

QUESTIONS CONCERNING THE KEY TERMS AND CONDITIONS OF COOPERATION, RECRUITMENT AND SELECTION OF ACCREDITED FUNDS - TERM SHEET AND THE PROCESS AND RULES FOR RECRUITMENT OF ACCREDITED FUNDS

1. How do you understand "an enterprise emerging from the seed stage and start-up, i.e. in the expansion and growth phases"? Is there any criterion (e.g. income) on the basis of which it can be assessed whether a given company meets the aforementioned criterion?

NCBR Investment Fund ASI S.A. ("NIF") will each time assess the level of development of the potential portfolio company proposed by the Accredited Fund. The assessment of the Portfolio Company in this respect will be multidimensional and differentiation based on one criterion (e.g. income criterion) is impossible. Different financing rounds are dedicated to different phases of the company's development, although the boundaries between them are fluid.

It is assumed that the expansion phase of the Portfolio Company begins when the company is dynamically developing and requires financing to strengthen its market position and further organic development (further increase in fixed assets and working capital) or through acquisitions¹. The commercialization of R&D&I research in this phase is often so capital-intensive that such a company remains outside the investment strategy of venture capital funds focused on the pre-seed/seed phase.

2. Do I understand correctly that co-investments will be carried out from two separate entities? For example, it is planned to take a 20% stake in company X as part of a co-investment, which means that 10% is taken up by NIF and 10% by the Accredited Fund?

Yes. NIF will make investments directly, taking up shares or stocks of a Portfolio Company as part of the same investment round with the Accredited Fund. NIF will not make investments through the legal structure of the Accredited Fund (i.e. it will not be the investor of the Accredited Fund).

3. Does NIF expect the Accredited Fund to create a new Alternative Investment Fund dedicated to co-investments with NIF, or could possible co-investments take place within the already existing ASI?

NIF does not expect the Accredited Fund to establish a new Alternative Investment Fund for co-investment purposes. The existing Potential Accredited Fund will be the subject of the formal and substantive evaluation in the process of recruiting Accredited Funds.

4. If it is required to create a new Alternative Investment Fund, will the Alternative Investment Fund Accredited Fund be authorised to invest in a given company despite the lack of consent from NIF? (then without the financial involvement of NIF). *If the*

¹ e.g.: <https://mamstartup.pl/zrodla-finansowania-startupow-wprowadzenie> [access: 31 August, 2020] or <https://www.callan.com/growth-equity-late-stage-vc/> [access: 31 August, 2020]

decisions of NIF were negative all the time (to which NIF is entitled), the inability to invest without NIF would result in a decision stalemate of the Alternative Investment Fund.

NIF does not expect the Accredited Fund to establish a new Alternative Investment Company for co-investment purposes. The decision on this matter is left to the discretion of the Accredited Fund. The Accredited Fund may make its own, independent investments without the participation of NIF.

5. If, for the purposes of co-investments, it is possible to select new investors on a "deal-by-deal" basis (as I understand it is therefore the possibility of settling individual investments - deal by deal), how does this relate to a hurdle and carry settlement in terms of the portfolio? As I understand it, the return of funds for investors will take place only when the fund is liquidated and there is no possibility of partial exit of investors by redeeming contributions/shares/stocks?

The settlement of the Accredited Fund with NIF will always be made on a portfolio basis, regardless of the investor composition.

6. If the aforementioned reasoning (point 5) is correct, what happens with the funds from exits until the final liquidation of the fund? Should they be deposited in escrow or is it possible to further reinvest such funds?

Taking into account the co-investment business model (and not the so-called fund of funds), the settlement of the Accredited Fund with NIF will always take place on a portfolio basis, separately from the settlement of the investors of the Accredited Fund. The distribution of profits from NIF's investments will be possible at the earliest after the return of the amount of funds invested jointly with the Accredited Fund, taking into account the minimum rate of return specified in the Cooperation Agreement. Detailed provisions regarding the settlement of the carried interest will be included in the Cooperation Agreement between NIF and the Accredited Fund.

7. Is the allocation of funds from co-investment subject to any restrictions/requirements? (e.g. no more than X% of funds for commercialization, minimum Y% of funds for R&D)?

The funds of NIF contributed to the portfolio company as part of the co-investment with the Accredited Fund should be allocated to commercialization of the R&D&I project.

8. Can I ask for the investment assessment criteria to be sent for getting acquainted with them?

Portfolio Companies that will be the subject of NIF's co-investment with the Accredited Fund must meet the criteria set out in point 16 of the *Key Terms and Conditions of Cooperation, Recruitment and Selection of Accredited Funds - "Term sheet"* published on the NIF website.

9. Do you require the team members to be completely exclusive? For example, will the involvement of a team member in another Alternative Investment Fund within one manager constitute a conflict of interest when assuming different, incompatible investment strategies and policies?

The complete exclusivity of team members is not required. However, the involvement of team members in other projects will be important when assessing a Potential Accredited Fund applying for a Cooperation Agreement with NIF.

10. Are the settlements between the Accredited Fund and its investors to be arranged in any way (e.g. management fee, finder's fee, transaction fee, etc.) or are they subject to any guidelines/restrictions?

Settlements between the Accredited Fund and its investors are an internal matter of the Accredited Fund. The Accredited Fund will receive a transaction fee at the level of PLN 50,000 – 100,000 from NIF. The amount of carried interest will be set at the same level as that between the Accredited Fund and its investors, subject to a maximum of 30%.

11. Can the AC investors be related to portfolio companies prior to co-investment? *For example, a situation in which an investor would like to increase his current involvement in the company (not directly, but via the AC, thus leveraging his/her investment with the NIF co-investment);*

The investors of the Accredited Fund related to Portfolio Companies prior to co-investment may only be institutional investors within the meaning of the Act on Trading in Financial Instruments of 29 July, 2005.

12. Does NIF assume only stake involvement or are other types of financing possible (debt, mezzanine, venture debt, hybrid, etc.)?

At present, NIF assumes making investments only by taking up shares or stocks in Portfolio Companies that meet the investment criteria included in the documentation for the Recruitment of Accredited Funds.

13. Does the investment of NIF have to take place simultaneously with the investment of the Fund, or is it permissible for the Fund to take up shares under the so-called 1 closing, and NIF, after analyzing the documents, joins the so-called 2 closing (in other words, can the Accredited Fund enter the portfolio company with its capital earlier before the decision on co-investment on the part of NIF)?

The investment of NIF has to occur simultaneously with the investment of the Accredited Fund within the same investment round.

14. Can a managing entity (that manage more than one fund, and therefore it can be acknowledged that all the funds managed by a given management entity can be considered as Accredited Funds) act as an Accredited Fund?

Each of the funds managed by the same managing entity will be subject to a separate formal and content-related evaluation as part of the Recruitment of Accredited Funds.

15. Do you exclude, as part of the recruitment process, funds that have their funds from specific sources, e.g. Bridge Alfa, PFR Starter, Biznes, CVC, others?

The NIF's co-investments in Portfolio Companies with Accredited Funds will be carried out on an arm's length basis without applying for any public aid. Due to the above, it is not possible to conclude Cooperation Agreements with funds whose investors receive public aid, e.g. in the form of asymmetry of profit distribution or asymmetry of loss coverage.

16. The documentation does not specify the time for you to make a decision regarding investment in a given company, after presenting the documentation. Will it be possible to specify the maximum time for issuing such a decision by NIF in the final agreement between NIF and the Accredited Fund? The word "immediately" appears quite often.

NIF will make its best endeavors to make a decision regarding an investment in the Portfolio Company within approximately 30 days, but is not able to guarantee this. The time of making a decision will also depend on, among others, the quality of the documentation about the potential Portfolio Company, which is the target of the investment, presented by the Accredited Fund to NIF.

17. Is the supervision over the Portfolio Company to be carried out by the Accredited Fund, unless NIF invests more than PLN 5 million?

Each time, the Accredited Fund, as an active investor, is responsible for supervising the Portfolio Company. If the investment exceeds PLN 5 million, NIF anticipates that it will obtain a personal right to appoint a member of the Supervisory Board of the Portfolio Company. It does not remove or change the obligation of the Accredited Fund to supervise the investment.

18. There is no provision that the member of the supervisory board on behalf of NIF will not receive remuneration for performing this function from the Portfolio Company (there is only information that he/she will not charge the Accredited Fund).

NIF does not anticipate the collection of remuneration from the Portfolio Company for a member of the supervisory board on behalf of NIF. Detailed provisions regarding the corporate governance of the Portfolio Company will be established under the Cooperation Agreement.

19. Should we provide the documents listed below when recommending a Portfolio Company as an investment target for each co-investment?

- i) a current excerpt from the National Court Register, a list of applications for a change of data in the National Court Register or a declaration of no applications as at the date of the Application,
- (ii) a declaration on the share structure of the Accredited Fund (if there is: a stock or share register),
- (iii) a declaration of the legality of the funds allocated to the co-investment and of the source of origin,
- (iv) a certificate from the Tax Office that there are no arrears with tax obligations,
- (v) a certificate from the Social Insurance Institution about the lack of arrears with contributions for the Social Insurance Institution,
- (vi) a certificate confirming no criminal record for collective entities from the National Criminal Register,
- (vii) a certificate confirming no criminal record from the National Criminal Register for the management of the Accredited Fund and the investors of the Accredited Fund,
- (viii) information on whether the investors of the Accredited Fund invested in the Accredited Fund the funds received as a state aid .

Yes. As a rule, the above listed documentation must be submitted before each co-investment. Co-investment proposals from the Accredited Fund will probably be spread over time and the data submitted under the Recruitment will become out of date. The vast majority of the presented documentation is available electronically.

20. In point *"Depending on the case, the co-investment process in a given Portfolio Company may also be initiated by the Accredited Fund, that, for the purpose of co-investment in a given Portfolio Company, intends to select a new supplier (or suppliers) of capital on a "deal-by-deal" basis (i.e. acquire an additional investor/additional investors for a given co-investment in the Portfolio Company). In such a case, the Accredited Fund will be able to commence a co-investment in a given Portfolio Company on the terms and conditions agreed with NIF, in particular after a positive opinion of the new investor(s) by NIF."* - is it about an investor who invests directly in the company or indirectly through the Accredited Fund?

As a rule, this applies to the situation of a new investor in the Accredited Fund that is obtained for the needs of a specific co-investment by the Accredited Fund.

21. Is an entry of the Potential Accredited Fund required in the AIC management register?

The Terms and Conditions of the Recruitment and Selection of Accredited Funds do not require entry in the Alternative Investment Fund managers register by all entities applying for the status of the Accredited Fund. Also, the financial terms and conditions of cooperation with Accredited Funds proposed by NIF do not have to apply, especially in the case where VC fund managers are not remunerated by their investors in the form of carried interest.

QUESTIONS CONCERNING DIRECTLY THE APPLICATION FORM FOR CANDIDATES FOR ACCREDITED FUNDS

1. point 1.6 - the "total" field means the sum from the years 2020-2022 or the total value, including the following years?

Answer: in point 1.6 the field "total" means the sum from the years 2020 - 2022.

2. point 2.5 – an analogous question to the above one

Answer: in point 2.5 the field "total" means the sum from the years 2020 - 2022.

3. point 4.3 - what is the difference in relation to point 3.6?

Point 3.6 applies to people managing the investment process and making investment decisions - key personnel, fund management partners, including the so-called General Partners of the fund.

Point 4.3 applies to persons managing and performing the processes of supervision and management of the investment portfolio, i.e. the team of the fund performing supervision and management processes (e.g. investment analysts and persons responsible for controlling in the fund, the so-called back office, performing the above activities).

3. point 4.9 - what is the difference in relation to 4.7?

Point 4.7 deals with the creation of additional value through investment in the company. This point deals with the direct results of the use of funds from the investment made (e.g. through improving a product, enlarging the team or increasing its capacity).

Point 4.9 concerns the part regarding the so-called smart money - support by the fund through consultancy and the transfer of procedural, managerial, industry and foreign expansion competences to the company.

4. point 5.1 - closed deals mean investments made or exits?

Point 5.1 applies to completed transactions understood as making the so-called investment exits.

5. point 7.3 - is it possible to use the references that we received for the application needs until _____ [NIF: anonymized, related to a trade association] from _____

and _____ [NIF: anonymized, reference dates from autumn 2019] and provide telephone numbers and e-mail addresses to people who can provide references (from VC funds and our portfolio companies)?

Yes, you can use the references given before the NIF release date of the Accredited Fund recruitment documentation - you can also provide telephone numbers and e-mail addresses to the entities that provided the references. NIF does not require references granted after the date of announcing the recruitment of Accredited Funds. When submitting your application, please inform the entities about the possible contact by NIF.

The NIF website includes clauses regarding the processing of personal data pursuant to Art.13 and Art. 14 of the GDPR.

6. Appendix 10 - what exact documents do you expect in this appendix?

According to the intention, the financial statements of both the fund and the entity managing the fund, for the last two reporting periods together with an auditor's opinion if the financial statements are subject to external audit should be submitted.

For example, a fund operating as a limited joint-stock partnership should provide the financial statements of both the fund (limited partner) and the fund managing the entity (unlimited partner). A fund operating in the form of a closed-end investment fund should provide a report of the fund (closed-end investment fund) and of the entity managing the fund (management company or an entity entrusted by the management company with the performance of activities related to the activities carried out by this management company).