



KRAKOW TECHNOLOGY PARK
seed fund

Procedure for acquiring, selecting projects and making decisions about taking up share rights and providing support by INNOventure

INNOventure is an investment fund whose task is to verify and validate R&D projects in the preseed stage in order to increase the supply of projects attractive to venture capital and / or private equity investors. INNOventure acquires R&D projects, supports them in the Proof of Concept and Proof of Principle stage, carrying out pre-incubation work, and on further stages of development, taking up shares in capital companies (hereinafter 'spin-offs') that implement these projects and providing them with financial support. In order to support the implementation of these activities, INNOventure concluded a contract with the National Centre for Research and Development for the implementation of the Grant Project "INNOventure seed fund as a key element of the Kraków ecosystem of support for research and development projects in the area of innovative technologies and industrial processes" under Sub-measure 1.3.1. Support for research and development preseed projects by proof of concept funds - BRIDGE Alfa of Operational Program Innovative Development 2014 -2020.

When selecting projects, INNOventure operates according to the best knowledge and good practices in capital fund management, and thus:

- has complete freedom to choose projects with which it works and negotiates (subject to investment restrictions);
- makes decisions based on economic criteria, by conducting cost-effectiveness and investment risk analyses;
- is primarily driven by business criteria and has in mind the increase in the value of projects in which it is involved,
- the rights and obligations of the parties are specified in the Investment Agreements;
- in order to limit the investment risk, at any stage (subject to terms of signed contracts), it can finish work on a given project without justifying this decision,
- monitors and controls the use of funds in a manner that guarantees efficient, rational, cost-effective and purposeful use;
- does not provide any appeal procedure against the decisions taken.

Criteria that INNOventure is guided by when selecting projects are:

- commercialization potential, a realistic probability to build a profitable and scalable business model;
- based in research and development;
- project profile within National Smart Specializations,
- existence of the "Polish Element" in the entity implementing the project - the given entity has the "Polish Element", if it has its headquarters in the Republic of Poland, together with the management competence center, and runs the R&D project in the Republic of Poland.

The evaluation of the possibility of meeting these criteria by the project lies solely with INNOventure, and INNOventure reserves the right to consult external experts if the character of the project requires it.

The procedure for acquiring, selecting projects and making decisions about INNOventure is presented in the table below.

Phase	Activity	Description
1.Acquiring R&D projects	1.1. Finding projects	Acquisition of potential R&D projects takes place in an open call, in multi-channel and unformalized manner and is supported by activities promoting the project. It can be done by submission of the Technological Broker, a dedicated website, project presentation, sending information by post or e-mail, obtaining information from the cooperating university or institution.
	1.2 Initial analysis and assessment of project character	Based on the information obtained, the Investment Director performs initial verification, as a result of which he recommends (or does not) to invite the Project Team to start work on the R&D project jointly with INNOventure.
	1.3 Decision of the Board of Directors regarding the commencement of works on the R&D project (Selection)	The INNOventure Board decides whether to start work on a R&D project; if the planned spending from the Operational Budget are higher than PLN 50,000 The investment decision of Investment Committee is necessary. At this stage, the INNOventure Board may decide to conclude a Pre-incubation Agreement / Agreement on conducting the Proof-of-Principle work.
2. Execution of preparatory works, research and analysis in the PoP phase and the selection of projects for the investment phase	2.1 Works and analyses concerning the R&D project	With regard to projects selected in the previous stage, works are carried out whose aim is to develop a business model, develop a Project Implementation Plan and carry out technical, financial and legal due diligence analyzes. This process involves the INNOventure own resources supported by external technical and legal experts. After obtaining positive results of the analyzes, the Investment Director prepares an investment proposal, which after the approval of the Board is presented to the Originators (Project Team)
	2.2 Decision of Investment Committee	After the Originators (Project Team) have accepted the initial investment proposal, the investment proposal along with the documentation is presented to the INNOventure Investment Committee, which decides on the possibility of taking up shares and providing support.
	2.3 Signing the Investment Agreement	After the investment conditions are accepted by the Investment Committee, an investment proposal is submitted to the Originators (Project Team) containing key transaction terms (including, in particular: shareholding structure, payment terms of individual tranches of financing, exit strategy and definition of the corporate governance of the spin-off company) based on which the Investment Agreement will be prepared. The prepared Investment Agreement is signed by the parties.
3.Investment and supporting the spin-off company	3.1 Takeup of shares	After signing the Investment Agreement, INNNOventure takes up the shares. This can happen through the creation of a new company or by taking up shares in an existing company. The first tranche of financing is launched by transferring the funds that are due in connection with taking up shares
	3.2 Support activities	After the investment has been made by INNOventure, the Support Agreement is signed and the specified by it are transferred to the spin-off company. It is not possible to provide support without the prior decision of the Investment Committee and the takeup of shares.

4. Project monitoring		After taking up the shares, a dedicated INNOventure representative, under the supervision of the Investment Director, monitors the financial situation of the company and assists its managers in the process of financial management and project development in accordance with a separate procedure.
5. Capital exit		INNOventure capital exits from spin-off companies will be implemented in accordance with the internal strategy. The conditions for capital exit are recommended by the Investment Director, approved by the Management Board after obtaining a positive decision of the Investment Committee.

Exclusions (investment restrictions):

- a) the R&D project or the Grantee must not pose a threat to the security of the Republic of Poland,
- b) the R&D project or the Grantee must not pose a threat to public order or public safety,
- c) the R&D project or the Grantee must not pose a threat to human health or life,
- d) the R&D project or a Grantee must not pose a threat to the obligation to protect cultural assets or national treasures of artistic, historical or archaeological value,
- e) activities under the R&D Project or the Grantee must not be inconsistent with the mandatory legal provisions,
- f) financing of the R&D Project must not contradict the state aid rules, including the solutions which are part of the activities excluded from the possibility of obtaining assistance under the R&D aid regulations (in particular the activities listed in Article 1 of Regulation 651/2014), based on item 5.2 of Annex I of the General Regulation and pursuant to art. 3 par. 3 of the ERDF regulation. On the basis of the aforementioned regulations, the support will not cover in particular:
 - (i) investments for the reduction of greenhouse gas emissions from the list of activities stated in Annex I to Directive 2003/87/EC1;
 - (ii) undertakings in difficulty in accordance to EU aid rules;
 - (iii) investments in airport infrastructure, unless they are related to environmental protection or are accompanied by investments necessary to mitigate or reduce their negative environmental impact;
 - iv) activities directly related to the quantity of exported products, establishment and operation of the distribution network or other current expenditure related to the conduct of export activity;
- v) projects that may have a significant negative impact on the environment or climate.