

Appendix 7 to the Rules for the Submission and Selection of Financial Intermediaries under the PFR Starter FIZ programme: Key Terms for the Submission and Selection of Tenders for Financial Intermediaries - PFR Starter FIZ ("Term Sheet")

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

1. Financial instrument	Starter
2. Sources of financing	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 3.1.1. <i>Investments in innovative start-ups - Starter</i>
3. Legal regime of aid	Article 21 of Regulation No 651/2014 (risk finance aid) Risk Finance Regulation
4. Strategic objective of PFR Starter FIZ	<p>Main objective:</p> <ul style="list-style-type: none"> • provide 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 with a <i>smart money</i> component, which is to support them in delivering commercial success; <p>Specific objectives:</p> <ul style="list-style-type: none"> • Increase financing and the scale of operations for innovative SMEs at early development stages; • Support the development of as many innovative SMEs as possible; • Develop the <i>venture capital</i> market, including the establishment of new <i>venture capital</i> management teams; • Attract private investors and encourage them to invest in the <i>venture capital</i> market and then maintain them in the financial system as capital providers in successive periods; • Built the best standards in the VC market in Poland; • Increase employment in supported SMEs; • Increase the number of product, service, process, organisational or marketing innovations implemented.
5. Investment Stage and type of ultimate beneficiary	Investments in Eligible Undertakings at an early stage of development (incubation and start-up stage) engaged in an innovative activity (innovative start-ups) with a high growth potential.
6. Eligible Undertaking	A Company or a Partnership Limited by Shares (and in the case of Eligible Undertakings established outside the territory 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

	<p>in a legal form similar to the legal structure of a Company or a Partnership Limited by Shares), which:</p> <ul style="list-style-type: none"> • meets the definition criteria of an SME under Annex I to Regulation No 651/2014, • at the time the investment proceeds are paid to it under an Investment made by the Financial Intermediary, it is not a public company (it is not listed on the official list of a stock exchange, except for multi-lateral trading platforms) and meets at least one of the following conditions: <ul style="list-style-type: none"> (i) it has not been operating in any market (Eligible Undertaking before its first commercial sale) – Group A Eligible Undertakings; (ii) it has been operating in any market for less than 7 years following its first commercial sale – Group B Eligible Undertakings; (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 – Group C Eligible Undertakings.
<p>7. Place of business of an Eligible Undertaking</p>	<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"> • within the territory of the Republic of Poland and pursue an economic activity in the Republic of Poland, as confirmed by an entry in a relevant register, or • within the territory of the European Union, the European Free Trade Association (EFTA), or in a Member State of the European Economic Area, and pursue an economic activity in the Republic of Poland (as a foreign company) in accordance with the Act on Participation of Foreign Enterprises and Other Foreign Persons in Economic Trade in the Republic of Poland of 6 March 2018 (Journal of Laws.2018, item 649).
<p>8. Basic rules for investing in Eligible Undertakings</p>	<ul style="list-style-type: none"> • The Financial Intermediary is required to provide at least the minimum private contribution share in Investment financing, representing in each case not less than 20% of the Investment amount. • At least 70% of the initial Investments in Eligible Undertakings shall be invested in Group A Eligible Undertakings; • Not more than 60% of the Investment Budget will be invested in Follow-on Investments; • Form of financing: equity or quasi-equity financing, with redemption possible only up to the limit of 10% of Investment value; • The value of the initial Investments in Eligible Undertakings is up to PLN 2 million without a lower investment limit (calculated inclusive of private contribution), provided that not more than 49% of the Eligible Undertaking’s equity interests is acquired under the initial Investment; • The possibility to make 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); • Investments and Follow-on Investments may be made on a one-off basis or in instalments.

9. Follow-on Investments in Eligible Undertakings

The Financial Intermediary may make Follow-on Investments in Eligible Undertakings in which it has previously made Investments (the Financial Intermediary's initial Investment), both in Group A, Group B, and in Group C Eligible Undertakings (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 a Private Investor, unless the new entity meets the SME definition (despite such linkage).

The Financial Intermediary may also make Follow-on Investments after the Eligibility Period, but in such a case the following additional conditions must be met:

- the Investment Agreement with the Financial Intermediary will be concluded on a date which will be specified in the relevant legal regulations (that date may be subject to further changes on the terms specified in those regulations);
- at least 60% of the Financial Intermediary's Declared Capitalisation will be invested by the end of 2023;
- within a deadline of 4 (four) years from the end of the Eligibility Period, and in any case by the end of the Investment Exit Period;
- not more than 20% of the value of investments realized (i.e. cumulated funds handed over to Eligible Undertakings), reduced by any revenues generated on exits from investments, will be subject to earmarking for Follow-on Investments, over the period of 4 (four) years from the end of the Eligibility Period at the most earmarked for Follow-on Investments after the Eligibility Period;
- the cumulative value of funding allocated to Follow-on Investments will be transferred to a dedicated escrow account;
- 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 Financial Intermediary's initial Investment/previous Follow-on Investment have not been completed;
- 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;
- the Follow-on Investment meets all the prerequisites for a Follow-on Investment.

PFR Starter FIZ allows for the possibility to finance Follow-on Investments even if the above-mentioned criteria are not met – when EU and/or national laws allow for such a possibility and the competent institution

	<p>managing a given operational programme so agrees. In such a case the Financial Intermediary's Declared Capitalisation may be increased accordingly.</p>
<p>10. Types of Investments (allocation of proceeds from Investments) in Eligible Undertakings</p>	<p>The Financial Intermediary's Investments should be focused on:</p> <ul style="list-style-type: none"> • setting up new Eligible Undertakings; • provision of initial capital, i.e. seed and start-up capital; • provision of capital for the implementation of new projects; • launching projects and products on new markets (subject to simultaneous development of activities within the territory of the Republic of Poland, irrespective of development plans in other markets). <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 consists of expenses incurred outside Poland (in particular, for 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, 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) defined as:</p> <ul style="list-style-type: none"> • increase of employment within the territory of the Republic of Poland, including the increase in employment of R&D teams; or • increase in research and development expenditure within the territory of the Republic of Poland; or • increase in investment expenditure within the territory of the Republic of Poland; or • increase in the value of assets within the territory of the Republic of Poland; or • increase in sales within the territory of the Republic of Poland; or • increase in the number of registered patents within the territory of the Republic of Poland; or • increase in the number of innovations being developed and implemented within the territory of the Republic of Poland; or

	<ul style="list-style-type: none"> • increase in the viability (profitability) of the undertaking within the territory of the Republic of Poland.
<p>11. Ineligible investments in Eligible Undertakings</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 the following types of activity:</p> <ul style="list-style-type: none"> • construction or decommissioning of nuclear power plants; • producing, processing or marketing tobacco, tobacco products and electronic cigarettes; • producing or marketing alcoholic beverages; • producing or marketing pornographic content; • trading in explosives, arms and munitions; • activities involving games of chance, betting, machine games, low-stakes slot machines; • producing or marketing intoxicants, psychotropic substances or precursors; • IT activities supporting the activities specified above, i.e. in so far as applications and other IT solutions support or facilitate the activities specified above; • 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 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.; • activities related to property trading; • activities 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; • activities 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; • equity contribution towards subsidies or other public funding; • purchase of real property, subject to Section 10 of this document;

	<ul style="list-style-type: none"> • repayment of the Eligible Undertaking's existing debt and debt restructuring; • facilitating the closure of uncompetitive coal mines; • reduction of greenhouse gas emissions from the list of measures in Annex I to Directive 2003/87/EC; • airport infrastructure, unless the Investment is related to environmental protection or it is accompanied by investments necessary to mitigate or limit adverse environmental impact; • other activities that violate the mandatory provisions of the law of the Republic of Poland and/or the law of the European Union.
<p>12. Form of financing of Financial Intermediaries by PFR Starter FIZ</p>	<p>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>13. Allocation of financing provided to Financial Intermediaries by PFR Starter FIZ and Private Investors</p>	<p>The financing of Financial Intermediaries through Contributions to the Financial Intermediary's Declared Capitalisation includes:</p> <ul style="list-style-type: none"> • Investment Budget – describing the total planned Investment expenditure of the Financial Intermediary ("Investment Budget"), • Operating Budget – describing all planned management costs and fees of the Financial Intermediary, including in particular: Investment preparation costs (including in particular costs of due diligence of Eligible Undertakings and transaction documents), labour cost of the Team, in particular Key Personnel, administrative costs, other third-party services, and other costs ("Operating Budget").
<p>14. Amount of the Contribution of PFR Starter FIZ in the Financial Intermediary</p>	<p>The Contribution of PFR Starter FIZ (repayable financing) as part of the Financial Intermediary's Declared Capitalisation shall amount from PLN 20 million to PLN 50 million, representing not more than 80% of the Financial Intermediary's Declared Capitalisation, subject to Section 15 of this Term Sheet, save that Tenderers shall specify their preferences with regard to their interest in the option to increase the Declared Capitalisation under Appendix 1 to the Rules.</p> <p>PFR Starter FIZ shall finance the percentage of the Operating Budget and the Investment Budget representing its share in the Financial Intermediary's Declared Capitalisation.</p>
<p>15. The option to increase and reduce the Declared Capitalisation of the Financial Intermediary</p>	<p>PFR Starter FIZ allows for the possibility to increase the Declared Capitalisation of the Financial Intermediary on condition that a significant part of the Investment Budget is invested as part of the original PFR Starter FIZ Contribution.</p> <p>PFR Starter FIZ allows for the possibility to reduce the Declared Capitalisation or to terminate the Investment Agreement, in particular, in case of:</p> <ul style="list-style-type: none"> • the Financial Intermediary's failure to fulfil material provisions of the Investment Agreement, in particular by infringement of the Investment

	<p>Restrictions or making an Investment contrary to the investing rules set forth in the Investment Agreement,</p> <ul style="list-style-type: none"> • a breach of any provisions of the national or EU law committed by the Financial Intermediary/Managing Entity and/or individual Team Members of the Financial Intermediary/Managing Entity, • significant deviation (in the opinion of PFR Starter FIZ) in the course of investing activities pursued by the Financial Intermediary from the Investment Policy declared under the Call, • failure to meet the minimum required performance levels of the Investment Budget, defined for the following periods at the level of: <ol style="list-style-type: none"> i. at least 25% of the Investment Budget performance after 2 years from the beginning of the Investment Period, ii. at least 40% of the Investment Budget performance after 3 years from the beginning of the Investment Period, iii. at least 60% of the Investment Budget performance after 4 years from the beginning of the Investment Period, <p>depending on the decision of PFR Starter.</p> <p>The detailed reasons resulting in a reduction of the Declared Capitalisation or termination of the Investment Agreement shall be set forth in the Investment Agreement.</p>
<p>16. Amount of the private Contribution (contribution of the Private Investor(s) and the Managing Entity) to the Financial Intermediary</p>	<p>The private Contribution to the Declared Capitalisation (i.e. the share in the Operating Budget and the Investment Budget) shall not be less than 20% of the Financial Intermediary's Declared Capitalisation, with not less than 1% and not more than 20% (but in each case not more than the contribution of the Private Investor(s)) of the Declared Capitalisation to be provided by members of the Key Personnel and/or the Team as part of the Managing Entity's contribution.</p> <p>Private Investors' declared share in the Financial Intermediary's Declared Capitalisation shall 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>Private Investors shall finance the percentage of the Operating Budget and the Investment Budget representing their share in the Declared Capitalisation of the Financial Intermediary .</p>
<p>17. Private Contribution as part of Investment in Eligible Undertakings</p>	<p>Private contribution as part of each Investment shall not be less than 20% of the Investment amount.</p> <p>The Financial Intermediary / Managing Entity shall be obliged to ensure the minimum level of private capital as part of Investment in Eligible Undertakings, depending on the stage of development of the Eligible Undertaking.</p> <p>The minimum share of private funds within Investment in Eligible Undertakings, depending on the stage of development of the Eligible Undertaking, equals:</p>

	<p>a) at least 10% of the value of Investment and Follow-on Investment in a given Eligible Undertaking – for Group A Eligible Undertakings;</p> <p>b) at least 40% of the value of Investment and Follow-on Investment in a given Eligible Undertaking – for Group B Eligible Undertakings;</p> <p>c) at least 60% of the value of Investment and Follow-on Investment in a given Eligible Undertaking – for Group C Eligible Undertakings.</p> <p>To this end, the Financial Intermediary may use the Weighted Average Model (A) or the model for acquiring additional private financing at the level of Eligible Undertakings (B).</p> <p>The Weighted Average Model (A) – without acquiring private contribution on the Eligible Undertaking’s level:</p> <ul style="list-style-type: none"> • The Managing Entity shall be obliged to continuously monitor the Financial Intermediary’s Investment Portfolio, so that the level of the private contribution’s weighted average remains, based on the threshold values indicated above, maximum at the level of the declared share of Private Investors in the Declared Capitalisation; <p>The model for acquiring additional private financing at the level of Eligible Undertakings (B):</p> <p>The Financial Intermediary shall invest in Group A Eligible Undertakings, using the declared private investors’ contributions in the Financial Intermediary. Investments in Group B Eligible Undertakings will be made provided that additional private financing is acquired directly on the level of the Eligible Undertaking, in order to achieve the threshold values specified above, i.e. for Group B - 40% and for Group C - 60%. For example, if the share of the contributions of Private Investors and the Managing Entity in the Declared Capitalisation equals 25%, when investing into a Group B Eligible Undertaking, the Financial Intermediary should acquire additional private financing equal to 15% of the total value of investment. Additional private financing may be acquired on the level of Eligible Undertakings from Private Investors or from external private investors which are independent from the Managing Entity and the Eligible Undertaking, and should be acquired by the Financial Intermediary in an open, transparent and competitive manner. In this case the Investment is performed based on business and legal terms that are least as favourable, including based on a valuation that is not lower than in the case of an Investment on the Financial Intermediary’s level.</p>
18. Investment Period	Up to 4 years from the entry into force of the Investment Agreement, 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.
19. Investment exit period	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 Starter FIZ, but in any case not beyond 31 December 2031.
20. Term of the Financial	8 + 2 years (extension with the consent of PFR Starter FIZ)

<p>Intermediary (Investment Period and Period of Exit from Investment)</p>	
<p>21 Management Fee in the Eligibility Period</p>	<p>The Management Fee shall be paid out of the Financial Intermediary's Operating Budget, subject to the rules specified in Section 13 above.</p> <p>The basic rules related to the setting of the Management Fee arise from the delegated regulation¹ and are as follows:</p> <p>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 Eligibility 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.</p> <p>Every six months from the end of the 4th half-yearly period until the end of the Eligibility Period, a periodic test will be carried out to verify whether the value of the Management Fee paid so far does not exceed 20% of the total amount of contributions paid to the Financial Intermediary ("Rolling Limit").</p> <p>During the Eligibility Period, PFR Starter FIZ reserves the right to limit the Management Fee in the event the Rolling Limit is exceeded or to withhold its payment until the excess is eliminated.</p> <p>Management Fees in the Eligibility Period shall consist of two components (Article 13 (2) of the Delegated Regulation):</p> <ul style="list-style-type: none"> – fixed component (calculated on the Declared Capitalisation), where fixed remuneration is due for the Investment Period, – variable component (calculated on the value of cumulative funds transferred to Eligible Undertakings, excluding any funds transferred to the Eligible Undertaking if the Financial Intermediary has made an exit or partial exit from such an Investment, calculated <i>pro rata temporis</i> from the date of payment to the Eligible Enterprise until the date of exit from the Investment or, until the end of the recovery procedure in the case of redemption or until the end of the Eligibility Period, whichever comes first). An advance payment mechanism for variable remuneration may be introduced. <p>The fixed component of the remuneration shall be payable every half-year in advance, whereas the variable component shall be payable in arrears.</p> <p>The limits of fixed and variable remuneration in the Eligibility Period, subject to this point 1, payable on a half-yearly basis, are presented as annual percentages in the table below:</p>

¹ COMMISSION DELEGATED REGULATION (EU) No 480/2014 of 3 March 2014 supplementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund

Year	1		2		3		4	
Half-year cumulatively	1	2	3	4	5	6	7	8
Fixed remuneration (%/half-year)	1.25%	1.25%	1.15%	1.00%	1.00%	0.85%	0.50%	0%
Variable remuneration (%/half-year)	1.25%	1.25%	1.25%	1.25%	1.250%	1.25%	1.25%	1.25%

Year	5	
Half-year cumulatively	9	10
Fixed remuneration (%/half-year)	<i>Management Fee after the Eligibility Period is described below</i>	
Variable remuneration (%/half-year)		

Fixed remuneration as described in the table above relates to a situation where Financial Intermediary commences its investment activities by 31 December 2019 and assumes a 4-year Investment Period until the end of the Eligibility Period. In the event that investment activities begin after 31 December 2019, the Investment Period will be automatically shortened and the total fixed remuneration in the Investment Period will be reduced. This reduction will be achieved by decreasing the final unpaid portions of the fixed Management Fee and will be calculated as 1/365 of percentage point of the Declared Capitalisation for each day between 31 December 2019 and the date on which the Financial Intermediary starts its investment activities.

- 2) In case 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 shall have to be agreed with PFR Starter FIZ, where in determining its amount PFR Starter FIZ shall take into account (i) the level of the Investment Budget performance (the level of funds invested in Eligible Undertakings) at the end of the 4-year Eligibility 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.

The Tenderer 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 this point and in point 1 above.

An example model presenting the mechanism of Management Fee calculation on a half-yearly basis, taking into account an example of the Financial Intermediary's capitalisation, an example investment rate, and

	<p>the rules for setting the Management Fee, as described in this point 2 and in point 1 above are provided in Appendix 1 to the Term Sheet.</p> <p>PFR Starter FIZ allows for the possibility to reduce the Management Fee if the minimum required levels of the Investment Budget implementation specified in point 15 are not met.</p> <p>With the consent of the Ministry of Development, PFR Starter FIZ allows for the possibility to increase the annual limits of Management Fees for the Financial Intermediary, which shall be subject to individual evaluation of the Financial Intermediary's investing activities and needs.</p> <p>The Management Fee shall be paid by PFR Starter FIZ, the Managing Entity and Private Investors in proportion to the share in the Declared Capitalisation of the Financial Intermediary.</p> <p>The Management Fee shall cover all costs related to the Financial Intermediary's activities, i.e. transaction costs, due diligence, staff remuneration costs of the Financial Intermediary/ Managing Entity, taxes payable, and other operating costs.</p>
<p>22. Management Fee after the Eligibility Period</p>	<p>After the Eligibility Period, the annual management fee shall 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 shall 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 shall not be eligible, subject to the second sentence. PFR Starter FIZ allows for the possibility to finance Management Fees after 31 December 2029, provided that EU and/or national laws allow for such a possibility and the competent institution managing a given operational programme so agrees. In such a case the Financial Intermediary's Declared Capitalisation may be increased accordingly.</p>
<p>23. Rules for accounting for proceeds from Exits from Investments</p>	<p>Under the Tender submitted, the Financial Intermediary shall choose one of the 2 following models for accounting for proceeds from exits from Investments:</p> <p>Model 1 - loss coverage (up to 20% of the Financial Intermediary's Capitalisation) with a "small" asymmetry of profit</p> <p>Contributions to the Financial Intermediary shall be made by Private Investors, PFR Starter FIZ and the Managing Entity in two parallel tranches:</p> <ul style="list-style-type: none"> • Subordinated Tranche ("Subordinated Tranche") shall cover 20% of the Financial Intermediary's Capitalisation, but not more than 50% of the contributions of PFR Starter FIZ, which consists of (i) contributions of PFR Starter FIZ in the amount of 20% of the Financial Intermediary's Capitalisation less 20% of the contributions made by the Managing Entity and (ii) 20% of the contributions made by the Managing Entity,

- Ordinary Tranche (“Ordinary Tranche”) shall cover other funds contributed as part of the Financial Intermediary’s Capitalisation, i.e. (i) 100% of Private Investors’ contributions, (ii) 80% of the Managing Entity’s contributions, and (iii) other contributions of PFR Starter FIZ, having taken into account the share of the contribution of PFR Starter FIZ in the Subordinated Tranche

Returns on exits from individual Investments shall be distributed as follows:

- CASCADE 1: first, funds shall be returned up to the amount of contributions made as part of the Ordinary Tranche - to the Private Investor, PFR Starter FIZ and the Managing Entity in proportion to their share in the Ordinary Tranche (in accordance with the proportions specified in the Ordinary Tranche definition) - until the whole Ordinary Tranche is returned.
- CASCADE 2: next, funds shall be returned to Private Investors, PFR Starter FIZ and the Managing Entity in proportion to their share in the Financial Intermediary’s Capitalisation – until the whole Subordinated Tranche is returned.
- CASCADE 3: If any funds remain after distribution as part of CASCADE 1 and CASCADE 2, further proceeds from Exits from Investments (“Surplus”) shall be used to pay: (i) Carried Interest for the Managing Entity – based on the percentage value of the Carried Interest due according to Section 24 of the Term Sheet, and (ii) profits between PFR Starter FIZ, the Managing Entity and Private Investors, with a preferential allocation of profit to Private Investors, save that the allocation of profits as part of the distribution of the relevant part of the Surplus (having taken into account the Carried Interest) to them to be effected in accordance with the following proportions:
 - i. Profit share for the Managing Entity – in proportion to its share in the Financial Intermediary’s Capitalisation (having taken into account Carried Interest),
 - ii. The profit share for Private Investors – determined as the product of 1.5 and their share in the Financial Intermediary’s Capitalisation, but not more than 70% of the total Surplus (having taken into account Carried Interest) (irrespective of the private contribution level),
 - iii. The profit share for PFR Starter FIZ – consisting of the remaining funds from the part of the Surplus (having taken into account Carried Interest) intended for allocation between PFR Starter FIZ, Private Investors and the Managing Entity, less the returns set forth in items i-ii above.

Model 2 - Asymmetry of profit (no asymmetry of loss)

- First, funds shall be returned up to the amount of contributions made to the Financial Intermediary by Private Investors, the Managing Entity and PFR Starter FIZ, in proportion to their share in the Financial

	<p>Intermediary's Capitalisation – until 100% of their contributions is returned.</p> <ul style="list-style-type: none"> • If any funds remain after the return of 100% of contributions made to the Financial Intermediary, further proceeds from Exits from Investments (“Surplus”) shall be used to pay: (i) Carried Interest for the Managing Entity – based on the percentage value of the Carried Interest due according to Section 24 of the Term Sheet, and (ii) profits between PFR Starter FIZ, the Managing Entity and Private Investors, with a preferential allocation of profit to Private Investors, save that the allocation of profits as part of the distribution of the relevant part of the Surplus (having taken into account the Carried Interest) to them to be effected in accordance with the following proportions: <ul style="list-style-type: none"> i. The profit share for the Managing Entity – in proportion to its share in the Financial Intermediary's Capitalisation ii. The profit share for Private Investors – determined as the product of 2.5 and the Private Investors' share in the Financial Intermediary's Capitalisation, but not more than 70% of the total Surplus (having taken into account Carried Interest) (irrespective of the private contribution level), iii. The profit share for PFR Starter FIZ – consisting of the remaining funds from the part of the Surplus (having taken into account Carried Interest) intended for allocation between PFR Starter FIZ, Private Investors and the Managing Entity, less the returns set forth in items i-ii above.
<p>24. Carried Interest</p>	<p>Carried Interest shall be payable when payments from the Financial Intermediary to the Shareholders will be equal to (i) in the case of payments made before the end of the Eligibility Period - the amount of the Declared Capitalisation of the Financial Intermediary and (ii) in the case of payments made after the Eligibility Period - the amount of the Declared Capitalisation of the Financial Intermediary plus the amount deposited on the Escrow Account for the Management Fee and Investments.</p> <p>In Model 1, Carried Interest is due from the moment the contributions are returned to PFR Starter FIZ), save that: (i) in Model 1 – the hurdle rate return is not required for public funds (where the hurdle rate for a Private Investor is understood as a return of funds above the total contribution made by the Private Investor and received by PFR Starter FIZ until the return of the contribution in whole), and (ii) in Model 2 – the hurdle rate return is not required for public and private funds.</p> <p>The amount of Carried Interest shall be proposed by the Tenderer. The amount of Carried Interest proposed by the Tenderer shall be set on an arm's length basis depending on the rate of return on the portfolio. The value of Carried Interest stated by the Tenderer may be reduced at the negotiation stage.</p>
<p>25. Private Investors</p>	<p>In the case of Private Investors making contributions to the Financial Intermediary, Private Investor means an entity, which: (i) has been approved by PFR Starter FIZ under the Call procedure in accordance with the Call Rules, (ii) under the Investment Agreement, makes investments in</p>

	<p>the Financial Intermediary from resources other than public funding as defined in the Act of 27 August 2009 on public finance, irrespective of its ownership, and (iii) at the time the initial Investment is made it is independent of the Eligible Undertaking, i.e. is not a member nor a shareholder of the Eligible Undertaking in which the Financial Intermediary will invest, irrespective of its ownership, and is independent of the Managing Entity, (iv) bears the full risk of Investments;</p> <p>Where an Investment is made through an investment vehicle, the term “Private Investor” is also deemed to include (i) an entity that exercises ultimate control (i.e. ultimate beneficial owner) over such investment vehicle and (ii) all intermediate entities in the structure of that investment vehicle.</p> <p>In the case of private investors joining specific Investments at the Eligible Undertaking level, it is an entity that: (i) meets the conditions set forth in items (iii) and (iv) above and has been selected by the Financial Intermediary in a transparent and competitive process of selecting Private Investors.</p>
<p>26. Reporting</p>	<p>The Financial Intermediary shall be required to periodically report to PFR Starter FIZ in accordance with the data scope and the report model prepared by PFR Starter FIZ, to be specified in the Investment Agreement.</p>
<p>27. Monitoring and audit</p>	<p>The Financial Intermediary shall be required to make available and submit, at each request from PFR Starter FIZ, all information and documents concerning the disbursement of funds from the contribution of PFR Starter FIZ and in connection with any audits performed by authorised national and international institutions to which PFR Starter FIZ reports as the beneficiary of funds under the Smart Growth Operational Programme 2014 - 2020.</p> <p>The Financial Intermediary shall 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 utilisation of resources from Structural Funds under the SG OP programme. The Financial Intermediary shall ensure the appropriate implementation of the provisions concerning the submission to audit and provision of information in investment agreements with Eligible Undertakings.</p>
<p>28. Investment decision-making</p>	<p>Financial Intermediaries’ investment decisions concerning the implementation of Investments and exit from Investments in Eligible Undertakings shall be taken on the arms’ length basis, in line with the best practices in the venture capital/ private equity market.</p> <p>The Financial Intermediary shall 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 viability of the project, as well as the description of the strategy of exit from the 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 shall set up an internal body dedicated to making investment decisions – the Investment Committee.</p>

	<p>The Tenderer should describe in the Tender the proposed composition of the Investment Committee and the way it will take investment decisions.</p> <p>PFR Starter and/or Private Investors shall have the right to appoint one (1) observer each on the Investment Committee, without a voting right, whose role will be limited to examining the Investments being implemented for compliance with the Investment Policy, with the provisions of the Investment Agreement and, in the case of the PFR Starter FIZ observer, with the provisions of the EU and national laws and regulations, save that Private Investors shall have the right to appoint 1 member of the Investment Committee with a voting right in investment decision-making, unless members of the Investment Committee appointed by Private Investors have a majority of votes in investment decision-making or the capacity to block investment decisions (e.g. by adopting the requirement of unanimity in the Investment Committee's decision-making). PFR Starter's observer shall have no voting right, subject to the veto option under the terms set forth in the paragraph below.</p> <p>PFR Starter FIZ shall have no influence on the Managing Entity's decision-making. PFR Starter FIZ shall 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 Starter FIZ observer, the Financial Intermediary may not make the planned Investment. The detailed rules for the exercise of the right of veto by PFR Starter FIZ shall be set out in the Investment Agreement.</p> <p>In addition, a change of the Key Personnel and/or the Team, in whole or in part, shall require the consent of PFR Starter FIZ.</p>
<p>29. Board of Investors</p>	<p>The Financial Intermediary's structure shall include the Board of Investors, composed of the representative of PFR Starter FIZ and at least one representative of the Private Investors.</p> <p>The Board of Investors shall hold regular meetings, at intervals agreed in the Investment Agreement, in order to discuss the Managing Entity's performance and other current business related to the Financial Intermediary's operations.</p>
<p>30. Tender evaluation preferences (summary of the key evaluation parameters from Section 9.3 of the Rules)</p>	<p>Under the Call procedure, preference shall be given to Financial Intermediaries/ Managing Entities that meet, among other things, the following conditions:</p> <ul style="list-style-type: none"> • which have 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. • whose members of both Key Personnel and/or the Team will make own cash contributions as part of the Managing Entity's contribution,

	<ul style="list-style-type: none"> • whose investment decision-makers (Team members, in particular Key Personnel) 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 and make significant cash contributions as part of the Managing Entity's contribution², • which intend to invest in industries that stand out among other Tenderers owing to specialised and unique experience and expertise of the key investment staff, • which intend to invest mainly in Group A Eligible Undertakings, • which produce a realistic and effective investment and operational schedule lending credibility to the implementation of the Financial Intermediary's Investment Policy and ensuring the delivery of the objective set by PFR Starter FIZ, • which demonstrate an effective and systematic way of acquiring potential investment projects (Deal Flow), • which provide a credible list of potential investment projects (Pipeline), • which declare to ensure a greater private share in the Financial Intermediary's contribution than the required minimum contribution from the Managing Entity (preference to be given to the contribution of members of the Team as part of the Managing Entity's contribution), • which have selected Model 2 of accounting for proceeds from exits from Investments.
<p>31. Compliance</p>	<p>The Financial Intermediary shall 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 Financial Intermediary shall 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 Intermediary shall 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 shall 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>In addition, the Financial Intermediary shall ensure:</p>

² The Tenderer shall be free to appoint the members of the Team who will declare financial contributions and time commitment to the Financial Intermediary's investment activities.

	<ul style="list-style-type: none"> • the holding and retention of authorisations necessary to perform the tasks of the Financial Intermediary, • economic viability and financial feasibility of its activities, • an appropriate organisational structure (including a transparent structure of investment decision-making in compliance with the best market standards), • an appropriate financial/ accounting structure ensuring reliable, complete and credible information on the Financial Intermediary's finances, • a robust and reliable method for the selection and evaluation of Eligible Undertakings, based on the due diligence of the investment objective, • 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 Financial Intermediary's co-investments in Private Investors' Eligible Undertakings.
<p>32. Additional requirements for members of the Team and/or members of the Key Personnel responsible for the implementation of Investments</p>	<p>At least 2 members of the Key Personnel are required to declare their work time commitment in the Financial Intermediary's investment activity 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). The composition of the Key Personnel during the term of the Financial Intermediary should remain unchanged.</p> <p>Each of the Key Personnel Members, who declares their commitment to investment activity of the Financial Intermediary of not less than 32 hours a week, must make a contribution as part of the Managing Entity's contribution. The amount of contribution of the Key Personnel Member concerned should be appropriate to their financial capabilities.</p> <p>Members of the Key Personnel and the Team shall not perform, without the prior consent of PFR Starter 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 performance of which would entail a conflict of interest in relation to the business of the Financial Intermediary, which shall be in each case verified for compliance by PFR Starter FIZ.</p>
<p>33. Legislative changes</p>	<p>All rules under the Term Sheet, arising from the national and EU laws and regulations in effect at the time the Call is announced may change in the event of a change in applicable laws and regulations, on the terms set out therein.</p>