



## Appendix 7 – TERM SHEET

*to the Procedure for the submission and selection of investment proposals for the establishment of corporate venture capital funds under the BRIDGE VC Programme financed through the PFR NCBR CVC FIZ and Private Investors' funds*

The definitions used in this document have the same meaning as in the Procedure.

	Financial Instrument	Corporate Venture Capital Fund (“CVC Fund”)
1.	<b>Legal regime</b>	<ol style="list-style-type: none"> <li>1. The Financial Instrument shall be implemented without state aid.</li> <li>2. The Financial Instrument shall be implemented in accordance with the provisions of Regulation (EU) of the European Parliament and of the Council No 1303/2013.</li> </ol>
2.	<b>Source of financing</b>	Funding from the European Regional Development Fund under the Smart Growth Operational Programme 2014 – 2020 (“SG OP”), Measure 1.3 R&D work financed with capital fund participation, Sub-measure 1.3.2. Public-private support for R&D work with capital fund participation– BRIDGE VC.
3.	<b>Investors</b>	The Public Investor and Private Investors
4.	<b>Public Investor</b>	PFR NCBR CVC FIZ (“PFR NCBR CVC”)
5.	<b>Private Investor</b>	<ol style="list-style-type: none"> <li>1. A natural person or legal person making (directly or indirectly, i.e. through an investment vehicle<sup>1</sup>) investments in the CVC Fund by making monetary contributions:               <ol style="list-style-type: none"> <li>a. from resources which do not constitute public funds within the meaning of the Act of 27 August 2009 on public finance, regardless of its ownership right,</li> <li>b. bearing full risk involved in contributions made to the CVC Fund.</li> </ol> </li> <li>2. At least one of the CVC Fund’s Private Investors must meet the criteria of a Corporate Investor.</li> </ol>

<sup>1</sup>Where a contribution is made to the CVC Fund 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>3. Requirements for the Private Investor:</p> <ul style="list-style-type: none"> <li>a. is independent of the CVC Fund’s Fund Manager,</li> <li>b. is independent of the Investment Target at the time the Initial Investment is made in that Company.</li> </ul>
6.	<b>Corporate Investor</b>	A Private Investor incorporated as a company which is not a micro, small or medium-sized enterprise and which has a significant impact on the Investment Strategy of the CVC Fund, or an investment vehicle at least 25 percent owned by the Corporate Investor through whom the Investor makes Investments in the CVC Fund.
7.	<b>Investment strategy of the CVC Fund</b>	<p>1. The method specified by the Fund Manager of the CVC Fund (“<b>Fund Manager</b>” or “<b>ME</b>”) for the implementation of the objectives of the CVC Fund, in particular investing the Investors’ assets in Investment Targets, value growth of the Investment Targets and completion of exits from investment taking into account the Investors’ interests.</p> <p>2. The Investment Strategy shall form an appendix to the Tender and to the Investment Agreement.</p>
8.	<b>Stages of development of Investment Targets</b>	<p>1. The CVC Fund shall invest in Investment Targets at round A or B stage.</p> <p>2. By way of exception, seed Investments and round C Follow-on Investments shall be allowed.</p>
9.	<b>Requirements for the registered office of the CVC Fund</b>	No territorial limitations.
10.	<b>CVC Fund’s investment limit in an Investment Target</b>	The maximum investment limit in an Investment Target (Investment Target) shall be not more than <b>20%</b> of the Capitalisation of the CVC Fund concerned. Except special cases, the taking or acquisition of shares/stocks by the CVC Fund under the first financing round (the first investment agreement with the Investment Target, without taking into account Follow-on Investments), must not lead to exceeding 49% of the share capital of the Investment Target and to exercising more than 49% of the total voting rights in the Investment Target.
11.	<b>Legal form of the CVC Fund</b>	1. Closed-end non-public assets investment fund,



		<ol style="list-style-type: none"> <li>2. Company,</li> <li>3. Partnership limited by shares,</li> <li>4. Collective investment institution established abroad or an entity having its legal form similar to the legal structure of a closed-end investment fund, a company or a partnership limited by shares, based outside the territory of the Republic of Poland, respectively.</li> </ol>
12.	<b>Declared Capitalisation of the CVC Fund</b>	The planned sum of contributions specified in the CVC Fund Investment Agreement (“ <b>Investment Agreement</b> ”), including the Team’s contribution as part of the ME.
13.	<b>The option to increase the CVC Fund’s Declared Capitalisation</b>	<ol style="list-style-type: none"> <li>1. The option to increase the CVC Fund’s Declared Capitalisation is allowed, provided that at least <b>65%</b> of the funds earmarked in the CVC Fund’s operational budget in Investments in Investment Targets.</li> <li>2. The procedure to increase the CVC Fund’s Declared Capitalisation shall be set forth in the Investment Agreement.</li> </ol>
14.	<b>The option to reduce the CVC Fund’s Declared Capitalisation</b>	<ol style="list-style-type: none"> <li>1. The option to decrease the CVC Fund’s Declared Capitalisation is allowed, in particular if there is no progress in the performance of the investment schedule set for in the CVC Fund’s operational budget.</li> <li>2. The bases for reducing the CVC Fund’s Declared Capitalisation and the reduction procedure shall be set forth in the Investment Agreement.</li> </ol>
15.	<b>Contribution by PFR NCBR CVC to the CVC Fund’s Declared Capitalisation</b>	Up to <b>50.0%</b> of the CVC Fund’s Declared Capitalisation.
16.	<b>Private Investors’ Contribution to the CVC Fund’s Declared Capitalisation</b>	A minimum of <b>50.0%</b> of the CVC Fund’s Declared Capitalisation, with Team Members making a contribution, as part of the Fund Manager, to the CVC Fund’s Declared Capitalisation in accordance with Section 23.
17.	<b>Investment Decision-making</b>	<ol style="list-style-type: none"> <li>1. Investment and divestment (i.e. exit from Investment) decisions concerning Investment Targets (“<b>Investment Decisions</b>”) shall be taken by the Fund Manager of the CVC Fund (“<b>Fund Manager</b>” or “FM”) on an arm’s length basis in compliance with the best market practices.</li> <li>2. The ME shall be responsible for the selection of Investment Targets, implementation of the investment</li> </ol>



		<p>and divestment schedule, and the monitoring of Investments in Investment Targets.</p> <ol style="list-style-type: none"> <li>3. PFR NCBR CVC FIZ shall have no influence on the ME’s Investment Decision-making.</li> <li>4. The Investment Agreement shall provide – after meeting the conditions set forth in the Investment Agreement – for the right of PFR NCBR CVC FIZ, <i>inter alia</i>, to terminate the Investment Agreement, dismiss the ME, and to reduce the CVC Fund management costs in case the ME fails to perform the investment schedule.</li> <li>5. A consultative body shall be set up within the CVC Fund – the Investment Committee (“<b>IC</b>”) – intended to give opinions on recommendations concerning Investment Decisions prepared by the Fund Manager.</li> <li>6. The IC’s opinions shall not be binding on the ME.</li> </ol>
18.	<p><b>Role of the Investment Committee, Giving Investment Opinions, Right of Veto</b></p>	<ol style="list-style-type: none"> <li>1. The IC shall be composed of members designated by Private Investors and as observers (hereinafter, “<b>Observers</b>”), representatives of NCBR (1 person) and representatives of PFR Ventures/TFI BGK (1 or 2 persons).</li> <li>2. Observers shall have a limited right of veto solely in the situations enumerated below, i.e. with regard to Investment Decisions which involve:             <ol style="list-style-type: none"> <li>a. threat to national security,</li> <li>b. threat to public security and order,</li> <li>c. threat to human life and health,</li> <li>d. the need to protect national cultural assets of artistic, historical or archaeological value,</li> <li>e. the fact that a person who is a member of the governing bodies of the Fund Manager has been finally convicted for an intentional offense or a tax offense,</li> <li>f. breach of provisions on the conflict of interest,</li> <li>g. breach of provisions on the rules for Investment Decisions, set forth in the Investment Agreement, and</li> <li>h. which fail to demonstrate the existence of the Polish Nexus.</li> </ol> </li> <li>3. If a veto is exercised by an Observer, the legitimacy of such veto shall be resolved by the PFR NCBR CVC FIZ Investment Committee which has the right to overrule a veto.</li> </ol>



		<p>4. Observers may also raise objections as to the compliance of an Investment Decision with the Investment Strategy of the CVC Fund.</p> <p>5. In the event objections are raised during a the Investment Committee meeting as to the compliance of an Investment Decision with the CVC Fund’s Investment Strategy, the CVC Fund’s Investment Strategy shall be allowed to be adjusted in order to enable the Investment Decision concerned to be performed with the consent of PFR NCBR CVC.</p>
19.	<p><b>Corporate Governance of the CVC Fund</b></p>	<p>1. The ME shall ensure that the CVC Fund management process is performed in a transparent manner, in compliance with the best market practices, the CVC Fund’s Investment Strategy, and in a manner that ensures the diversification of risk and minimisation of existing and potential conflicts of interest.</p> <p>2. In addition, the ME shall ensure:</p> <ul style="list-style-type: none"> <li>a. the possession and maintenance of necessary formal qualifications, as required by laws and regulations, to perform the tasks related to the implementation of financial instruments,</li> <li>b. economic sustainability and financial feasibility of its activities,</li> <li>c. an appropriate organisational structure of the CVC Fund, adequate to its size (including a transparent structure of Investment Decision-making in compliance with the best market standards),</li> <li>d. an appropriate financial/accounting structure ensuring reliable, complete and credible information on the CVC Fund’s finances,</li> <li>e. a robust and reliable method for the selection and evaluation of Investment Targets,</li> <li>f. a procedure for the disclosure and management of conflicts of interest of any type that may arise within the CVC Fund, in particular those connected with the provision of an equity contribution by the Fund Manager/Key Personnel or with the co-investments in Investment Targets in which Private Investors of the CVC Fund are or were involved.</li> </ul>
20.	<p><b>Investment Horizon</b></p>	<p><b>10 years</b> from the signing of the Investment Agreement with an option to extend it by a maximum of 2 years with the consent of PFR NCBR CVC, but not beyond <b>31 December 2029</b>.</p> <p>The Investment Horizon shall include:</p>

		<ol style="list-style-type: none"> <li>1. the Investment Period (<b>5 years</b>, with an option to extend it, but not beyond <b>31 December 2023</b>), subject to making Follow-on Investments), and</li> <li>2. the Divestment Period (<b>5 years</b>, with an option to extend it, but not beyond the end of the Investment Horizon).</li> </ol>
21.	<b>Fund Manager of the CVC Fund</b>	<ol style="list-style-type: none"> <li>1. The Fund Manager may act as:               <ol style="list-style-type: none"> <li>a. natural persons who will compose an internal managing body of the CVC Fund, e.g. the management board of the company operating as the Fund CVC, or</li> <li>b. a legal person that will form an internal managing body of the CVC Fund (e.g. a general partner of a limited joint-stock partnership that will be the CVC Fund), or</li> <li>c. an independent third-party enterprise, authorised under the legislation of a Member State to manage, in whole or in part, the investment activities of the capital fund (an investment fund company (TFI) which is authorised by law to manage FIZ AN, or TFI and the entity entrusted by TFI with the management of the investment portfolio of FIZ AN).</li> </ol> </li> <li>2. The Fund Manager shall be selected by PFR Ventures and TFI BGK through the Procedure in order to establish the CVC Fund together with PFR NCBR CVC and Private Investors.</li> <li>3. The Fund Manager shall be an entity independent of Investors, taking autonomous, profit-driven Investment Decisions.</li> <li>4. The Fund Manager must have knowledge and competence necessary to make rational Investment Decisions in accordance with the CVC Fund's Investment Strategy, and must maintain professional market standards in accordance with the guidelines of Invest Europe, ILPA or other equivalent organisations of the venture capital market.</li> <li>5. The Fund Manager is obliged to inform the Investors of any changes in its ownership structure.</li> </ol>
22.	<b>Extent of the ME's involvement in the management of the CVC Fund</b>	<ol style="list-style-type: none"> <li>1. The Fund Manager shall establish a team for the management of the CVC Fund ("<b>Team</b>") to be composed of Key Personnel (responsible for taking Investment Decisions and effective implementation of the CVC Fund's Investment Strategy) and other Team Members with experience necessary to conduct the CVC Fund's investing activities, assigned to conduct the CVC Fund's operating activities.</li> </ol>

		<ol style="list-style-type: none"> <li>2. The assumption is that the composition of Key Personnel will remain unchanged over the Investment Horizon of the CVC Fund and that the level of time commitment of at least two Members of Key Personnel over the Investment Period will not drop below 80%.</li> <li>3. A replacement of one of the Members of Key Personnel whose involvement in management represents not less than 80% of their professional time may provide a basis for termination of the Investment Agreement.</li> </ol>
23.	<b>The Team’s contribution through the ME in the CVC Fund’s Declared Capitalisation</b>	<p>Key Personnel shall be required to participate through the ME in the CVC Fund’s Declared Capitalisation. Other Team members shall be authorised to participate in the CVC Fund’s Declared Capitalisation. The total Contributions of Team Members (Key Personnel and other Team members if they participate in the CVC Fund’s Declared Capitalisation) should be set at the market level, but not less than 1% and not more than 5% of the CVC Fund’s Declared Capitalisation, and it shall be provided on the same terms as for the other Investors of the CVC Fund.</p>
24.	<b>Change of CVC Fund Fund Manager</b>	<ol style="list-style-type: none"> <li>1. Any change of the Fund Manager may take place as a result of dismissal (on the Investors’ initiative) or in connection with the ME’s resignation. The Investors shall have a say in appointing a new ME, and in accepting changes to Key Personnel (including their number and time commitment).</li> <li>2. Reasons and procedure for a change of the ME, as well as any changes of Key Personnel shall be agreed in the Investment Agreement.</li> </ol>
25.	<b>Management Fee (“MF”) in the Investment Period and after the Investment Period</b>	<ol style="list-style-type: none"> <li>1. The MF amount in the Investment Period (i.e. from the signing of the Investment Agreement to, at a maximum, 31 December 2023) and after the Investment Period (i.e. from 1 January 2024 to, at a maximum, 31 December 2029) shall be proposed by the Tenderer in the CVC Fund’s operational budget forming a component of the CVC Fund’s Investment Strategy.</li> <li>2. The MF shall be adjusted to the CVC Fund’s Declared Capitalisation (its amount shall be subject to negotiations through negotiation of the Investment Agreement).</li> <li>3. In the Investment Period, the MF shall include all costs related to the CVC Fund’s (operating and investing) activities, and it shall consist of: <ol style="list-style-type: none"> <li>a. the fixed component (% of the CVC Fund’s Declared Capitalisation),</li> </ol> </li> </ol>



		<p>b. the variable component (calculated on the value of cumulative amounts provided to Investment Targets after deduction of amounts returned to the CVC Fund in connection with the exit or partial exit from Investment Targets).</p> <p>4. After the Investment Period, the MF attributable to PFR NCBR CVC shall not exceed annually 1.5% of amounts provided for Investments in Investment Targets, calculated pro rata temporis by 31 December 2019 or by the end of the Divestment Period, whichever is shorter; the MF calculation base shall not include any amounts returned to the CVC Fund in respect of exit or partial exit from Investment in an Investment Targets.</p> <p>5. Management costs providing a base for the calculation of the MF shall be set on an arm’s length basis, and the MF paid by PFR NCBR CVC shall not exceed the MF paid by Private Investors.</p>
26	<p><b>Distribution of proceeds from exits from Investment in Investment Targets</b></p>	<p>1. On an arm’s length basis, <i>pari passu</i> between the Public Investor, Private Investors and the ME.</p> <p>2. Amounts subject to payment from the CVC Fund shall be distributed as follows:</p> <p>a. First, amounts shall be paid to Investors and the ME up to the value representing the equivalent of the contributions made by them as at a given time to the CVC Fund; payments shall be made at the same time and on the same terms to all Investors and the FM, pro rata to their contributions to the CVC Fund.</p> <p>b. Next, amounts shall be returned to Investors and the ME up to the value of the Minimum Rate of Return set forth in the Investment Agreement; payments shall be made at the same time and on the same terms to all Investors and the ME, pro rata to their contributions to the CVC Fund.</p> <p>c. Finally, any outstanding amounts after payments provided for in Sections a and b (surplus) shall be distributed in the proportion set on an arm’s length basis in the Investment Agreement Investment Agreement between the Investor and the Fund Manager. The proportion attributable to the ME shall constitute “Carried Interest”.</p> <p>3. An model of the distribution of proceeds from exists from Investments in Investment Target shall also be possible, based on the catch-up formula.</p>
27.	<p><b>Hurdle Rate</b></p>	<p>1. Hurdle Rate – the minimum rate of return for Investors on investment in the CVC Fund, set by the</p>





		<p>Tenderer in the operational budget of the CVC Fund and finally fixed in the Investment Agreement, above which the ME is entitled to Carried Interest.</p> <p>2. The Hurdle Rate level shall be set on an arm's length basis, taking into account the CVC Fund's Declared Capitalisation, the CVC Fund Investment Strategy and the CVC Fund operational budget.</p>
28.	<b>Carried Interest</b>	<p>1. The amount of Carried Interest shall be proposed by the Tenderer in the CVC Fund operational budget.</p> <p>2. Carried Interest shall be payable to the ME after all contributions made to the CVC Fund have been returned, increased by the Hurdle Rate.</p> <p>3. The amount of Carried Interest shall be set by the Tenderer on an arm's length basis, and it shall be fixed finally through negotiation of the Investment Agreement.</p>
29.	<b>Investment Target (Investment Target)</b>	<p><del>1.</del> A company <del>that that meets all of the following conditions</del> at the time the initial Investment is made by the CVC Fund:</p> <p>a. has the status of micro, small or medium-sized enterprise within the meaning Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.05.2003, p. 36), and</p> <p><u>b.</u> meets the criteria of an unlisted SME, which means that it is not listed on the stock exchange index, except for multi-lateral trading platforms in alternative trading systems (e.g. the Polish platform NewConnect). For the avoidance of doubt, it shall be acceptable to acquire shares in an Investment Target under a private offering preceding the initial public offering (Pre-IPO),</p> <p><del>b.</del> and <u>meets one of the following conditions:</u></p> <p><u>c.</u> it does not carry on business in any market,</p> <p><u>d.</u> <del>or</del> has been carrying on business in any market for less than 7 years since its first commercial sale defined as the first sale of products or services by the company in the market, except limited sales for market research purposes,</p> <p><del>c.</del> and</p> <p><u>e.</u> requires an initial risk finance Investment which, based on a business plan prepared in view of launching a product or service developed through scientific research and experimental</p>



		<p>development in a new product or geographical market, is higher than 50 % of their average annual turnover in the preceding 5 years.</p> <p>d. —, —,</p> <p>e. <u>In the case of the company registered outside of Poland, it has a link with Poland (Polish Nexus).</u></p>
30.	<b>Method of investment by the VC Fund</b>	<p>By way of taking (subject to Refinancing) the following new instruments issued by the Investment Target:</p> <ol style="list-style-type: none"> <li>a. equity instruments;</li> <li>b. quasi-equity instruments.</li> </ol>
31.	<b>Refinancing</b>	<ol style="list-style-type: none"> <li>1. Refinancing is defined as the redemption by the CVC Fund (or by an Investment Target for repayment or cancellation) of equity, quasi-equity or debt financial instruments of the Investment Target from the existing partners, shareholders or creditors.</li> <li>2. Refinancing shall be allowed up to the limit of 50% of the value of investment in the Investment Target, provided that it is combined with the CVC Fund taking new equity or quasi-equity instruments of the Investment Target with the same value.</li> <li>3. Refinancing shall be possible in particularly justified cases.</li> </ol>
32.	<b>Follow-on Investments</b>	<ol style="list-style-type: none"> <li>1. The CVC Fund may make Follow-on Investments on the following terms and conditions: <ol style="list-style-type: none"> <li>a. during the Investment Period: <ol style="list-style-type: none"> <li>i. the CVC Fund has made its first Investment in an Investment Target that was in round A or B, and at the time of the Follow-on Investment it is in round C, and</li> <li>ii. the maximum total value of the CVC Fund Investment in the Investment Target, set forth in Section 10, is not exceeded.</li> </ol> </li> <li>b. after the Investment Period – besides the terms and conditions set forth above, additionally: <ol style="list-style-type: none"> <li>i. the Investment Agreement shall be concluded by 31 December 2017 (unless this deadline is changed subject to the provisions of law), and</li> <li>ii. at least 55% of the funds earmarked for Investments shall be invested by the end of 2013, and</li> <li>iii. the Follow-on Investment can be made by the end of the Divestment Period, but no later</li> </ol> </li> </ol> </li> </ol>

		than 4 years from the end of 2013, whichever occurs earlier.
33.	<b>CVC Fund reporting</b>	<ol style="list-style-type: none"> <li>1. The CVC Funds shall be required to periodically report to PFR NCBR CVC.</li> <li>2. Detailed rules and scope shall be set out in the Investment Agreement.</li> </ol>
34	<b>CVC Fund monitoring and audit</b>	<ol style="list-style-type: none"> <li>1. The CVC Fund shall be required to make available/submit to PFR NCBR CVC, information and documents concerning the disbursement of funds from the contribution of PFR NCBR CVC in connection with any audits performed by national and international institutions to which PFR NCBR CVC reports as the beneficiary of funds under the Smart Growth Operational Programme 2014 - 2020.</li> <li>2. The CVC Fund shall submit to checks performed by authorised audit bodies of the Member State, the European Commission and the European Court of Auditors.</li> <li>3. Areas subject to monitoring and monitoring rules shall be presented by PFR NCBR CVC and they shall be implemented in the Investment Agreement.</li> </ol>