

TECHSHOP, INC.

NOTICE OF LIQUIDATION EVENT

To the Holders of Series A Preferred Stock and Series B Preferred Stock of TechShop, Inc., a California corporation ("**TechShop**"):

As you may have heard, TechShop ceased operations on Wednesday, November 15, 2017. Subsequently, TechShop was approached by an unrelated third party interested in acquiring the assets of TechShop and assuming certain of its liabilities. Tech Shop is in the process of negotiating that transaction substantially on the terms identified on attached Exhibit A (the "**Pending Transaction**").

The purchaser desires to close the Pending Transaction quickly so that it can re-open as many TechShop locations as possible. We are sending you this notice to start the 20-day notice period called for by Article III, Section 2.B. of TechShop's Second Amended and Restated Articles of Incorporation (the "**Articles**"). The sale of all or substantially all of TechShop's assets in the Pending Transaction would be considered a "Liquidation Event" under the Articles that requires us to provide this notice. Article III, Section 2.B also requires TechShop to provide you with prompt notice of any material changes to the terms of the Pending Transaction as described in this notice, and to close the Pending Transaction not sooner than 10 days after TechShop gives you such notice of any material change. A copy of Article III, Section B.2. of the Articles is attached to this notice as Exhibit B.

The liabilities of TechShop vastly exceed the value of its assets. No shareholder, including you as a holder of Series A Preferred Stock and/or Series B Preferred Stock, would receive anything if TechShop were liquidated today. Only the secured creditors who have liens on TechShop's assets would recover anything in that liquidation. The purchase price offered in the Pending Transaction is not high enough to change this result.

Because time is of the essence in the Pending Transaction, we are asking that you reply "yes" to the email to which this Notice is attached to evidence your approval to waive entirely all provisions under Article III, Section B.2 of the Articles that would otherwise require TechShop to provide you with any notices prior to the closing of the Pending Transaction. This waiver would allow TechShop to close the Pending Transaction at the earliest possible time without waiting for the expiration of either the 20-day notice period or any subsequently required 10-day notice period of material changes. This waiver will be effective only if approved by the holders of a majority of the shares of TechShop's Series A Preferred Stock and Series B Preferred Stock, voting together as a single voting group. TechShop needs the requested approval from the holders of at least 3,443,203 shares of Series A Preferred Stock and/or Series B Preferred Stock for this waiver to be effective.

Thank you.



Daniel Woods, CEO

San Francisco, California
December 1, 2017

Exhibit A

**MATERIAL TERMS AND CONDITIONS OF
PENDING TRANSACTION**

TechShop, Inc. is willing to sell all of its assets to a third-party buyer, TechShop 2.0, LLC (TechShop 2.0) on the following terms by December 21, 2017 (with details to be finalized in definitive documentation to be prepared by TechShop 2.0 and approved by the Board of Directors of TechShop, Inc.):

1. TechShop 2.0 acquires all assets of TechShop, Inc. for the following consideration:
 - Up to a maximum of \$200,000 in cash to be used as needed to pay creditors and administrative expenses. Administrative plan to be approved prior to close. Distribution requires both parties approval and funds will be provided as needed, including:
 - Immediately providing funds for:
 - November Health Insurance;
 - Google Suite, all efforts will be taken to minimize cost;
 - TechShop Legal Counsel- \$15,000 available to use prior to completing notification of shareholders (completion of the 20 day shareholder notification period or waiver of the notification period by holders of the 51% of outstanding shares. Funds may not be used for anything non transaction related with TechShop2.0 without approval of TechShop2.0. Prior to completing notification of shareholders, funds may only be used for activity required to complete notification.)
 - Assumption of all secured debt of approximately \$21 million;
 - Assumption of all equipment leases;
 - Assumption of real property leases where mutually acceptable terms can be reached between TechShop2.0 and the landlords; and
 - Payment of approved employee back pay, with approval to be completed by location.
2. TechShop 2.0 also agrees to the following:
 - TechShop 2.0 will take the lead legal position in defending the sale of assets to TechShop 2.0 regarding the value paid by TechShop 2.0. TechShop 2.0 is not liable for any actions brought based on activity of TechShop prior to the transaction.
 - Maintain all existing liability policies for TechShop, Inc. through their scheduled expiration dates (including employee actions, property and injury, D&O, etc.). Unless otherwise agreed upon by both parties, any insurance refunds will go towards TechShop cleanup and wind down.

- TechShop 2.0 and TechShop will mutually set up a checklist of items required to not buy a D&O tail. Parties will meet by March 1 to decide if the tail is required based on the checklist. TechShop 2.0 will pay for the tail or agreeable replacement coverage in March if the checklist items are not met.
- Offer employment to certain former employees of TechShop, Inc. to facilitate the immediate reopening of TechShop locations.
- Honor lifetime memberships given as part of any loan or investment in TechShop after a \$275 transfer fee has been paid. Acceptance of new lifetime membership relinquishes any right the investor/lender has against TechShop. Member's investment/loan will be transferred to TechShop2.0 at a transfer rate of \$1000 machine use credit per \$5000 invested/loaned and not repaid.
- Honor paid lifetime memberships after a \$400 transfer fee has been paid to TechShop 2.0.
- Honor prepaid individual memberships with a transfer fee of \$40 per remaining month prepaid period not to exceed \$250.
- Honor prepaid storage fees with a transfer fee of 50% of the remaining storage space fee.
- Corporate Memberships will be evaluated on a one on one basis. Small business members with 10 or less members will be treated as an individual in regards to prepayments.

Exhibit B

**SECOND AMENDED AND RESTATED
ARTICLES OF INCORPORATION**

ARTICLE III, SECTION B.2

2. Liquidation Preference.

(a) In the event of any Liquidation Event (as defined below), either voluntary or involuntary, the holders of Series A Preferred Stock and Series B Preferred Stock, on a pro rata basis, shall be entitled to receive, prior and in preference to any distribution of the proceeds of such Liquidation Event (the "Proceeds") to the holders of Class A Common Stock and Class B Common Stock by reason of their ownership thereof, an amount per share equal to the sum of the applicable Original Issue Price (as defined below) for such series of Preferred Stock, plus declared but unpaid dividends on such share. If, upon the occurrence of such event, the Proceeds thus distributed among the holders of the Series A Preferred Stock and Series B Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, the entire Proceeds legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock and Series B Preferred Stock in proportion to the full preferential amount that each such holder is otherwise entitled to receive under this subsection (a). For purposes of this Second Amended and Restated Articles of Incorporation, "Original Issue Price" shall mean \$1.00 per share for each share of the Series A Preferred Stock (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like with respect to such series of Preferred Stock), and \$2.54 per share for each share of the Series B Preferred Stock (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like with respect to such series of Preferred Stock).

(b) Upon completion of the distribution required by subsection (a) of this Section 2, all of the remaining Proceeds available for distribution to shareholders shall be distributed among the holders of Class A Common Stock and Class B Common Stock pro rata based on the number of shares held by each.

(c) Notwithstanding the above, for purposes of determining the amount each holder of shares of Preferred Stock is entitled to receive with respect to a Liquidation Event, each such holder of shares of a series of Preferred Stock shall be deemed to have converted (regardless of whether such holder actually converted) such holder's shares of such series into shares of Class A Common Stock immediately prior to the Liquidation Event if, as a result of an actual conversion, such holder would receive, in the aggregate, an amount greater than the amount that would be distributed to such holder if such holder did not convert such series of Preferred Stock into shares of Class A Common Stock. If any such holder shall be deemed to have converted shares of Preferred Stock into Class A Common Stock pursuant to this paragraph, then such holder shall not be entitled to receive any distribution that would otherwise be made to holders of Preferred Stock that have not converted (or have not been deemed to have converted) into shares of Class A Common Stock.

(d) (i) For purposes of this Section 2, a "Liquidation Event" shall include (A) the closing of the sale, transfer or other disposition of all or substantially all of this corporation's assets, (B) the consummation of the merger or consolidation of this corporation with or into another entity (except a merger or consolidation in which the holders of capital stock of this corporation immediately prior to such merger or consolidation continue to hold at least 50% of the voting power of the capital stock of this corporation or the surviving or acquiring entity), (C) the closing of the transfer (whether by merger, consolidation or otherwise), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an underwriter of this corporation's securities), of this corporation's

securities if, after such closing, such person or group of affiliated persons would hold 50% or more of the outstanding voting stock of this corporation (or the surviving or acquiring entity) or (D) a liquidation, dissolution or winding up of this corporation; provided, however, that a transaction shall not constitute a Liquidation Event if its sole purpose is to change the state of this corporation's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held this corporation's securities immediately prior to such transaction. Notwithstanding the prior sentence, the sale of shares of Preferred Stock in a financing transaction shall not be deemed a "Liquidation Event." The treatment of any particular transaction or series of related transactions as a Liquidation Event may be waived by the vote or written consent of the holders of a majority of the outstanding Preferred Stock (voting together as a single class and not as separate series, on an as converted basis).

(ii) In any Liquidation Event, if Proceeds received by this corporation or its shareholders is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

(A) Securities not subject to investment letter or other similar restrictions on free marketability covered by (B) below:

(1) If traded on a securities exchange, the value shall be deemed to be the average of the closing prices of the securities on such exchange over the twenty (20) trading-day period ending three (3) trading days prior to the closing of the Liquidation Event;

(2) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the twenty (20) trading-day period ending three (3) trading days prior to the closing of the Liquidation Event; and

(3) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by this corporation and the holders of a majority of the voting power of all then outstanding shares of Preferred Stock.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (A) (1), (2) or (3) to reflect the approximate fair market value thereof, as mutually determined by this corporation and the holders of a majority of the voting power of all then outstanding shares of such Preferred Stock.

(C) The foregoing methods for valuing non-cash consideration to be distributed in connection with a Liquidation Event shall, upon the appropriate approval by the shareholders of the definitive agreements governing a Liquidation Event, be superseded by the determination of such value set forth in the definitive agreements governing such Liquidation Event.

(iii) In the event the requirements of this Section 2 are not complied with, this corporation shall forthwith either:

(A) cause the closing of such Liquidation Event to be postponed until such time as the requirements of this Section 2 have been complied with; or

(B) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Preferred Stock shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in subsection 2(d)(iv) hereof.

(iv) This corporation shall give each holder of record of Preferred Stock written notice of such impending Liquidation Event at least seven (7) days prior to the shareholders' meeting called to approve such transaction, or at least twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 2, and this corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after this corporation has given the first notice provided for herein or sooner than ten (10) days after this corporation has given notice of any material changes provided for herein; provided, however, that subject to compliance with the General Corporation Law of California such periods may be shortened or waived upon the written consent of the holders of Preferred Stock that represent a majority of the voting power of all then outstanding shares of such Preferred Stock (voting together as a single class and not as separate series, and on an as-converted basis).