

## Appendix 7 - Term Sheet for the Call for and Selection of Financial Intermediaries - PFR Biznest FIZ

The definitions used in this document have the same meaning as in the Rules for the Submission and Selection of Tenders for Financial Intermediaries

<b>1. Financial instrument</b>	PFR Biznest FIZ
<b>2. Sources of financing</b>	Funding from the European Regional Development Fund in the Smart Growth Operational Programme 2014 – 2020, Measure 3.1. <i>Funding of the SME innovative activity using venture capital</i> Sub-measure 3.1.2. <i>Business Angels Group Investments in SME - Biznest</i>
<b>3. Legal regime of state aid</b>	Article 21 of Regulation No. 651/2014 (risk finance aid) Risk Finance Regulation
<b>4. Strategic objective of PFR Biznest FIZ</b>	<p>Main objective:</p> <ul style="list-style-type: none"> <li>• Provide the necessary financing to micro, small and medium-sized enterprises at an early development stage (incubation and start-up) which implement or intend to implement or develop innovative (product, service, process, organisational and marketing) solutions, and which, due to the high risk involved at an early stage of development, need venture capital in Co-investment with Business Angels, with a <i>smart money</i> component, which is to support them in delivering commercial success;</li> </ul> <p>Specific objectives:</p> <ul style="list-style-type: none"> <li>• Building, development, activation and support of Business Angel ecosystem, including the Network of Business Angels, syndication processes and informal Business Angel groups;</li> <li>• Increase of funding granted by Business Angels;</li> <li>• Establishing new managing teams, co-investing with Business Angels;</li> <li>• Building the best standards in the Business Angels market;</li> <li>• Increase of financing and the scale of operations for innovative SMEs at early development stages;</li> <li>• Support for the development of as many innovative SMEs as possible;</li> <li>• Increase of employment in supported SMEs;</li> <li>• Increase of the number of product, service, process, organisational or marketing innovations implemented.</li> </ul>
<b>Criteria concerning ultimate Eligible Undertaking and investment rules:</b>	
<b>5. Eligible Undertaking</b>	A Company or a Partnership Limited by Shares (and in the case of Eligible Undertakings with their registered office outside of the Republic of Poland, such Eligible Undertaking should be operating its business in the form of a company within the meaning of Article 2 (1) of Council Directive 2008/7/EC of 12 February 2008 concerning indirect taxes on the raising of capital, or in a legal form similar to the legal structure of a Company or a Partnership Limited by Shares), which meets the definition criteria of an SME under Annex I to Regulation No 651/2014, and which at the time the Co-investment proceeds are paid to it is a non-listed entity (is not listed on the stock exchange, with the exception of multilateral trading

	<p>platforms) within the meaning of Article 2 (76) of Regulation No. 651/2014 and meets at least one of the following conditions:</p> <ul style="list-style-type: none"> <li>(i) it has not been operating in any market (Eligible Undertaking before its first commercial sale) – <b>Eligible Undertakings Group A;</b></li> <li>(ii) it has been operating in any market for less than 7 years following its first commercial sale – <b>Eligible Undertakings Group B;</b></li> <li>(iii) in the case of Follow-on Investments – it has been operating in any market for less than 7 years following its first commercial sale – <b>Eligible Undertakings Group C.</b></li> </ul>
<b>6. Investment Stage and type of Eligible Undertaking</b>	Investments in Eligible Undertakings at an early stage of development (incubation and start-up stage) engaged in an innovative activity with a high growth potential.
<b>7. Place of business of an Eligible Undertaking</b>	<p>A Financial Intermediary may invest only in Eligible Undertakings that, at the time proceeds of a Financial Intermediary's Investment are paid to them, have their registered office:</p> <ul style="list-style-type: none"> <li>(i) in the territory of the Republic of Poland and conduct business activity within the Republic of Poland (as confirmed by an entry to the relevant register), or</li> <li>(ii) within the territory of the European Union, the European Free Trade Association (EFTA), or in a Member State of the European Economic Area, and pursues an economic activity in the Republic of Poland in accordance with the Act of 6 March 2018 on the rules governing the participation of foreign traders and other foreign persons in the course of trade on the territory of the Republic of Poland.</li> </ul>
<b>8. Types of Investments (allocation of proceeds from Investments) in Eligible Undertakings</b>	<p>The Financial Intermediary's Investments should be focused on:</p> <ul style="list-style-type: none"> <li>• setting up and development of new Eligible Undertakings;</li> <li>• provision of initial capital (the incubation and start-up stages);</li> <li>• provision of capital for the implementation of new projects;</li> <li>• launching projects and products on new markets (subject to simultaneous development of activities within the Republic of Poland, irrespective of development plans in other markets).</li> </ul> <p>The solutions being developed by an Eligible Undertaking may not be completed or fully implemented at the time an investment decision is taken by the Financial Intermediary; the Financial Intermediary may not make an Investment conditional on the priority of use of domestic products over goods imported from abroad.</p> <p>Proceeds from Investment may be allocated both to investments in fixed assets and intangible assets, and in working capital (taking into account the applicable provisions on state aid), and having regard to stimulation of the private sector as a provider of financing to SMEs, as well as the cost of transfer of intellectual property rights (if such transfer takes place between independent investors).</p> <p>The value of funding appropriated for the purchase of real property may not exceed 10% of the Investment value.</p> <p>Proceeds from Investment, including Follow-on Investments, may consist of expenses incurred outside Poland (in particular, for</p>

	<p>international expansion) if, at the time funding is paid to it through the Investment or Follow-on Investment, the Eligible Undertaking has its registered office or branch within the territory of the Republic of Poland (subject to point 7 of this document), and the Eligible Undertaking's business plan providing a basis of the Investment, including a Follow-on Investment, provides for the development of business within the territory of the Republic of Poland (irrespective of development plans for other markets) and benefits offered by the Investment for the Republic of Poland, defined as:</p> <ul style="list-style-type: none"> <li>• increase of employment within the territory of the Republic of Poland, including the increase in employment of R&amp;D teams; or</li> <li>• increase in research and development expenditure within the territory of the Republic of Poland; or</li> <li>• increase in investment expenditure within the territory of the Republic of Poland; or</li> <li>• increase in the value of assets within the territory of the Republic of Poland; or</li> <li>• increase in sales within the territory of the Republic of Poland; or</li> <li>• increase in the number of registered patents within the territory of the Republic of Poland; or</li> <li>• increase in the number of innovations being developed and implemented within the territory of the Republic of Poland; or</li> <li>• increase in the viability (profitability) of the undertaking within the territory of the Republic of Poland.</li> </ul>
<p><b>9. Ineligible investments in Eligible Undertakings</b></p>	<p>The Financial Intermediary may not make an Investment in an Eligible Undertaking in difficulty within the meaning of Regulation 651/2014.</p> <p>The Financial Intermediary's investments may not be made to finance:</p> <ul style="list-style-type: none"> <li>• construction or decommissioning of nuclear power plants;</li> <li>• production, processing or marketing of tobacco, tobacco products and electronic cigarettes;</li> <li>• production or marketing of alcoholic beverages;</li> <li>• production or marketing of pornographic content;</li> <li>• trading in explosives, arms and munitions;</li> <li>• activity involving games of chance, mutual betting, gaming on machines and gaming on low-prize machines;</li> <li>• production or marketing of intoxicants, psychotropic substances or precursors;</li> <li>• IT supporting the activities specified above, i.e. in so far as applications and other IT solutions support or facilitate the activities specified above;</li> <li>• pure financial services, including in particular consumer finance services or lending, excluding services and activities supporting financial services, including in particular activities involving the provision of loans, credit facilities and other forms of financing, with the proviso that, for the avoidance of doubt, the provision of</li> </ul>

	<p>financial services within the meaning of this section will not include any services or activities supporting the provision of financial services, including in particular activities in the FinTech sector, back-office services, etc.;</p> <ul style="list-style-type: none"> <li>• activity related to property trading;</li> <li>• activity involving the processing and marketing of agricultural products, if the value of the Investment is determined on the basis of the price or quantity of such products purchased from primary producers or put on the market by an undertaking or if the Investment is conditional on amounts received from a fund being partly or entirely passed on to primary producers;</li> <li>• activity connected with export to third countries or Member States if the Investment is directly related to the quantity of exported products, establishment and operation of a distribution network or other current expenses connected with export-related activities;</li> <li>• advance financing towards subsidies or other public funding;</li> <li>• purchase of real property, subject to point 8 of this document;</li> <li>• repayment of the Eligible Undertaking's existing debt and debt restructuring;</li> <li>• facilitating the closure of uncompetitive coal mines;</li> <li>• activity aiming to reduce emission of greenhouse gases from the list of measures in Annex I to Directive 2003/87/EC;</li> <li>• activity related to airport infrastructure, unless the Investment is related to environmental protection or it is associated by investments necessary to mitigate or limit adverse environmental impact;</li> <li>• illegal activities;</li> <li>• other activities that violate the mandatory provisions of the law of the Republic of Poland and/or the law of the European Union.</li> </ul> <p>PFR Biznest FIZ allows the possibility of financing Follow-on Investments after Eligibility Period despite not fulfilling the conditions indicated above – with the approval of the Manager of the Program. In such a situation, the Declared Capitalization of Financial Intermediary can be increased accordingly.</p>
<p><b>10. Basic rules for investing in Eligible Undertakings</b></p>	<ul style="list-style-type: none"> <li>• Ensuring the necessary participation of private investors in the form of Business Angels, as referred to in Article 21 section 10 of Regulation No. 651/2014, occurs only at the level of the Eligible Undertaking. The Financial Intermediary is required to provide at least the minimum private contribution share in Investment financing originating from Business Angels, representing in each case not less than 50% and not more than 60% of the amount of Investment in the Eligible Undertaking.</li> <li>• At least 100% of the initial Investments in Eligible Undertakings will be invested in Group A and Group B Eligible Undertakings;</li> </ul>

	<ul style="list-style-type: none"> <li>• Not more than 60% of the Investment Budget will be invested in Follow-on Investments;</li> <li>• Form of financing: equity or quasi-equity financing (as defined in Article 2 point 78 of Regulation 651/2014), with redemption possible only up to the limit of 10% of the Investment value;</li> <li>• The value of the Co-investments in Eligible Undertakings of up to PLN 4 million without a lower investment limit (calculated inclusive of Business Angels' contribution), provided that not more than 49% of the Eligible Undertaking's equity interests are acquired under the initial Investment;</li> <li>• The possibility of making follow-on investments in an Eligible Undertaking up to the total Investment amount (including the initial investment) not greater than PLN 4 million (calculated inclusive of private contribution);</li> <li>• Investments and Follow-on Investments may be made on a one-off basis or in instalments.</li> </ul>
<p><b>11. Follow-on Investments in Eligible Undertakings</b></p>	<p>Follow-on Investments in Eligible Undertakings in which the Financial Intermediary has previously made Co-Investments (the Financial Intermediary's initial Co-investment with Business Angels), both in Group A, Group B, and in Group C Eligible Undertakings (under reserve that Follow-on Investment in Group C Eligible Undertakings will be possible provided that the initial Investment was made in an Eligible Undertaking which, at the initial Investment stage, was at Group A or Group B development stage, and, at the time of the Follow-on Investment, is at Group C stage), provided that: (i) the maximum total value of Investment in the Eligible Undertaking, i.e. PLN 4 million (including private contribution) will not be exceeded, (ii) the possibility and need to make a Follow-on Investment was envisaged in the original business plan for the Investment, (iii) the Eligible Undertaking receiving a Follow-on Investment has not become a linked enterprise within the meaning of Article 3 of Annex I to Regulation No. 651/2014 to an enterprise other than the Financial Intermediary or co-investing Business Angels, unless the new entity meets the SME definition (despite such linkage).</p> <p>Follow-on Investments may also be made after the Eligibility Period, but in such a case the following additional conditions must be met:</p> <ul style="list-style-type: none"> <li>• The Investment Agreement with the Financial Intermediary must be concluded within the deadline set forth in the applicable legal regulations (this deadline may be subject to further change in accordance with the rules set forth in such regulations);</li> <li>• at least 60% of the Financial Intermediary's Declared Capitalisation will be invested by the end of 2023;</li> <li>• within not more than 4 years of the end of the Eligibility Period (or of the end of the Investment Period if shorter than the Eligibility Period);</li> <li>• not more than 20% of the funds allocated to the Eligible Undertakings during the Eligibility Period, reduced by the divestitures made;</li> </ul>

	<ul style="list-style-type: none"> <li>• the cumulative value of funding allocated to Follow-on Investments will be transferred to a dedicated escrow account;</li> <li>• the Follow-on investment concerns the Eligible Undertaking whose further development requires further financing due to the fact that the objectives/ measures financed as part of the previous Co-financing have not been completed;</li> <li>• the Follow-on Investment is needed and necessary in order to ensure continued financing of the Eligible Undertaking and it is made on the arm's length basis;</li> <li>• the Follow-on Investment meets all the prerequisites for a Follow-on Investment.</li> </ul>
<p><b>Financial Intermediaries:</b></p>	
<p><b>12. Financial Intermediary</b></p>	<p>The Tenderer may select from two models of Financial Intermediary's operation:</p> <ol style="list-style-type: none"> <li>1) the Members of the Managing Team serve only the role of the managing entity (they do not co-invest directly next to the Financial Intermediary, they do not serve the role of Business Angels) (the "<b>Non-Co-investment Model</b>").</li> <li>2) the Members of the Managing Team co-invest directly next to the Financial Intermediary, serving the role of Business Angels) (the "<b>Co-investment Model</b>").</li> </ol> <p>In the event that the Tender is submitted by the Managing Entity - the Financial Intermediary is established by PFR Biznest FIZ and the Managing Entity upon the signature of the Investment Agreement, in the event that the Tender is submitted by the Financial Intermediary established according to the provisions of law (in particular, according to the provisions of the Act on investment funds and management of alternative investment funds) and managed by the Managing Entity – PFR Biznest FIZ joins the Financial Intermediary after the signature of the Investment Agreement.</p> <p>The sole shareholders / stockholders of / participants in the Financial Intermediary, for the period of operation of the Financial Intermediary, shall be the Managing Entity and PFR Biznest FIZ.</p> <p>The business of the Financial Intermediary, for the period of operation of the Financial Intermediary, shall be solicitation of Business Angels for Co-investment in Eligible Undertakings and making Co-investments.</p> <p>The Managing Entity / Financial Intermediary shall ensure the compliance of its activity with the provisions of Article 6 of Regulation No. 480/2014 and the meeting of the requirements specified in Article 7 of Regulation No. 480/2014.</p>
<p><b>13. Form of financing of Financial Intermediaries by PFR Biznest FIZ</b></p>	<p>Repayable financing by way of taking of and payment for shares, stocks, investment certificates or other equity interests issued by Financial Intermediaries, intended for financing the Investment Budget and the Operating Budget.</p>

<p><b>14. Allocation of financing provided to Financial Intermediaries by PFR Biznest FIZ</b></p>	<p>The financing of Financial Intermediaries through contributions to the Financial Intermediary's Declared Capitalisation includes:</p> <ul style="list-style-type: none"> <li>• Investment Budget – describing the total planned Investment expenditure of the Financial Intermediary (“<b>Investment Budget</b>”),</li> <li>• Operating Budget – specifying the planned management of the Financial Intermediary (“<b>Operating Budget</b>”)</li> </ul>
<p><b>15. Amount of the contribution of PFR Biznest FIZ and the private contribution of the Managing Entity to the Financial Intermediary</b></p>	<p>The Declared Capitalisation of the Financial Intermediary may amount to PLN 15 million to PLN 30 million, subject to point 16 of this document. The contribution of PFR Biznest FIZ (repayable investment) under the Declared Capitalisation of the Financial Intermediary may amount to maximum 96%.</p> <p>The private contribution of the Managing Entity to the Declared Capitalisation, i.e. the share in the Operating Budget and the Investment Budget, will not be less than 4% of the Financial Intermediary's Declared Capitalisation.</p> <p>The Managing Entity's declared contribution in the Financial Intermediary's Declared Capitalisation will be specified by the Tenderer in the Tender, also with regard to interest in the option to increase the Declared Capitalisation under Appendix 1 to the Rules.</p> <p>PFR Biznest FIZ will finance the percentage of the Operating Budget and the Investment Budget representing its share in the Financial Intermediary's Declared Capitalisation.</p> <p>The Managing Entity will finance the percentage of the Operating Budget and the Investment Budget representing its share in the Financial Intermediary's Declared Capitalisation.</p>
<p><b>16. The option to increase and reduce the Financial Intermediary's Declared Capitalisation</b></p>	<p>PFR Biznest FIZ allows for the possibility to increase the Financial Intermediary's Declared Capitalisation on the condition that a significant part of the Investment Budget is invested as part of the original PFR Biznest FIZ contribution.</p> <p>PFR Biznest FIZ allows for the possibility to reduce the Declared Capitalisation or to terminate the Investment Agreement, in particular, in the case of:</p> <ul style="list-style-type: none"> <li>• the Financial Intermediary's failure to fulfil essential provisions of the Investment Agreement, in particular by infringement of the Investment Restrictions or making an Investment contrary to the investing rules set forth in the Investment Agreement;</li> <li>• a breach of any provisions of the national or EU law committed by the Financial Intermediary and/or individual Team Members of the Financial Intermediary's/Managing Entity;</li> <li>• a significant deviation (in the opinion of PFR Biznest FIZ) in the course of investing activities pursued by the Financial Intermediary from the Investment Policy declared under the Call;</li> <li>• failure to meet the minimum required performance levels of the Investment Budget, defined for the following periods at the level of:</li> </ul>

	<ul style="list-style-type: none"> <li>i. at least 10% of the Investment Budget performance until the end of 2021,</li> <li>ii. at least 35% of the Investment Budget performance until the end of 2022,</li> <li>iii. at least 60% of the Investment Budget performance until the end of 2023,</li> </ul> <p>depending on the decision of PFR Biznest FIZ.</p> <p>The detailed reasons resulting in a reduction of the Declared Capitalisation or termination of the Investment Agreement will be set forth in the Investment Agreement.</p>
<b>17. Investment Period</b>	Up to 2 and a half years from the entry into force of the Investment Agreement, with an option to extend it in justified cases by 1 or 2 years, depending on the evaluation of the Investment Budget performance by the Financial Intermediary and with the consent of PFR Biznest FIZ, but not beyond 31 December 2023, subject to the option to implement Follow-on Investments after the Investment Period on the conditions specified in the Follow-on Investments section.
<b>18. Investment exit period</b>	The Period of Exit from Investment is up to 4 years (running from the end of the Investment Period), with an option to extend it in justified cases by 1 or 2 years with the consent of PFR Biznest FIZ, but in any case not beyond 31 December 2031.
<b>19. Term of the Financial Intermediary (Investment Period and Period of Exit from Investment)</b>	From 6 and a half to 8 and a half years: 2 and a half + 4 (+2) years (extension of each the periods at the consent of PFR Biznest FIZ).
<b><u>Financial Intermediary's Economics:</u></b>	
<b>20. Financial Intermediary's Operating Costs</b>	<p>The costs of functioning of the Financial Intermediary shall be contained in the Operating Budget, which distinguishes i) the fixed portion related to the maintenance of the Financial Intermediary's structure, including Team's work costs, administrative costs, other external services and other operating costs of the Financial Intermediary (the "<b>Operating Part of the Operating Budget</b>") and (ii) the variable portion associated with the preparation of individual Investments, i.e. due diligence of Eligible Undertakings, transaction costs, external consultant costs, etc. (the "<b>Transaction Part of the Operating Budget</b>").</p> <p>The Operating Part of the Operating Budget is financed from all the contributions to the Declared Capitalisation of the Financial Intermediary, made by PFR Biznest FIZ and the Managing Entity, allocated to cover the Management Fee (the "<b>Management Fee</b>").</p> <p>The Transaction Part of the Operating Budget, with regard to individual Investments, shall be covered pro rata (50% from the Management Fee and 50% from the Business Angels' funds co-investing with the Financing Intermediary in a given Investment, and in the case of Follow-on Investments, in Group C Eligible Undertakings in, respectively, 40% and 60%).</p>

	<p>Moreover, the Managing Entity may negotiate with co-investing Business Angels an additional fee connected with monitoring of the Investments covered by Co-investment (“<b>Management Fee from Business Angels</b>”).</p> <p>The Tenderer shall submit a proposal for the Operating Budget, taking into account the estimated Management Fee (in accordance with the parameters set out in section 21 of the Term Sheet), financing the Transaction Part of the Operating Budget from Business Angels and possibly the assumed/estimated Management Fees from Business Angels. Detailed rules and mechanisms for collecting fees from co-investing Business Angels shall be part of the Financial Intermediary’s Operating Concept (Appendix 3 to the Rules).</p> <p>The total value of the Financial Intermediary's operating costs irrespective of the source of financing (i.e. financed by the Management Fee from PFR Biznest FIZ and the Managing Entity and Business Angels funds) may not exceed, in the Eligibility Period, 20% of the total contributions of PFR Biznest FIZ, the Managing Entity and the Business Angels (to the Financial Intermediary from PFR Biznest FIZ and the Managing Entity and to individual Co-investments from Business Angels).</p>
<p><b>21. Management Fee in the Eligibility Period</b></p>	<ol style="list-style-type: none"> <li>1) Management Fees until the end of the Eligibility Period (irrespective of the duration of the Investment Period, i.e. also in a situation where the Investment Period ends before the end of the Eligible Period) may not exceed in aggregate 20% of the total contribution amount (i.e. the sum of the Management Fee and Investment contributions) paid to the Financial Intermediary. Every six months, since the end of the 4th half-year until the end of the Eligibility Period, a periodic test will be carried out to verify whether the Management Fees paid so far does not exceed 20% of the total amount of contributions transferred to the VC Fund ("Trailing Limit").</li> <p>PFR Open Innovations FIZ reserves the right to reduce or to not pay at all the Management Fee in the Eligibility Period in the case of exceeding of the above-mentioned Trailing Limit until the excess is removed.</p> <li>2) Management Fees in the Eligibility Period will consist of the fixed component (calculated on the Declared Capitalisation), where fixed remuneration is due for the Investment Period (core period extendable in accordance with point 16 of this Term Sheet) and the variable component (calculated on the value of cumulative funds transferred to Eligible Undertakings, excluding any funds transferred to Eligible Undertakings if the Financial Intermediary has made an exit or partial exit from such an Investment), a referred to in Article 13 (2) of the Delegated Regulation. The fixed component of the remuneration is payable every six months in advance, whereas the variable component is payable in arrears (at intervals to be agreed with the Financial Intermediary). It is allowed to introduce an advance payment mechanism for variable remuneration.</li> </ol>

The limits of fixed and variable remuneration in the Eligibility Period, subject to paragraphs 1 above, payable on a six-monthly basis, are presented as annual percentages in the table below:

Half of the year	0.5	1	1.5	2	2,5
<b>Fixed remuneration (%/year)</b>	1.25 %	1.25 %	1.15 %	1.00 %	1,00 %
<b>Variable remuneration (%/year)</b>	1.25 %	1.25 %	1.25 %	1.25 %	1,25 %

- 3) The fixed remuneration set out in the table above, applies to the situation when the commencement of the investment activity occurs by 30.06.2021 and assumes a 2 and a half-year Investment Period until the end of the Eligibility Period. If the commencement of the investment activity occurs after 30.06.2021, the fixed remuneration will be reduced by 1/12 pp of the Declared Capitalization after the beginning of each month following 30.06.2021. The reduction will take place respectively in the last periods of the fixed remuneration due.
- 4) In the event that the Investment Period is extended in accordance with the terms and conditions of the Term Sheet, the annual value of the Management Fee in the extended Investment Period will have to be agreed with PFR Biznest FIZ, where, in determining its amount, PFR Biznest FIZ will take into account (i) the level of the Investment Budget performance (the level of funds invested in Eligible Undertakings) at the end of the initial Investment Period, and (ii) the applicable annual limit of the Management Fee of a maximum of 20% of the total contribution amount paid to the Financial Intermediary in the Eligibility Period.
- 5) PFR Biznest FIZ allows for the possibility to reduce Management Fee in the event of failure to meet the minimum required levels of the Investment Budget performance specified in point 16.
- 6) PFR Biznest FIZ allows for the possibility to increase the annual limits of Management Fees with the consent of the Ministry of Investment and Development, which will be subject to individual evaluation of the Financial Intermediary's investing activities and needs.
- 7) The Tendered shall be obliged to specify the expected value of the Management Fee and its distribution over the years of operation of the Financial Intermediary, taking into account the rules specified in points 1) to 3) above. The expected value of the Management Fee specified by the Tenderer shall not be binding upon PFR Biznest FIZ – it may be subject to change.
- 8) The Management Fee shall cover the Operating Budget of the Financial Intermediary, subject to the rules specified in point 20 above.

<p><b>22. Management Fee after the Eligibility Period</b></p>	<p>After the Eligibility Period, the annual management fee will not exceed 1.5% of the funds transferred as part of Investments by the Financial Intermediary to Eligible Undertakings (excluding any funds transferred to the Eligible Undertaking if the Financial Intermediary has made an exit or partial from such an Investment), calculated pro rata temporis from the expiry date of the Eligibility Period until 31 December 2029 or until the end of the Period of Exit from Investment, whichever is earlier.</p> <p>The capitalised amount of management fees due after the Eligibility Period will be paid to a dedicated escrow account before the end of the Eligibility Period.</p> <p>Irrespective of the Term of the Financial Intermediary, referred to in section 19, after 31 December 2029, the Management Fees will not be eligible, subject to the second sentence. PFR Biznest FIZ allows the possibility of financing management fee after 31 December 2029 with the approval of the Manager of the Program. In such a situation, the Declared Capitalization of Financial Intermediary may be increased accordingly.</p>
<p><b><u>Co-investment criteria:</u></b></p>	
<p><b>23. Business Angels</b></p>	<p>Business Angel is a natural person having significant business and investment experience, providing financing in the so-called smart money formula, i.e. the form of financing which, in addition to funds, also anticipates active support of the beneficiary of the financing in the building of market position and sectoral relations, as well as initiation of contacts with scientific and research units, as well as obtainment of funds for further development, which is an independent private investor, as defined in Article 2 (72) of Regulation 651/2014, which:</p> <p>(i) under the Co-investment agreement, makes Investments in the Eligible Undertakings from resources which do not constitute public funds within the meaning of the Act of 27 August 2009 on public finance, regardless of its form of ownership,</p> <p>(ii) is independent of the Eligible Undertaking, i.e. it is not a shareholder or stockholder of the Eligible Undertaking in which the Financial Intermediary will invest, regardless of its ownership right,</p> <p>and</p> <p>(iii) will bear the full risk connected with Co-investments;</p> <p>It is permitted for Business Angels to Co-invest through investment vehicles, and in such case private investors and Business Angels shall be deemed to be only those Business Angels and not the aforementioned investment vehicles.</p>
<p><b>24. Private contribution of Business Angels as part of Co-investment in Eligible Undertakings</b></p>	<p>The contribution of Business Angels in the financing of each Co-investment shall be 50% of the Co-investment amount, provided that in the event of Co-investment in Group C Eligible Undertakings - the contribution of Business Angels in the financing of Co-investment shall be 60% of the Co-investment amount.</p> <p>The above shall constitute the modification of the rules specified in Article 21 (10) of Regulation No. 651/2014.</p>

<p><b>25. Selection of Business Angels for co-investment and their verification</b></p>	<p>The Managing Entity shall be responsible for solicitation and selection of Business Angels.</p> <p>The Managing Entity can solicit for Co-investment both Business Angels composing the Business Angel Ecosystem Partner Entity and/or Business Angels who are not members of the Business Angel Ecosystem Partner Entity.</p> <p>The Managing Entity is obliged to solicit Business Angels for individual Co-investments in transparent, open and non-discriminating procedures whose purpose is, inter alia, to determine the level of Management Fee from Business Angels and the value of Lead Carried Interest for the Leading Business Angel, acceptable by the Business Angel, in compliance with the edge conditions of the Co-investment, as specified in these Call Rules.</p> <p>The Managing Entity shall be obliged to perform, before Co-investment, verification of Business Angels in view of such Business Angels' competence and meeting by them of the prerequisites for a private investor (as specified by PFR Biznest FIZ in the Investment Agreement). PFR Biznest FIZ reserves the right to conduct a due diligence of Business Angels prior to making a Co-investment.</p>
<p><b>26. Rules of making the investment between the Financial Intermediary and Business Angels</b></p>	<p>The Managing Entity shall be obliged to solicit Business Angels for each Investment of the Financial Intermediary, including Follow-on Investments (where Follow-on Investments may be participated in by Business Angels participating in the original Co-investment or other Business Angels solicited by the Managing Entity). Each investment of the Financial Intermediary shall be made subject to the following minimum edge conditions:</p> <ul style="list-style-type: none"> <li>- co-investments of the Financial Intermediary with Business Angels in Eligible Undertakings shall be made according to the <i>pari passu</i> rules. Investments by Business Angels at the Eligible Undertaking level will be made together with the Financial Intermediary on business and legal terms that are not more favourable, including valuation that is not lower, compared with the Financial Intermediary's Investment, as described in the Co-investment Agreement;</li> <li>- each investment will be made with at least 2 Business Angels which will each time independently selected by the Managing Entity,</li> <li>- one Business Angel may take maximum 75% of the Business Angels' contribution to each Co-investment;</li> <li>- exit of co-investing Business Angels from Co-investment takes place together with the Financial Intermediary, subject to the terms which are not more favourable than the exit terms for the Financial Intermediary, unless the Managing Entity demonstrates that the lack of simultaneous exit from Co-investment by the Financial Intermediary and co-investing Business Angels does not have a negative influence on the interest of the Financial Intermediary and gains acceptance of PFR Ventures.</li> </ul> <p>Detailed rules of making co-investments will be set out in the Co-investment Agreement.</p>

<p><b>27. Co-Investments with the Managing Entity's Team Members acting as Business Angels</b></p>	<p>Team Members may declare, at the Tender level, an option to co-invest directly in the role of Business Angels (in which case the Team Member making such declaration must meet the definition of a Business Angel) - Co-investment Model.</p> <p>In the case of the Co-investment Model, Team Members must declare co-investment in all Co-investments at the fixed level indicated in the Tender for contribution by Business Angels in the same proportions as the contributions made by the Team Members to the Financial Agent as part of the Managing Entity's contribution. In the Co-investment Model, Team Members may not declare a Co-investment without a declaration of contribution to the Financial Intermediary as part of the Managing Entity's contribution.</p> <p>Team Members may declare a total of 25% to 75% of the Business Angel contribution in each Co-investment. As regards the remaining part of the Co-investment (from 25% to 75%), they must obtain the consent of at least one Business Angel independent of the Managing Entity.</p> <p>Co-investing Team Members must meet all the requirements for the Business Angel and the private investor.</p> <p><i>*e.g.: If 2 Team Members contribute 4% to the Financial Intermediary in a 3:1 ratio (1st member contributing 3% of the contribution and 2nd member contributing 1%) and declare to co-invest in all Co-investments at a fixed level of e.g. 40% of the Business Angel contribution, then 1st Team Member will co-invest in each Co-investment at a level of 30% of the Business Angel contribution, and 2nd Team Member will co-invest at a level of 10% of the Business Angel contribution.</i></p>
<p><b>28. The Leading Business Angel</b></p>	<p>In the Non-Co-investment Model, in each Co-investment, at least one leading, experienced Business Angel must be nominated which will be actually involved in the preparation and conduct of Co-Investment, and then in its monitoring and active support of the Eligible Undertaking (the smart money formula) ("<b>Leading Business Angel</b>").</p> <p>In the Co-investment Model, there is no requirement to indicate the Leading Business Angel. Where the Leading Business Angel is not specified, this role is fulfilled by the co-investing Team Members, but they cannot collect Lead Carried Interest.</p> <p>The Leading Business Angel may be entitled to receive the Lead Carried Interest for the performed work in connection with and after the making of the Co-investment, to the value negotiated and determined with the Financial Intermediary and regulated in the Co-investment Agreement, according to point 31.</p>
<p><b>29. Investment decision-making</b></p>	<p>Managing Entity's investment decisions concerning the implementation of investments in and divestitures from Eligible Undertakings will be taken on the arms' length basis, in line with the best practices in the venture capital/ private equity market.</p> <p>The Managing Entity will take decisions based, in each case, on the Investment business plan, which should contain a description of solution concerned subject to financing, an evaluation of the profitability of the project, as well as the description of the strategy of exit from the</p>

	<p>Investment, and following a legal due diligence of the Eligible Undertaking and other appropriate investigations if necessary (technological, financial due diligence, etc.).</p> <p>The Financial Intermediary/ Managing Entity will set up an internal body dedicated to making investment decisions – the Investment Committee. The Tenderer is required to describe in the Tender the proposed composition of the Investment Committee and the way it will take investment decisions – members of Key Personnel should comprise the majority of the Investment Committee make-up, and thus shall have the decisive majority in the Investment Committee.</p> <p>PFR Biznest FIZ shall have the right to nominate 1 (one) observer at the Investment Committee, without voting rights, whose role will be limited to examining the compliance of the realised Investment with the Investment Policy, with the provisions of the Investment Agreement and with the provisions of EU and national law. PFR Biznest FIZ’s observer will have no voting right, subject to the veto option under the terms set forth in the paragraph below.</p> <p>PFR Biznest FIZ will have no influence on the Managing Entity’s decision-making. PFR Biznest FIZ will have a limited right of veto regarding investment decisions only where a given investment decision is contrary to legal provisions applicable to Investments made by Financial Intermediaries. In the case the right of veto is exercised by the PFR Biznest FIZ’s observer, the Financial Intermediary may not make the planned Investment or exit from Investment. The detailed rules for the exercise of the right of veto by PFR Biznest FIZ will be set out in the Investment Agreement.</p> <p>In addition, any change of the Key Personnel member requires the approval of PFR Ventures and may cause the Managing Entity to be dismissed in the cases specified in the Investment Agreement.</p>
<p><b><u>Rules for accounting for proceeds from Exits from Investments:</u></b></p>	
<p><b>30. Rules for accounting for proceeds from Exits from Investments</b></p>	<p>Contributions to the Financial Intermediary shall be made by PFR Biznest FIZ and the Managing Entity, and at the level of Co-investment in the Eligible Undertaking, by the Financial Intermediary and co-investing Business Angels.</p> <p>In the event of exit from Co-investment, the Financial Intermediary and the Business Angels (including the co-investing Team Members) shall exit the Co-investment at the same time (unless PFR Ventures has given consent to the non-simultaneous exit and subject to the securing of the Financial Intermediary’s interests at the exit and making the settlements in accordance with the rules set out in this section). Returns on exits from individual Investments will be distributed as follows:</p> <p><b>Accounting at the level of the Eligible Undertaking:</b></p> <p>Settlement of funds from exits from Co-investments in Eligible Undertakings, between the Financial Intermediary and Business Angels, is carried out on the deal-by-deal basis, in the following order:</p>

	<p>1) reimbursement of contributions to the Eligible Undertaking made by the Financial Intermediary and Business Angels in proportion to their participation in the Co-investment</p> <p>2) reimbursement of funds constituting the surplus after reimbursement of 100% of effected contributions (the “<b>Investment Surplus</b>”) shall be each time negotiated at the stage of signature of the Co-investment Agreement between the Managing Entity (on behalf of the Financial Intermediary) and Business Angels, and PFR Ventures permits non-symmetrical distribution of the Investment Surplus according to the following, maximum limits:</p> <ul style="list-style-type: none"><li>○ For Investments in Eligible Undertakings from Group A and B up to 65% of the Investment Surplus, and for Investment in Eligible Undertakings from Group C up to 70% of the Investment Surplus may be allocated to Business Angels, including co-investing Team Members<ul style="list-style-type: none"><li>▪ including from 5% to 10% of the Investment Surplus for the Leading Business Angel for Lead Carried Interest in the Non-Co-investment Model and up to 10% of the Investment Surplus for the Leading Business Angel in Non-Co-investment Model (optionally, if the Leading Business Angel is appointed);</li><li>▪ The remaining part of the Investment Surplus due to Business Angels shall be settled proportionally to the effected contributions.</li></ul></li><li>○ The remaining part of the Investment Surplus, i.e. from 35% to 50% of the Investment Surplus for Investments in Group A and B Eligible Undertakings, and from 30% to 40% for Investments in Group C Eligible Undertakings - as payment of proceeds to the Financial Intermediary.<ul style="list-style-type: none"><li>○ Carried Interest from Business Angels: Business Angels, whose investments are settled after an exit from each Co-investment in Eligible Undertakings, can contribute part of their Investment Surplus to Carried Interest of the Managing Entity. Proceeds from exits are transferred to a special escrow account and paid to the Managing Entity in full, as long as the settlement on portfolio basis of the Financial Intermediary will result in a full return of contributions to the Financial Intermediary by the Managing Entity and PFR Biznest FIZ. It is allowed to partially pay to the Managing Entity from the Escrow account accumulated by Carried Interest from Business Angels. The detailed mechanism and payment conditions will be specified in the investment agreement. The level of Carried Interest is negotiated each time between Business Angels and Managing Entity before any Co-investment. The level of Carried Interest from Business Angels cannot exceed 30% and should include a rational approach to relationship between levels of Carried Interest and Management Fees from Business Angels</li></ul></li></ul>
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	<p>The Managing Entity shall be obliged to negotiate each time the scope of distribution of the Investment Surplus, taking into account: (i) the interest of the Financial Intermediary, (ii) the character of a given Co-investment and the level of its risk, (iii) the role of the Leading Business Angel, (iv) the minimum level of asymmetry necessary to provide private capital on the part of co-investing Business Angels.</p> <p><b>Accounting at the level of the Financial Intermediary:</b></p> <p>Settlement of proceeds from exists from Investments between PFR Biznest FIZ and the Managing Entity shall take place according to the portfolio basis:</p> <ul style="list-style-type: none"> <li>• First, funds are returned up to the amount of contributions made to the Financial Intermediary by the Managing Entity and PFR Starter FIZ, in proportion to their share in the Financial Intermediary's Capitalisation – until 100% of their contributions is returned.</li> <li>• If any funds remain after return of 100% of contributions made to the Financial Intermediary, next proceeds from exits from Investment (“<b>Surplus</b>”) shall be allocated for the payment of:             <ul style="list-style-type: none"> <li>(i) First the Carried Interest for the Managing Entity – according to the percentage value of the due Carried Interest, according to point 31 of the Term Sheet, and</li> <li>(ii) The other funds, after deduction of the Carried Interest, shall be allocated for the payment of profits between PFR Biznest FIZ and the Managing Entity – in proportion to the share in the Financial Intermediary's Capitalisation.</li> </ul> </li> </ul>
<p><b>31. Lead Carried Interest and Carried Interest</b></p>	<p>Lead Carried Interest is a success premium for the Leading Business Angel (if any) settled on the deal by deal basis on the Investment Surplus, and is negotiated between the Managing Entity, Leading Business Angel and other co-investing Business Angels, as governed by the Co-Investment Agreement.</p> <p>Total value of Lead Carried Interest may in no event, for any of the Investments, exceed max. the level of 10% of the Investment Surplus, and, additionally, in the Non-Co-investment Model, may not be lower than 5% of the Investment Surplus.</p> <p>Carried Interest is a success bonus for the Managing Entity, settled on a portfolio basis on the Surplus, after reimbursement of all contributions made to the Financial Intermediary (no hurdle rate).</p> <p>The Carried Interest level is proposed by the Tenderer, however it should not be higher than 30%. The indicated level of Carried Interest should reflect current market conditions. The indicated level of Carried Interest shall not be binding upon PFR Biznest/PFR Ventures, i.e. it may be changed pursuant to section 10.8 of the Rules for the Submission of Tenders.</p>
<p><b><u>Selection criteria:</u></b></p>	
<p><b>32. Tender evaluation preferences (summary of the key evaluation</b></p>	<p>In the process of selection of Financial Intermediaries/Managing Entities, Financial Intermediaries/Managing Entities <b>will be preferred</b> who meet all of the following criteria:</p>

<p>parameters from the Call Rules)</p>	<p><b>A. The Team indicated by the Tenderer – with members of the Key personnel and the remaining Team members identified</b></p> <ul style="list-style-type: none"> <li>• has an experienced staff of professionals in the investment sector and/or demonstrate entrepreneurial experience, knowledge of the venture capital market (including, in particular, the Polish venture capital market), specialised and unique industry-specific experience standing out among that of other Tenderers (preference to be given to the combination of those competences), as well as a team of experienced and specialised experts/ advisers,</li> <li>• has experience in co-operation with Business Angels and/or knowledge of Business Angels’ ecosystem,</li> <li>• has specialised know-how and experience in the business,</li> <li>• all Key Personnel members will make cash contributions as part of the Managing Entity’s contribution and will declare the extent of their involvement (time-wise) in the investment activity of the Financial Intermediary (provided that the combined cash contribution of Key Personnel members must not be equal to the total cash contribution of the Managing Entity);</li> <li>• has investment decision-makers (Key Personnel) which will be dedicated to the greatest extent to the Financial Intermediary’s investment activities, i.e. declare their work time commitment to the Financial Intermediary’s investment activities of at least 32 hours per week,</li> <li>• intend to invest in industries that stand out among other Tenderers owing to specialised and unique experience, as well as expertise of the key investment staff.</li> </ul> <p><b>B. Financial Intermediary’s Operating Concept</b></p> <ul style="list-style-type: none"> <li>• exhibits a comprehensive growth strategy presenting the potential impact of the Business Angels on the ecosystem, in cooperation with the indicated Business Angel Ecosystem Partner Entity (Entities) and with entities representing the ecosystem;</li> <li>• exhibits a comprehensive investments strategy, based on reliable market rules and consistent with the investment rules specified in the Rules of Call, call strategy indicating a method for the achievement of the goals of measure 3.1.2 of SG OP, covering the rules of investment in Eligible Undertakings, investment risk diversification policy (Article 7 (2) (c) of Regulation No. 480/2014);</li> <li>• exhibits a comprehensive acquisition strategy (the Managing Entity is obliged to acquire Business Angels for the specific Co-Investment projects within transparent, open and non-discriminating procedures) and to activate new Business Angels within the indicated Business Angel Ecosystem Partner Entities, as well as to activate independent Business Angels (Article 7 (2) (d) of Regulation No. 480/2014);</li> <li>• exhibits a realistic and effective investment and operational schedule lending credibility to the implementation of the Financial</li> </ul>
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	<p>Intermediary's Investment Policy and ensuring the delivery of the objective set by PFR Biznest FIZ;</p> <ul style="list-style-type: none"> <li>exhibits a realistic and effective Operational Budget, including an indication of forecast Management Fees from Business Angels, as well as covering a part of the Transactional Budget by Business Angels (Article 7 (2) (c) of Regulation No. 480/2014);</li> <li>indicates market-level Carried Interest (i.e. reflecting current market conditions) for Managing Entities</li> <li>proposes measures to prevent conflicts of interest where co-investing Business Angels are Team Members (Article 7 (2) (f) of Regulation No. 480/2014).</li> </ul> <p><b>C. Business Angel Ecosystem Partner Entities</b></p> <ul style="list-style-type: none"> <li>present (a) Business Angel Ecosystem Partner Entity/ies characterised by large number, diversity and experience of Business Angels, as well as reliability and stability of co-operation. Obliging Business Angels (in particular those constituting the base group) to raise fees for co-operation with the Financial Intermediary increases, to a significant extent, reliability of the Tender;</li> <li>indicate a base group of the most experienced Business Angels which are subject to initial due diligence.</li> </ul> <p><b>D. Potential co-investment projects (Pipeline)</b></p> <ul style="list-style-type: none"> <li>demonstrate an effective, credible and systematic way of acquiring potential investment projects;</li> <li>demonstrate a credible list of potential co-investment projects (pipeline), e.g. information on a Letter of Intent/term sheet etc. concluded with a given potential Eligible Undertaking and Business Angels.</li> </ul> <p><b>E. Declare a private contribution of the Managing Entity, which is higher than minimum required</b></p>
<p><b>33. Additional requirements for Team Members responsible for making the Investments</b></p>	<ul style="list-style-type: none"> <li>At least 1 Team Member is required to declare their work time commitment to the investment activity of a Financial Intermediary with the Declared Capitalisation from PLN 5 million to PLN 15 million, of not less than 32 hours per week until at least 70% of the Investment Budget performance is achieved or until the end of the Investment Period (whichever is earlier).</li> <li>At least 2 Team Members are required to declare their work time commitment to the investment activity of a Financial Intermediary with the Declared Capitalisation from PLN 15 million to PLN 30 million, of not less than 32 hours per week until at least 70% of the Investment Budget performance is achieved or until the end of the Investment Period (whichever is earlier).</li> </ul> <p>Team Members will not perform, without the prior consent of PFR Biznest FIZ any managerial, supervisory, advisory or other key functions in entities other than the Financial Intermediary, Managing Entity and/or Eligible Undertaking subject to the Investment by the Financial Intermediary, the</p>

	<p>performance of which would entail a conflict of interest in relation to the business of the Financial Intermediary, which will be in each case verified for compliance by PFR Biznest FIZ.</p> <p>Each replacement of Key Personnel members shall require a consent of PFR Biznest FIZ/PFR Ventures.</p>
<b>Reporting, Monitoring, Audit and Compliance:</b>	
<b>34 Reporting</b>	The Financial Intermediary will be required to periodically report to PFR Biznest FIZ in accordance with the data scope and the report model prepared by PFR Biznest FIZ, to be specified in the Investment Agreement.
<b>35. Monitoring and Audit</b>	<p>The Financial Intermediary will be required to make available and submit, at each request from PFR Biznest FIZ, all information and documents concerning the disbursement of funds from the contribution of PFR Biznest FIZ and in connection with any audits performed by authorised national and international institutions to which PFR Biznest FIZ reports as the beneficiary of funds under the Smart Growth Operational Programme 2014 - 2020.</p> <p>The Financial Intermediary will submit to audit performed by authorised bodies (in particular, but not only, the Ministry of Development, the Ministry of Finance, bodies of the European Union, the European Court of Auditors, etc.) with regard to the utilization of resources from Structural Funds under the SG OP programme. The Financial Intermediary will ensure the appropriate implementation of the provisions concerning the submission to audit and provision of information in investment agreements with Eligible Undertakings.</p>
<b>36. Compliance</b>	<p>The managing Entity will ensure the observance of the professional standards in the venture capital market and compliance with the laws and regulations relating directly or indirectly to Financial Intermediaries' activities and the rules governing their Investments (in particular, Title IV of Regulation No. 1303/2013, Article 21 of Regulation No. 651/2014 and the Risk Finance Regulation).</p> <p>The Managing Entity will put in place and ensure the observance of applicable legal standards and provisions providing protection from money laundering and tax fraud, as well as the combating of terrorism. The Managing Entity will put in place and control compliance, both at the Financial Intermediary level and at the level of the Eligible Undertakings in which the Intermediary will make Investments, with internal procedures providing protection from money laundering, tax fraud and terrorism. The Financial Intermediary will not maintain any business relations with entities registered in countries that do not cooperate with the EU in the field of combating money laundering, terrorism and tax fraud.</p> <p>Prior to Investment in a given Eligible Undertaking, the Managing Entity shall be required to inform PFR Biznest FIZ of the capital or personal relationship of shareholders or partners of Eligible Undertakings, members of the management or supervisory body of Eligible Undertakings or their spouses, relatives by blood or by marriage (up to the second degree) with a partner, shareholder or with persons managing</p>

	<p>or supervising the Financial Intermediary, Managing Entity, Business Angels or with other persons of those entities who can influence the Financial Intermediary's investment decisions. In such case, making an Investment in such an Eligible Undertaking shall be subject to consent of PFR Biznest FIZ.</p> <p>Moreover, the Managing Entity shall ensure:</p> <ul style="list-style-type: none"> <li>• the holding and retention of authorizations necessary to perform the tasks of managing the Financial Intermediary;</li> <li>• economic viability and financial feasibility of its activities and of the activity of the Financial Intermediary;</li> <li>• an appropriate organizational structure (including a transparent structure of investment decision-making in compliance with the best market standards);</li> <li>• an appropriate financial/ accounting structure ensuring reliable, complete and credible information on the Financial Intermediary's finances;</li> <li>• a professional and reliable method for the selection and evaluation of Business Angels and Eligible Undertakings, based on the due diligence of the investment objective;</li> <li>• a procedure for the disclosure and management of conflicts of interest of any type that may arise within the Financial Intermediary, in particular those connected with the provision of an equity contribution by the Managing Entity or with the co-investments in Business Angels' Eligible Undertakings.</li> </ul>
<p><b>37. Change of legislation</b></p>	<p>Any rules provided for in the Term Sheet and based on the provisions of national and EU legislation in effect at the time at which the Notice of a Call for Tenders has been published, may be amended if the applicable legal regulations change, in accordance with the procedures set forth in the said regulations.</p>