (net) in total for all selected startups (maximum five (5)). This amount will be allocated to the selected up to five (5) startups, whereby each selected startup will receive a Grant of € 80,000 (net) as a minimum and the remaining amount will be awarded as set out in more detail in Sec. 2.6 below.

## 2. ADDITIONAL TERMS AND CONDITIONS

### 2.1. Applicability of terms and conditions

1. The provisions in these terms and conditions apply to all Phases of the Startup adVANce Challenge and the relevant activities of Daimler AG and the startup in each Phase.

- In the event of a conflict between the terms of the Cooperation Agreement and these terms and conditions, the terms of the Cooperation Agreement shall prevail.

## 2.2. General requirements for the application

- Applications must be written in English language, which is the official language for all Phases. Submissions in any other language will not be evaluated.
- Applications must be sent by the respective deadlines (see Sec. 1.5), i.e., proposals received after 23h59 (GMT) of each deadline must be considered non-eligible and will not be sent to evaluation.
- The application for each Phase must be signed by a lawful representative of the startup and contain at least the information that is requested in the application form and any additional application form announced on the Startup adVANce Challenge homepage for the relevant Phase.
- The entry point for participating in Phase 1 is the platform F6S (in specific <https://www.f6s.com/startup-advance/apply>). The entry point for participating Phase 2 and Phase 3 will be announced on the Startup adVANce Challenge homepage (in specific <http://startup-advance.mercedes-benz.com>).
- Any document provided by the startup in any of the Phases must be submitted electronically in a format Daimler AG is able to open, read, and print with any of the following programs: Microsoft Office programs, PDF or STEP or JT files for CAD.
- A startup may only submit one Product Idea, one proposal for a Concept, and one proposal for a Prototype (as per the relevant Phase). If a participating startup or person involved in that startup is involved in another startup (e.g. as shareholder, joint venture partner etc.) that already filed an application for the Startup adVANce Challenge, the latter shall not participate in the Startup adVANce Challenge. Any startup in breach with these requirements will be disqualified.

## 2.3. Evaluation criteria

To select the startups, Daimler AG has defined (see below in detail at the heading level) several criteria for each Phase (“**Criteria**” or “**Criterion**”). Every Criterion will be evaluated on a scale between “1” and “5”, whereby “1” is the lowest and “5” the highest score. As a minimum requirement, only startups with an average score of “3” or higher across all Criteria and with not more than one Criterion with a score inferior to “3” are eligible.

### Criteria Phase 1

- Team**
  - Quality and relevant experience of the individual participants.
  - Strength, complementarity and commitment of the team.
  - Capacity to develop the Product and introduce it to the market.
- Product Idea**
  - Clarity and practical relevance of the proposed Product.
  - Detailed description of the functionality and usage of the Product.
  - Advantages of the Product in comparison to existing products, in particular uniqueness and inherent competitive advantages, e.g., in terms of technology.
- Customer needs**
  - Solution of problems of last mile transportation of goods and people.
  - Obviousness of the customer needs addressed by the Product.
  - Relevance of the customer needs addressed by the Product.
- Industry, market and market segment**
  - Clarity of the target industry, market or market segment.
  - Analysis of the competitive situation in the relevant market.
- Value network**
  - Identification of other products, services or software that are complementary to the Product.
  - Quality of the innovation-eco-system underlying the Product.
  - Dependence of the Product on any other innovations or existing products, services or software.
- Elevator Pitch of the product idea and team (max. 3 Minutes)**
  - Quality of Product presentation.
  - Demonstrated competence of the startup team.

### Criteria Phase 2

In addition to the Criteria for Phase 1, the following Criteria apply:

- Work plan**

- Coherence and effectiveness of the draft work plan for the Concept.
  - Presented capacity and resources to implement the work plan.
  - Credibility of the work plan to develop and place the Product in the market.
- 2. Resources and Competences**
- Resources and competences needed to successfully develop the Product.
  - Uniqueness of resources and competences to the startup.
  - Access to all relevant resources and competences.
- 3. Cost structure and revenue stream**
- Cost structure (fixed and variable costs) of startup, in particular as relevant for the Product.
  - Ability to influence the costs and revenues over time due to for example economies of scale.
- 4. Business strategy**
- Business strategy of the startup.
  - Differentiating factors with regard to competitors of the startup.
  - Existence of competitors with similar strategy.

### Criteria Phase 3

In addition to the Criteria for Phase 1 and 2, the following Criteria apply:

- 1. Scalability**
- Scalability of the Product.
  - Challenges affecting scalability of the Product and solutions to those challenges.
- 2. Realization plan**
- Most important milestones of the startup for the near future.
  - Approach of startup to achieve the milestones.
  - Plan and timing to reach the “break-even point”.

The selection of a startup for the participation in one Phase does not give the startup any entitlement with regard to any subsequent Phase(s). Consequently, a Grant for Phase 2 does not mean that the startup will also receive a Grant in Phase 3.

## 2.4. Evaluators and advisory board

1. For Phase 1, Daimler AG will use external neutral evaluators to evaluate the applications based on the Criteria for Phase 1. For Phase 2 and 3, internal evaluators from Daimler AG will evaluate the applications based on the relevant Criteria, provided that Daimler AG reserves the right to collaborate with external evaluators also for Phase 2 and/or Phase 3.
2. An advisory board is instated by Daimler AG to provide advice on the operational aspects of the Startup adVANce Challenge.

## 2.5. Priority order for proposals with the same score

If the number of startups that have reached an average minimum score of 3 is higher than the number of vacancies per Phase (Phase 1: max. 80, Phase 2: 10, Phase 3: max. 5), the participants for the relevant Phase will be selected based on the ranking for each Criteria in the following order:

Order for Phase 1: Product Idea, team, and customer needs.

Order for Phase 2: Product Idea, work plan, and customer needs.

Order for Phase 3: Product Idea, realization plan, and resources and competences.

If, thereafter, the number of startups that have received the same score based on the above order (and that fulfil the requirements for the relevant Phase) is still higher than the vacancies for the relevant Phase, Daimler AG may submit the Product Idea (for Phase 1), the proposal for the Concept (for Phase 2) or the proposal for the Prototype (for Phase 3), as applicable, along with a request for a recommendation to fill the vacancies for the relevant Phase to either a third party evaluator, or an evaluation board defined by Daimler AG that would schedule an interview/speed meeting (up to 20 minutes, in personal in Stuttgart, Germany or via Skype or similar media) with the startup. The Criteria shall continue to apply.

## 2.6. Grants

1. Grants will be awarded in Phase 2 and Phase 3 only.
2. The Grant awarded in Phase 2 is € 10,000 for each selected startup. The Grant shall be paid within 30 days after the signature of the Cooperation Agreement by both the startup and Daimler AG. Daimler AG reserves the right to claim reimbursement of the Grant in case the startup fails to submit by July 23, 2017, 23:59 (CET) at the latest a revised Concept that has the maturity level expected for Phase 2 according to Sec. 1.5.
3. The Grants awarded in Phase 3 amount to € 900,000 for all selected startups (maximum five (5)) in total. Each selected startup will receive a Grant of at least € 80,000. The remainder of the € 900,000 will be awarded to certain or all of the startups selected for Phase 3 (“**Optional Grant**”). The Optional Grant may have different amounts for the selected startups, and certain selected startups may not receive an Optional Grant at all. In awarding the Optional Grant, Daimler AG will take into account the added value that the Work Packages contribute to Daimler AG’s strategic needs, provided that the decision on how to allocate the Optional Grant to the startups selected for Phase 3 will be in Daimler AG’s sole discretion. Twenty (20) percent of the Grant for Phase 3 (including the Optional Grant, if any) will be paid within 30 days after the startup has returned the signed copy of the Phase 3 Prototype Plan. The remaining eighty (80) percent shall be paid as linked to the Milestones in the Phase 3 Prototype Plan and following completion and joint validation of the Milestones.
4. In the event that a startup has received a Phase 2 Selection Notice or Phase 3 Selection Notice, but has subsequently failed to meet the eligibility requirements, as applicable for the relevant Phase (cf. Sec. 2.7 below), then such startup shall not be entitled to the Grant. In case this would cause the number of startups in Phase 2 to fall below 10, then the unused Grants shall increase the Grant available for Phase 3.
5. In order to receive those parts of the Grant for Phase 3 linked to Milestones, the startup must, upon completion of the Milestone submit a report covering the following:
  - a. Executive summary on the current status of progress against the Phase 3 Prototype Plan.
  - b. Overview about the realized activities.
  - c. Achieved goals and target vs. actual comparison as well as explanations in case of deviations from the Phase 3 Prototype Plan.
  - d. Likelihood of achievement of further Milestones.
  - e. Potential modifications of the Phase 3 Prototype Plan due to any kind of circumstances and corresponding justification (only if necessary).
  - f. Spent budget subdivided into in the different cost factors.
  - g. Update of the business model according to the form provided by Daimler AG.
6. The Grants shall be used solely for the purpose of the Startup adVANce Challenge, i.e. for expenses incurred by the participation in the Startup adVANce Challenge. Only such expenses that were directly caused by the startup’s participation in the relevant Phase are eligible, as further specified in Annex 1. Value added tax, sales tax or similar taxes or duties are not eligible. Expenses must be determined in accordance with the usual accounting and management principles and practices of the startup. The accounting procedures used in the recording of costs shall respect the accounting rules of the state in which the startup is established. The startup’s internal accounting and auditing procedures must permit direct reconciliation of the costs declared in respect of the Startup adVANce Challenge and, in case of Phase 3, a given Work Package / Milestone, with the corresponding financial statements and supporting documents.
7. The use of the Grants must be recorded in the accounts of the startup.
8. Upon request by Daimler AG, the startup must provide Daimler AG with satisfactory evidence of its compliance with the requirements of this Sec. 2.6. In particular (without limitation), Daimler AG may request the submission of proven financial statements, along with all the respective invoices and payment documentation.

## 2.7. Grant eligibility requirements

1. To be eligible for a Grant, the startup must:
  - a. meet all criteria of the Startup Definition (see Sec. 1.4);
  - b. have received a Phase 2 Selection Notice and returned a signed copy of the Cooperation Agreement (in case of the Grant for Phase 2) or a Phase 3 Selection Notice and returned a signed copy of the Phase 3 Prototype Plan (in case of the Grant for Phase 3), respectively (see Sec. 1.5);
  - c. have successfully passed the compliance due diligence as part of the Selection for Phase 2; and
  - d. not be subject to any reasons for exclusion from the Startup adVANce Challenge as stated in Sec. 1.4 and Sec. 2.2, No. 6, above.
2. If:
  - a. the startup no longer meets the eligibility requirements set out above in item 1., or

- b. the startup fails to comply with any of its material obligations under these terms and conditions or the Cooperation Agreement,
- then the startup shall lose its entitlement to the Grant and shall pay back any parts of the Grant already received. The obligation to pay back the Grant shall not apply (i) in case of Grants for Phase 2 once the startup has submitted the revised Concept with the maturity level expected for Phase 2 according to Sec. 1.5 (cf. Sec. 2.6, item 2), and (ii) in case of Phase 3 once all Milestones have been completed successfully.

## 2.8. Space and technical support

The Startup adVANce Challenge is not an acceleration program, under which physical space for working or business coaching is provided. Therefore, participants are not entitled to request technical support or space from Daimler AG without an explicit agreement with Daimler AG. However, in Phase 3 (Prototype Phase), in Daimler AG's sole discretion, technical support and space might be provided by Daimler AG if required to realize the Prototype in cooperation with Daimler AG. In such case, details will be discussed in Phase 3 and any related agreement will be documented in an amendment to the Cooperation Agreement.

## 2.9. Protection of personal information

Daimler AG will not disclose, except to evaluators it cooperates with, any documented information that the startup has submitted in connection with the Startup adVANce Challenge and that is explicitly marked as "confidential", except where such information was previously known to Daimler AG, is subsequently disclosed to Daimler AG without breach of confidentiality, or is in the public domain.

## 2.10. Place of jurisdiction and applicable law

Stuttgart, Germany is agreed as place of jurisdiction in case of litigation. Substantive German law applies.

## 3. APPLICATION FORMS

1. The application forms include space for a concise description of the Product Idea (for Phase 1), the proposal for the Concept (for Phase 2) or the proposal for the Prototype (for Phase 3), as applicable. The startup shall provide a clear and succinct description of the Product Idea (for Phase 1), the proposal for the Concept (for Phase 2) or the proposal for the Prototype (for Phase 3), avoid repetitions in text and use tables, images etc. (e. g. video/ PowerPoint) for illustration purposes.
2. Within the “General Information” section of the application form the startup is required to present its legal information as well as further details like statements of holdings and shareholder structure and declaration of shareholders. It is recommended that the contact person has power to take decisions and is easily reachable.
3. Within the “Project Information” section of the application form the startup is required to present the Product Idea (for Phase 1), the proposal for the Concept (for Phase 2) or the proposal for the Prototype (for Phase 3), as applicable.

# ANNEX 1. COST ELIGIBILITY LIMITS AND CONDITIONS

APPLICABLE ONLY FOR PHASE 3 - Prototype Phase:

## Direct Costs

The following costs are eligible for the use of the Grant:

- a. Staff costs, calculated considering an hourly rate according to the following formula:  
Cost/ Hour = [(base salary x 14 months)/ (11 months x 22 days x n hours)]  
where:  
*Base salary: monthly salary (excluding paid holidays and country specific standards) and social security mandatory charges, where applicable.*  
*n: number of working hours*
- b. Subcontracting costs.
- c. Equipment.
- d. Access to data sources or other type of information.
- e. Travelling, subsistence and accommodation costs.

All travelling, subsistence and accommodation costs must be supported by a travel report containing information about the objectives of the occasion (event, meeting, etc.), contacts made and respective results (maximum of 2 pages).

## Indirect Costs

Indirect costs are all those eligible costs, which cannot be identified by the startup as being directly attributed to the project. They may not include any eligible direct costs. A specific flat rate of 10% of the staff costs is to be used to calculate the indirect costs.

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