

## Key Investment Terms of Tekes Venture Capital Model Limited Partners Agreement (the model LPA)

### Disclaimer

The Key Investment Terms set forth herein is are a summary of the key terms of the Tekes.vc model LPA, only, and the detailed content of these terms shall be read from the model LPA, which will be available upon request.

In case there is any discrepancy between the Key Investment Terms and the Tekes.vc LPA, the latter shall prevail.

These Key Investment Terms are subject to change by Tekes.vc from time to time.

Tekes.vc assumes no liability for these Key Investment Terms. Any user of these Key Investment Terms and/or Tekes.vc model LPA is encouraged to seek for own legal advice.

Subject	Description	Notes
<b>Structure</b>	The fund is to be structured as a Finnish limited partnership (in Finnish: <i>kommandiittiyhtiö</i> , Ky), and such other entities as may be established to meet particular investor needs and any legal, regulatory or other requirements. The fund will operate on a commitment basis for a fixed term.	<i>A fund structure established in another EU country may also be accepted.</i>  <i>However, the structure should be suitable for venture capital investments and in line with market practice.</i>
<b>The general partner and the management company</b>	The general partner ("GP") (in Finnish: <i>vastuunalainen yhtiömies</i> ) has the exclusive responsibility for the management and control of the business and affairs of the partnership.  The management tasks of the partnership assumed by the GP in the limited partnership agreement may be delegated to a management company through a management agreement.  The key executives of the fund undertake to hold or control at the minimum a qualified majority of 2/3 of the shares, votes and financial rights of the GP and the management company during the entire term of the fund.	<i>The management company must obtain an authorisation or be registered as a manager of alternative investment funds as required by regulation.</i>  <i>See:</i> <a href="http://www.finanssivalvonta.fi/fi/Saantely/Saantelyhankkeet/AIFMD/Toimiluvat/Pages/Default.asp">www.finanssivalvonta.fi/fi/Saantely/Saantelyhankkeet/AIFMD/Toimiluvat/Pages/Default.asp</a> <i>ⓧ</i>
<b>Limited partners</b>	Investors in the fund will act as the fund's limited partners (in Finnish: <i>äänetön yhtiömies</i> ).	<i>Save for Tekes.vc, a limited partner may not be a public entity or corporate body or</i>

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		<i>another entity having received more than 50 per cent of its funding from public sources.</i>
<b>Purpose and investment objectives</b>	The purpose of the fund is to carry on the business of investors with a view to profit and in particular to make, hold, monitor and realize investments in companies or other entities in accordance with the fund's investment policy which is a part of the limited partnership agreement.	<p><i>The applicant will give a description of the fund's investment policy and the investment restrictions in the investment application to Tekes.vc.</i></p> <p><i>The fund will have to comply with the applicable EU and national state aid regulations. No investment will be made in a company or other undertaking that is not eligible to state aid pursuant to the state aid regulations. See subject "State aid eligibility" at the bottom of this document.</i></p>
<b>Fund size</b>	The maximum amount of total commitments at the final closing is the targeted fund size.	<i>The maximum fund size is ca. 20 million euros.</i>
<b>Minimum investor commitment</b>	The minimum size of a commitment by a limited partner will be stated in the limited partnership agreement. The GP may decide, at its sole discretion, to accept commitments of a lesser amount.	<i>The minimum size of a commitment may not be less than 50 000 euros in any case.</i>
<b>Management team commitment</b>	The management team members or an entity through which the management will channel its commitment will make a commitment to the fund through the GP and/or as a limited partner. The GP shall, with regard to its commitment, be treated as a limited partner.	<i>The GP commitment is typically 2 – 5 %.</i>
<b>Closings of the fund</b>	Investors will be admitted to participate in the fund and commitments to the fund will be received in one or several closings. The first closing date and the	<i>There will be a set period of time from the first closing date to hold the final closing.</i>

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	<p>final closing date will be stated in the limited partnership agreement.</p> <p>At each subsequent closing (after the first closing) all assets and liabilities of the fund will be reallocated amongst the partners (including investors becoming limited partners in that closing) in proportion to their respective commitments as if all partners would have been admitted to the fund on the first closing date.</p> <p>Each limited partner admitted at a subsequent closing, save for first closing qualified investors, will pay a premium on the amount of all drawings of commitments that would have been made from that limited partner had it been admitted at the first closing, from the dates of such drawings up to the date of such subsequent closing, less any prior distributions to existing limited partners. Investors having admitted in closings preceding the subsequent closing will be credited with the amount of the premium. The premium is not forming part of such limited partner's commitment.</p>	<p><i>First closing qualified investor is an investor having participated in the first closing of the fund and undertaking to increase its commitment in subsequent closings up to a maximum proportion of the total commitments as indicated in its subscription form.</i></p> <p><i>The premium will be calculated on a basis of an annual rate of interest on the drawings. Expecting the premium rate to equal to the preferred return.</i></p>
<b>Investment period</b>	<p>Investment period commences on the first closing date and may be up to five years from the first closing date.</p> <p>After the investment period, no further investments shall be made other than investments</p> <p>(a) in respect of which a commitment to invest has been given prior to the end of the investment period, provided, however, that such investments must be capable of being completed within a period of six months from the expiry of the investment period;</p> <p>(b) for which exclusivity had been granted during the investment period, subject, however, to the approval by the LP Advisory Committee; and</p> <p>(c) follow-on investments in existing investee companies.</p>	<p><i>Investment period could be e.g. 3 years plus two potential one year extensions or 4 years plus a potential one year extension.</i></p>
<b>Key executives</b>	<p>The key executives managing the fund will be named in the limited partnership agreement.</p> <p>Only key executives may be appointed in the board of directors of the GP.</p>	

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<b>Key man event</b>	<p>Key man event occurs in the event that</p> <p>(a) there are less than agreed number of key executives devoting or</p> <p>(b) the named key executives are not devoting their time commitments to the affairs of the Fund.</p> <p>In the event of a key man event, the investment powers and the investment activities of the GP will be automatically suspended (other than in respect of investments, exits and follow-on investments contractually committed or consented by the LP Advisory Committee).</p> <p>If the suspension period is not terminated within a period of 180 days, the investment period will terminate with immediate effect unless the LP Advisory Committee has approved the prolongation of the suspension period beyond such 180 days' period up to a maximum of 270 days.</p>	
<b>Drawdowns</b>	<p>Commitments of the limited partners will be drawn down with a minimum of 10 business days' notice pro rata to the commitments to be used for investments, management fee and other expenses and liabilities of the fund.</p>	
<b>Failure to comply with a drawdown notice</b>	<p>In case a limited partner fails to fulfil its payment obligation to the fund upon a draw down, an annual penalty interest will be charged. In the absence of remedy by the limited partner within 14 days upon receipt of a written notice thereof, the limited partner's interest in the fund, including any contributed capital, may be sold or any other action may be taken to enforce the obligations of a defaulting limited partner.</p>	<p><i>Expecting the annual penalty interest to be 15 per cent.</i></p>
<b>Borrowing</b>	<p>The fund shall have the right to borrow for the purpose of funding any (i) investment that will need to be executed within a shorter period of time than that reserved for drawdowns, and (ii) shortfall occasioned by a limited partner having defaulted on a drawdown of such commitment. There will be a limit to the amount of the borrowing and the term of the loan.</p>	
<b>Management fee</b>	<p>During the investment period the GP will be entitled to an annual management fee calculated on the basis of total commitments after which until the end</p>	<p><i>The management fee to be suggested by the management team of</i></p>

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	<p>of the initial fund term the management fee will be calculated on the basis of the aggregate acquisition cost of the investments less the acquisition costs of realized investments and irrevocable write-offs. After the initial fund term until the dissolution of the fund the management fee shall be as agreed separately.</p> <p>In the event the fund has not made any investments during any period covering four (4) consecutive fee periods within the investment period, the management fee for the fee period directly after the last of the four consecutive fee periods shall be decreased by 50 per cent.</p> <p>In the event an investee company of the fund ceases to be eligible to state aid in accordance with the relevant state aid regulation, the acquisition cost of such investee company shall, for the purposes of calculating the management fee, be permanently deducted from the total commitments and the aggregate acquisition cost of the investments.</p> <p>All fees (excluding reasonable fees as the members of the board of directors and reasonable reimbursements for incurred expenses) received by the GP, the management company or any representatives nominated by either of them, from the fund's investee companies are fully deducted from the management fee.</p>	<p><i>the fund. The fee level shall be conformable to market terms.</i></p> <p><i>A fee period is three months, i.e. management fee is paid on a quarterly basis in advance.</i></p> <p><i>It is the market practice not to allow GP or its affiliates or investment professionals to collect any other fees than reasonable fees as the members of the board of directors of an investee company and travel and out-of-pocket expenses.</i></p>
<b>Expenses</b>	<p>The fund will bear all reasonable establishment costs up to an amount agreed in the limited partnership agreement.</p> <p>In addition, the fund shall bear all reasonable costs and expenses incurred in relation to the administering and business of the fund including costs and expenses in connection with the investments which do not proceed, but not including the day-to-day expenses of the GP.</p>	<p><i>Notice that e.g. the establishment costs of the management and GP companies or the placement costs of the fund are not fund establishment costs.</i></p>

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<b>Allocation of proceeds</b>	<p>All proceeds shall be distributed in an order of priority stated in the limited partnership agreement. Firstly, distributions will be made to the limited partners and GP in its capacity as a limited partner, until each limited partner has received an amount equal to the amounts contributed by such limited partner to the fund.</p> <p>Tekes.vc may accept an asymmetric profit distribution for the benefit of the fund's private investors. The applicant is expected to give a suggestion for the asymmetric profit distribution as part of the distribution waterfall if the applicant wishes to apply for asymmetry.</p>	<p><i>The applicant gives a suggestion for the distribution priority (distribution waterfall). The distribution waterfall is expected to follow market practice and terms. If asymmetry is applied, the suggestion for asymmetric profit distribution is included in the distribution waterfall. An example of a typical market standard distribution waterfall (without asymmetry):</i></p> <ol style="list-style-type: none"> <li><i>1 To LPs: Return of capital contributions</i></li> <li><i>2 To LPs: Preferred return (hurdle rate)</i></li> <li><i>3 To GP: catch-up (x %), to LPs: (y %)</i></li> <li><i>4 Distribution of the remaining proceeds. To GP: as carried interest (w %), to LPs: (z %)</i></li> </ol>
<b>Distributions</b>	<p>The amounts allocated to the limited partners shall be distributed within 10 business days after the relevant amount becomes available for distribution.</p> <p>Any amount allocated to the GP, as catch-up or carried interest, shall be first deposited to a separate account established by the GP (in the name of the Fund) and shall be released upon the limited partners having been distributed an amount equalling the total commitment plus the preferred return. The GP has the right to release funds from</p>	

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	the account to cover certain tax liabilities or when consented by the LP Advisory Committee.	
<b>Distributions in specie</b>	<p>Distributions in specie may be made</p> <ul style="list-style-type: none"> <li>(i) during the term of the fund if the distribution comprises securities that are quoted, or</li> <li>(ii) upon the dissolution of the fund.</li> </ul> <p>If the GP proposes a distribution in specie during the term of the fund, a limited partner may request the GP to sell the subject securities at the best possible terms and distribute the net sales proceeds to the LP.</p>	
<b>Clawback</b>	<p>Upon the dissolution of the fund a new calculation of distribution of the proceeds and any other assets of the fund shall be made on the assumption that the proceeds should have been distributed according to the distribution waterfall. If the GP or a limited partner has been distributed more than it is entitled, the GP and respectively the limited partner shall promptly return the excess amount.</p> <p>If the limited partners (including the GP in its capacity as a limited partner) have received distributions from the fund and the fund is unable to meet its costs and liabilities and the un-drawn total commitment does not suffice to cover such costs and liabilities the limited partners (including the GP in its capacity as a limited partner) shall contribute to the fund by repayment of distributions received an amount sufficient to satisfy all or any portion of the fund's obligations. The amounts to be contributed to the fund shall not in any event exceed 25 per cent of the amounts distributed to and received by a limited partner. Further, the limited partners' obligation does not cover amounts distributed and received by the limited partners more than two years prior to the date when the repayment is requested by the fund.</p>	
<b>Limited Partner Advisory Committee</b>	An LP Advisory Committee comprising at least three (3) representatives of the limited partners will be established and will meet regularly to, among other things, review the investment performance of the fund and any potential conflicts of interest brought to its attention by the GP. LP Advisory Committee	

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	shall not have any authority to take part in the management or control of the business of the fund.	
<b>Limited partner consent and limited partner special consent</b>	<p><b>Limited partner consent:</b></p> <ul style="list-style-type: none"> <li>- a consent of at the minimum two limited partners representing, jointly, more than 50 per cent of the total commitments</li> </ul> <p><b>Limited partner special consent</b></p> <ul style="list-style-type: none"> <li>- a consent of at the minimum two limited partners representing, jointly, at least 75 per cent of the total commitments</li> </ul> <p>For the purpose of calculating the thresholds the Total commitments shall exclude commitments of the GP, the management company, any of their directors or employees, the key executives and any of their affiliates in their capacity as a limited partner.</p>	
<b>Transfer of interest in the fund</b>	In general, limited partners may not sell, assign, transfer or pledge any interest in the fund or withdraw from the fund without the prior written consent of the GP.	
<b>Valuation and reporting</b>	The fund will follow IE Investor Reporting Guidelines and IPEV Valuation Guidelines in reporting and valuation of the fund performance. In addition to the fund's annual accounts, investors will receive quarterly reports that include description of the fund's portfolio and valuation of the portfolio companies.	See: <a href="http://www.investeurope.eu/policy/invest-europe-publications/#i">www.investeurope.eu/policy/invest-europe-publications/#i</a> for professional standards handbook
<b>Other funds</b>	During the investment period, unless approved by limited partner special consent, neither the GP nor any of the key executives will act as general partner, manager or investment advisor to, or establish any other investment fund subsequent the first closing, with a similar investment focus as the fund.	
<b>Term</b>	The fund will operate for a fixed term commencing on the first closing date.	<i>The maximum term is 10 years with two potential one year extensions.</i>
<b>Removal of the GP</b>	<p>The GP may be removed from its position as the GP of the Fund by a <b>limited partner special consent</b> (i) to (ii), <b>by a limited partner consent</b> (iii) to (vi), or by <b>decision of Tekes.vc</b> (vii).</p> <p>(i) Without cause</p>	



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	<p>(ii) A key man event is triggered and the suspension period is not terminated within a period of 180 days (or if the suspension period is prolonged by the LP Advisory Committee, within such prolonged period) from the suspension date.</p> <p>(iii) The key executives hold or control less than 2/3 (or a larger proportion as the case may be) of the shares, voting rights and the financial rights attached to the shares in each of the GP and the management company.</p> <p>(iv) The GP or the management company is declared bankrupt or is the object for liquidation or dissolution procedure.</p> <p>(v) The GP, the management company or a key executive has committed gross negligence or willful misconduct in relation to the fund or otherwise rendered itself guilty of fraud or other crime that impairs the confidence of the limited partners in the general partner, the management company or the key executives (acting jointly).</p> <p>(vi) The GP, the management company, or a key executive has committed a material breach of the limited partnership agreement or the management agreement.</p> <p>(vii) The GP or the management company has committed a material breach of the state aid regulation.</p> <p>If removed (i) without cause, the GP is entitled to management fee for a period of 6 months upon having received a written notice of removal from the limited partners. Further, the GP is entitled to a vested proportion.</p> <p>If removed for (ii) key man event or (iii) change of control, the GP is entitled to vested proportion but not to management fee.</p> <p>If removed for any of the causes (iv) to (vii), the GP is not entitled to any further distributions or proceeds or any other payments (including, but not</p>	

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	<p>limited to management fee), and if removed for any of the causes (v) to (vii) the GP shall be obliged to return to the fund any previous distributions of catch-up and carried interest.</p> <p>Vested proportion: The GP's right to catch-up and carried interest shall during the investment period vest following a linear scale where at the final closing the vested entitlement is zero (0 per cent) per cent and in the end of the investment period fifty (50 per cent) per cent. After the investment period the GP's right to the catch-up and carried interest shall vest following a linear scale where during each 12 month period subsequent to the investment period the vested entitlement shall increase by ten (10) percentage units, provided that the total aggregate entitlement shall not exceed eighty (80 per cent) per cent.</p>	
<b>Liability limitation of a limited partner</b>	<p>The liability of each of the limited partners for the commitments and obligations of the fund is at all times limited to the commitment of the respective limited partner.</p>	
<b>Liability limitation of the GP</b>	<p>Neither the GP nor any of their respective directors, shareholders, agents or employees, shall have any liability for any loss to the fund or the partners arising in connection with the services to be performed under the partnership agreements or pursuant thereto save in respect of matter resulting from wilful misconduct or gross negligence.</p>	
<b>State aid eligibility</b>	<p>Below some provisions regarding state aid eligibility of a company. The provisions are for the convenience of prospective applicants only and are not an exhaustive description of the state aid eligibility.</p> <p>Eligible undertaking (a company) shall be an undertaking which at the time of the initial risk finance investment is an unlisted SME and fulfils the following conditions:</p> <ul style="list-style-type: none"> <li>a) It has been operating in any market for less than 7 years following its first commercial sale</li> <li>b) It is not an undertaking in difficulty</li> </ul>	<p>For further information on state aid regulation please read <u>general block exemption regulation</u> (GBER) by European Commission (EU N°651/2014).</p> <p>See Annex I of GBER for the definition of SME.</p> <p>See GBER Article 2 (18) for the definition of undertaking in difficulty.</p>

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	<p>c) It does not have an outstanding recovery order following a previous commission decision declaring an aid illegal and incompatible with the internal market</p> <p>Follow-on investment can be made in an eligible undertaking if the following conditions are fulfilled:</p> <p>(a) Risk financing does not exceed EUR 15 million per eligible undertaking under Tekes Venture Capital Ltd's Risk Finance Program</p> <p>(b) The possibility of the follow-on investment was foreseen in the original business plan</p> <p>(c) SME, if an undertaking has become linked with another entity, it fulfils the conditions of the SME definition.</p>	<p>Please note that if a follow-on investment is made to a company after the 7-year period, minimum private participation requirement is 60 per cent of each investment round.</p>