

TUBITAK
IMPLEMENTATION PRINCIPLES FOR THE VENTURE CAPITAL FUNDING PROGRAM

PART ONE
Objective, Scope, Legal Basis, and Definitions

Objective

ARTICLE 1 - (1) Objective of the Implementation Principles is to determine Implementation Principles for the Venture Capital Funding Program of TUBITAK with code number 1514, which aims to utilize the Venture Capital Funds to meet financial needs at the seed, start-up, or development stage of SME companies with a potential to develop and produce innovative products, processes, information, or technology that can provide added value to the country's economy.

Scope

ARTICLE 2 – (1) These Implementation Principles encompass the procedures and principles regarding technical, financial and administrative rules and processes that are required for the purpose of; providing grants from TUBITAK to the Venture Capital Funds that have been established so that the companies identified in Article 1 of the Implementation Principles can perform R&D and innovation operations, obtain the financial funding they will need during production and commercializing processes regarding the products and/or technologies arising from their business operations, or provide additional investment or capital; evaluating applications to the funding programs from the Fund Managers/Prospective Fund Managers; and having these funds and Fund Managers/Prospective Fund Managers take advantage of the grant.

Legal Basis

MADDE 3 - (1) These Implementation Principles have been developed according to the "Law No. 278 on Establishing Scientific and Technological Research Council of Turkey dated July 17, 1963" and "Regulation on Technology and Innovation Funding Programs of the Scientific and Technological Research Council of Turkey, published in the Official Gazette No. 26405 dated January 16, 2007.

Definitions

ARTICLE 4 - (1) Definitions of terms in the Implementation Principles are as follows:

- a) **Prospective Fund Managers:** The team that is made up of individuals with experience in banking, finance, entrepreneurship, business, law, industry or commerce, including people who have taken part in managing Venture Capital Fund operations and who have undertaken at their application to establish the firm that will manage the Venture Capital Fund.
- b) **Research and Development (R&D):** Innovative works that are carried out based on a systematical foundation for the purpose of improving knowledge regarding people, culture, and society, and using this knowledge to develop new practices.
- c) **Application Form:** The document that Fund Managers/Prospective Fund Managers prepare according to the content and form on the TUBITAK website to present to TUBITAK within the scope of the application.
- d) **Science Council:** TUBITAK Science Council is defined by Law No. 278 on Establishing Scientific and Technological Research Council of Turkey dated July 17, 1963.
- e) **The Call:** The document published by TUBITAK that includes information about the Fund

- f) Managers/Prospective Fund Managers, fund size, duration of the investment and delivery, application dates, eligibility of the Venture Company, co-financing ratios, maximum rate of investment that will be made to the Venture Company and other similar information, and that also contains the provisions that are specific to the Call when necessary.
- g) Variable Capital: A fund with capital that is equal to its net asset value (the amount after deducting total assets from total debts).
- h) Electronic Signature: As it is described in the Electronic Signature Law, an electronic signature is the electronic data that is added to other electronic data, or has a logical connection with electronic data, or that is used to verify identification.
- i) Electronic Signature Law: Electronic Signature Law No. 5070 dated January 15, 2004.
- j) Electronic Certificate: As it is described in the Electronic Signature Law, electronic record that connects the signature verification data and identification information of the signatory.
- k) Fund Size: Total fund amount that TUBITAK, Fund Managers, and private investors undertake to transfer to the Venture Capital Fund at the rates stated on the Call.
- l) Fund Support Agreement: The agreement that is signed between TUBITAK and the Fund Manager, specifying the scope of the funding as well as legal, administrative, and financial provisions, and other issues.
- m) Fund Investors: TUBITAK, Fund Manager and private investors.
- n) Fund Official: Person and/or persons with the authority to represent and bind the Fund Manager to the greatest extent.
- o) Fund Manager: Equity companies, of which their areas of activity and structure are suitable to found and manage Venture Capital Funds, (including Turkey branches and liaison offices of foreign based Venture Capital Funds and which also incorporate people who have taken part in Venture Capital Fund management operations.
- p) Fund Management Cost: The amount that will be paid to the Fund Manager during the investment and management periods to cover annual management expenses.
- q) Venture Capital Funding Group (Group): The Group within the Directorate of Technology and Innovation Funding Programs (TEYDEB) that carries out the funding program operations.
- r) Executive Committee of the Venture Capital Funding Group (Committee): The Committee within TEYDEB under the same name.
- s) Venture Capital Fund (Fund): Investment funds and legal entities that have been established to funding Turkey-based Venture Firms with development potential and resource needs in order to support not only the creation and improvement of activities that venture firms carry out to develop and produce innovative products, processes, information and technology which can provide added value, but also the product and/or technology production infrastructure that is created as a result of these activities; and to make a contribution to the improvement processes of producers.
- t) Venture Capital: Investments that are made with the purpose of meeting the financial needs of visionary entrepreneurs who have trouble obtaining the financial resources required to realize dynamic, innovative and productive investments and growth with high development potential projects.
- u) Venture Firm: Turkey-based SME-size capital companies with potential to develop and produce innovative products, processes, information, and technology that can provide added value to the country's economy.
- v) Business Plan Aimed for Venture Firm (Business Plan): The document that provides

detailed information on the five-year history of revenue, expenses, cash flow and capital projection of the Venture Firm which the investment will be made in.

y) Secure Electronic Signature: Electronic Signature that contains the qualifications stated in Article 4 of the Electronic Signature Law.

z) Close-end Fund: The fund that is established for a certain period of time with a fixed number of shares and that is liquidated after a certain period of time with no shares issued afterwards.

aa) Small and Medium Size Enterprises (SME): Micro, small and medium size enterprises that fall under the Regulation Concerning the Definition, Characteristics and Classification of Small and Medium Sized Enterprises published in the Official Gazette No. 25997 dated November 18, 2005.

bb) Qualified Electronic Certificate: Electronic certificate that possesses the qualifications stated in the Electronic Signature Law.

cc) Letter of Intent: The agreement proving that the main frame and conditions of the possible collaboration between TUBITAK and the Fund Manager/Prospective Fund Managers have been accepted by the Fund Manager/Prospective Fund Managers.

dd) Joint Participation Agreement: The agreement that contains information about the rules and principles that the partnership will be subject to prior to its initiation between the Fund Manager and the Venture Firm, in which the investment will be made, as well as the rights and responsibilities of the parties in the partnership, organization of the company, corporate governance principles and strategies to leave the investment.

ee) Private Investor: Apart from TUBITAK and the Fund Manager, other investor/investors that will invest no less than the amount stated on the Call.

ff) Project Assessment and Monitoring System (PRODİS): Software application that allows performing project application, assessment and monitoring processes on electronic environment within the scope of the TUBITAK TEYDEB funding programs and that can be accessed at <http://eteydeb.tubitak.gov.tr>.

gg) Project: The grant application made upon Call by the Fund Manager.

hh) Capital Transfer Call: The call the Fund Manager makes to state the amount and time of the capital that Fund investors will transfer to the Fund for investing in the approved Venture Firm.

ii) CMB: Capital Markets Board.

jj) Technology: The know-how, experience and skill to develop the tools, equipment, machinery and materials required to produce and use technology.

kk) TUBITAK Website: The website at www.tubitak.gov.tr where these Implementation Principles will be published.

ll) TEYDEB: Directorate of Technology and Innovation Funding Programs.

mm) TUBITAK: Scientific and Technological Research Council of Turkey.

nn) Investment Committee: The committee, which has been established within the Fund Manager with individuals determined by it and which, selects the Venture Firm as well as taking the decision to make or exit the investment.

oo) Investment Plan: The detailed plan that shows the amount and times of the capital transfer which the Fund Manager will make from the Fund to the Venture Firm.

Innovation: Realizing a new or significantly improved product (goods or services), process, marketing approach or organization method in internal business practices, organizations or

external relations.

Objectives of the Program

ARTICLE 5 - (1) The program aims to achieve the following objectives;

- a) Making a contribution to meet financing needs at the seed, start-up or development stage in our country by providing grant to Venture firms with financial needs.
- b) Making a contribution to the creation of a venture capital ecosystem by encouraging the establishment of new funds that will provide capital to Venture Firms and Fund Managers that will manage these Funds.
- c) In order to ensure sustainability of the created ecosystem, enhancing the financial support that is specific to each stage of the Venture firms' life cycle.
- d) Empowering the Venture Capital Funds that support Venture Firms in our country and improving these processes with support from the government.

PART TWO Scope of Funding

Venture capital investments and operations in the scope of the funding

ARTICLE 6 - (1) Within the scope of the program, Turkey-based Venture Capital Funds or foreign-based ones with branches or liaison offices in Turkey will receive grant support provided that they invest in Turkey-based Venture firms, provided that the investment possesses the following characteristics.

- a) Seed Capital Funding: Investments that will be made in order to develop a research, development, assessment or a start-up concept so that a product/service or innovation at a conceptual stage can be spawned or a new product or service can be conceived.
- b) Initial Start-up Capital Funding: Investments that will be made in order to provide additional financing for developing products and creating prototypes or for post-prototype production, sales and initial marketing activities.
- c) Development Stage Capital Funding: Investments that are made in order to provide additional financing for growth and marketing.

(2) The Call states the stages (seed, start-up or development) of the Venture Firms that the fund can invest in.

Fund duration

ARTICLE 7 - (1) The funds shall be offered for 12 (twelve) years as of the effective date of the Fund Support Agreement. The first 5 (five) years of the Fund duration will be the investment period with the remainder being the exit period. However, in the event of not being able to exit the investment completely after the duration of the Fund, the term may be extended through a Committee resolution for one-year periods, 3 (three) times. In the event of not being able to liquidate the Fund at the end of the additional periods, related provisions of the Implementation Principles shall be applied.

The Type, ratio and amount of the funding

ARTICLE 8 - (1) According to the program, the grant will be accorded to Venture Capital Funds within the following scope.

a) According to the objective and scope of the Implementation Principles, TUBITAK proposes to offer a grant of an amount that is at most 20 (twenty) percent of the fund size of the Venture Capital Funds which undertake to invest in the Venture Firms. The rate of funding from TUBITAK is stated on the Call.

b) The Call also states the limitations on the investments that will be made in the Venture Firms from the supported Fund.

(2) The Science Council of TUBITAK may decide to increase TUBITAK's participation rate in the fund. TUBITAK administration establishes the number of funds that will be supported by it and the upper limit that it will undertake to grant for each fund.

Fund Management Cost

ARTICLE 9 - (1) TUBITAK does not make a payment to the Fund Manager for any expense, including a Fund management fee, nor does it make a fund management deduction from the grant transferred to the Fund from TUBITAK.

Companies and industries not included in the scope of the funding

ARTICLE 10 - (1) Funds cannot invest in the companies that directly or indirectly do business in the following industries, including those stated in the black list of the Organization for Economic Co-operation and Development (OECD).

- a) Industries that revolve around illegal economic activities,
- b) Tobacco and alcoholic beverage producers,
- c) With the exception of the defense industry, weapons and ammunition producers or traders,
- d) Casino and games arcade operators, pornography traders and any involved in similar immoral activities on the electronic environment,
- e) Industries of which the main area of operation is real estate,
- f) Industries involved in human cloning even if it is for treatment and research purposes,
- g) Genetically modified food producers,
- h) Industries directly involved in R&D operations regarding the above areas,
- i) Information will be provided in the Call, should there be any other industries that cannot be invested in.

PART THREE Terms of Application

Fund Managers that are eligible to apply

MADDE 11 – (1) Eligible applicants are Turkey or foreign-based Fund Managers/Prospective Fund Managers that have or will set up Venture Capital Funds for the purpose of investing in Turkey-based Venture Firms with the qualifications to carry out the investments which have been stated within the scope of Article 2 and have been defined in Article 6 of the Implementation Principles. Limitations may be brought in regards to the Fund Managers/Prospective Fund Managers by announcing on the application. Eligible Fund Managers/Prospective Fund Managers must possess the following qualifications:

- a) No history of bankruptcy, composition or decision for postponement of bankruptcy (These conditions will not apply if 10 years has passed since the date of removing or closing bankruptcy, or approval of composition proposal.)
- b) No history of liquidation decision concerning their own organizations or the ones they are

a partner in according to the Decree Law on Transactions of Bankers in Financial Difficulty No. 35 dated January 14, 1982 and its Annexes.

- c) Even if it falls within the statute of limitations stated on Article 53 of the Turkish Criminal Code No. 5237 dated September 26, 2004, no history of prison sentence for five years or more due to voluntary acts of crime, crimes against the security of the state, crimes against the constitutional order or its operations, crimes of embezzlement, extortion, bribery, robbery, fraud, forgery, breach of faith, fraudulent bankruptcy, bid rigging, conspiracy to avoid contractual obligations, obstruction of information systems, destroying or changing data, abuse of bank or credit cards, laundering assets obtained from acts of crime, smuggling, tax evasion or unjustified benefit.
- d) Possessing the honesty and reputation required by the job,
- e) Having past-due tax debt.

The Call

ARTICLE 12- (1) The Call shall be made on the TUBITAK website and/or through national/international communication channels.

(2) The Call generally provides the following information:

- a) The total grant amount TUBITAK will undertake to provide to the funds that will be supported,
- b) Legal structure and position of the Fund and Fund Manager that will be supported,
- c) Maximum grant amount TUBITAK will transfer to each of the funds that will be supported,
- d) Legal structure, position, industry, and primary area of activity of the Venture firms in which the fund will invest,
- e) Maximum investment amount that can be made in a Venture Firm from the fund,
- f) Information regarding application document and dates,
- g) Other provisions determined specifically for the Call.

PART FOUR

Application, Preliminary Evaluation and Decision

Application

ARTICLE 13 - (1) Applications shall be made to TUBITAK with the application form and annexes within the period stated in the Call and pursuant the provision of the Implementation Principles.

(2) In general, the application form is prepared according to the desired content and in compliance with the current application document format on the TUBITAK website to include the characteristics of the Fund Manager/Prospective Fund Managers, experience and qualifications of the team profile of the Fund Manager/Prospective Fund Manager corporate capacity and continuity of the Fund Manager, issues regarding Fund management, investment plans and strategies, Business Plan for the Venture Firm, commitment and skill to draw private investors, profit sharing, divestment strategies, auditing, reporting and risk control processes, and other matters.

Preliminary evaluation

ARTICLE 14 - (1) The Group preliminarily evaluates the applications. The application document is evaluated in terms of content and style at the preliminary evaluation stage. The

sufficiency of the information is examined in order to assess the application. At this stage, the documents that are required for the Call are checked to see if they have been prepared in full and according to the guidelines. In addition, confirmation may be obtained from the related institutions and organizations with regards to the accuracy and validity of the presented documents. The Committee is presented an assessment form upon completion of the assessment.

(2) The Committee shall directly decline the applications with incomplete documents or inaccurate information, or it may ask the applicant to complete the documents or information within a certain period of time. The applications that have not been revised or completed shall be re-submitted to the Committee with a recommendation of direct refusal.

(3) The TUBITAK website shall publish the list regarding the applications that will be included in the assessment process by the Committee following the preliminary evaluation..

Eligibility Criteria for the Fund, the Fund Manager and the Project Selection

ARTICLE 15 - (1) The Group evaluates in detail the applications which have been deemed sufficient in terms of content and style following the preliminary evaluation. If deemed necessary, project applicants may be invited to TUBITAK to get to know the team that will manage the Fund and to have them make a presentation to explain the details of the project. If necessary, TUBITAK may appoint experts in the field to participate in the meetings. Applicants to the project and the project itself are assessed according to the criteria under the following three main benchmarks:

- a) Eligibility of Project
 1. Funds' target geography, sector and investment strategy,
 2. Funds' size and scale viability,
 3. Investment exit strategies,
 4. Adequacy of the Investment Committee,
 5. Team profile of the Fund Manager/Prospective Fund Managers
 6. Skill of the Fund Manager/Prospective Fund Managers in applying business financing techniques,
 7. Competency and experience of the Fund Manager/Prospective Fund Managers in managing investment and management (operational, financial and technical) processes of Venture Firms,
 8. Skill and experience of the Fund Manager/Prospective Fund Managers in managing Venture Firms.
- b) Fund raising and deal flow identification and investment capacity
 1. Ability to raise capital within a targetted period,
 2. Ability to identify investee companies and ability to close investments.
- c) Institutional Capacity and Sustainability
 1. Corporate governance, legal structure and sustainability,
 2. Organizational structure and independence,
 3. Fund management cost and distribution of proceeds at the exit,
 4. Reporting, monitoring, auditing and risk management processes.

Selection of the Fund Manager and Goodwill Agreement (Letter of Intent)

ARTICLE 16 - (1) The reports that have been prepared by the Group according to the criteria stated on Article 15 of the Implementation Principles shall be presented to the

Committee. The Committee shall assesses the presented reports and then, shall rank the projects starting from the highest score down to the lowest according to the points they have received.

(2) The Committee shall announce the main project that will be funded, as well as equal number of reserve projects if necessary. The discussions shall begin with the main projects.

(3) In the event of the discussions regarding the main project(s) failing, discussions shall continue with the reserve project(s) according to their ranking if necessary.

(4) The Call may be terminated without providing funding for any project, in the event of an insufficient number of qualified projects or for lack of suitable projects to give funding for.

(5) Letter of Intent shall be signed with the Fund Managers/Prospective Fund Managers if the discussions end in success. The signed agreement is limited to a declaration of confidentiality and goodwill. As such, it shall not have any binding clauses for TUBITAK other than the confidentiality provision.

Fund Support Agreement

ARTICLE 17 - (1) Fund Support Agreement shall be signed between TUBITAK and the Fund Manager after the Fund Manager/Prospective Fund Managers has performed the commitments stated on the Letter of Intent within the given periods. Fund Support Agreement shall contain at least the following issues:

- a) Legal structure and position of the Fund and the Fund Manager,
- b) Fund Management Cost
- c) Prerequisites,
- d) Minimum number of personnel, provisions regarding key personnel, structure of the organization, and decision making processes,
- e) Areas of activity, specifications of the Venture Firm that the investment will be made in,
- f) Agreements that will be entered into with the Venture Firm, and their specifications,
- g) Industries with investment restriction,
- h) Procedures to invest and exit investment,
- i) Distribution of proceeds,
- j) Place and method of resolving disputes and conflicts,
- k) Manner and duration of auditing and reporting,
- l) Investment and management period of the Fund,
- m) Conditions of ending the Fund's investments,
- n) Provisions regarding private investors,
- o) Liquidation of the Fund,
- p) Special provisions,
- r) Other issues.

PART FIVE

Structure of the Venture Capital Fund

Legal structure and specifications of the Fund

ARTICLE 18 - (1) Legal structure of the Venture Capital Fund that has been or will be

established during the support process must be one of the following:

- a) A Venture Capital Fund or Venture Capital Investment Trust that is subject to CMB legislation,
- b) Investment funds or legal entities that have been established in Turkey or abroad (with the exclusion of the funds that are stated in the black list of the OECD). to invest in Turkey-based Venture Firms

(2) Following are the main specifications and areas of activity for Venture Capital Funds:

- a) Investing in Turkey-based companies with financing need at the seed, start-up or development stage.
- b) Having a close-ended and variable capital investment structure,
- c) Not investing in Venture Firms that other TUBITAK supported Funds invest in,
- d) Obtaining at least 79 (seventy nine) percent participation from private investors and at least 1 (one) percent from the Fund Manager as co-financing contribution (These rates are established based on the grant support TUBITAK provides to the Fund),
- e) Not investing more than 20 (twenty) percent of the Fund size in a single Venture Firm,
- f) Having a Fund duration of 12 (twelve) years at the most, with maximum 5 (years) of investment period and the remaining being the exit period, and being able to extended the duration for one-year periods for 3 (three) times through the Committee's resolution.

PART SIX

Investment Funding Process, Monitoring and Auditing

Fund's investment decision on the Venture Firm

ARTICLE 19 - (1) The Fund Manager shall begin discussions with the Venture Firms that the investment will be made in within the scope of the Fund Support Agreement, these Implementation Principles, and the considerations stated in the Call. The Fund Manager shall apply to the Group with the following report and documents to proceed with the investments the Fund will make in the Venture Firm, which is determined by the Fund Manager. TUBITAK shall identify the details regarding these documents and publish them on its website:

- a) Detailed Investment Plan regarding the Venture Firm,
- b) Business Plan Aimed for the Venture Firm,
- c) Financial, technical and legal audit reports provided by independent organizations,
- d) Venture Firm assessment report provided by independent organizations,
- e) Strategies to enter and exit the investment,
- f) Investment Committee resolution,
- g) Other supporting documents

(2) After the application has been submitted to the Committee, it performs a procedural examination to determine whether the Venture Firm conforms to the considerations stated in the Fund Support Agreement, in these Implementation Principles, and in the call to resolve the Venture Firm's compliance with the assessment criteria of TUBITAK.

(3) Prior to initiation of a partnership between the Fund Manager and each TUBITAK approved Venture Firm, the Fund Manager shall sign a Joint Participation Agreement containing information about the rules and principles that the partnership will be subject to, the rights and responsibilities of the parties in the partnership, organization of the company, corporate governance principles and strategies to exit the investment. The Fund Manager

shall present to TUBITAK the Joint Participation Agreement that it has signed with the Venture Firm, which the Committee has approved for investment, and copies of other agreements within 10 (ten) days.

(4) The Fund Manager shall make a Capital Transfer Call to all investors in order to obtain capital for the Venture Firm, which has been approved for investment. After the private investors and the Fund managers transfer their share of the amount stated in the aforementioned Call within the determined period, TUBITAK shall also transfer its share to the same account number which has been opened by the fund. TUBITAK website will publish information about the transfer method of the amount that TUBITAK will transfer to the fund.

(5) The amount that has been transferred to the private account shall be transferred to the Venture Firm within the period stated in the Capital Transfer Call.

Monitoring and auditing the Fund and the Fund Manager

ARTICLE 20 - (1) By taking into consideration the regulations of the European Private Equity and Venture Capital Association (EVCA) and of the International Private Equity and Venture Capital Valuation Guidelines (IPEV) on the subject, the Fund Manager shall send TUBITAK regular 6-month and annual reports according to the established style and content to provide information on domestic and foreign developments in the industry, operations and activities of the Fund, state of the personnel, investments, developments regarding the investments made in Venture firms, financial statements of these Venture firms, developments and financial states of the investments, as well as technical, financial and legal matters.

(2) Furthermore, the Fund and the Fund Manager are annually audited by independent institutions, and the Fund Manager sends TUBITAK a copy of the report regarding the audit. When necessary, a request shall be made for an additional independent audit report performed by an independent auditing company, which has been selected according to TUBITAK's approval.

(3) Reports mentioned on Clauses 1 and 2 of this Article and the situations identified by TUBITAK shall be examined by the Group and then, be presented to the Committee along with the report it will provide. Upon the assessment it will perform on the aforementioned reports, determined issues and compliance of the Fund Manager and the Venture Firm to the main principles, the Committee may resolve to partial suspend or to partially or completely halt the grant amount that TUBITAK has committed to the fund regarding the investments made in the venture firms from the Fund. In the event that the Fund resolves to continue with the funding,

- a) the Fund supported investments shall continue as they are.
- b) If the decision goes in favor of suspension, the investment from the fund shall be ceased for a period of time as determined by the Committee. The Fund and the Fund Manager shall be asked to make a declaration during this time. The decision to continue or to completely stop the Fund's investments shall be made according to these declarations.
- c) If the decision is in favor of partially halting the investment, the Fund shall be requested to exit some of the investments or cease to make certain investments. The remaining investments shall continue.
- d) If the decision is in favor of a complete halt of investments, the Fund shall be asked to exit all of the investments and if there is remaining amount, to turn it into investment. Furthermore, the remaining part of any investment commitments made by the Fund shall be

canceled. If there is misconduct or a deliberate detrimental act by the Fund Manager, TUBITAK shall decide the course of action to take.

(4) The main principles that the Fund Manager and the Venture Firm it is investing in are required to comply with are as follows:

- a) Doing business according to the internationally accepted fair business practices,
- b) Preserving respect for the environment and people,
- c) Avoiding activities that may damage the reputation of TUBITAK.

(5) In the case that the reports stated on Clauses 1 and 2 of this article have not been presented to TUBITAK by the Fund Manager on time without good reason, the Fund Manager shall be asked to provide an explanation within a certain time. In the event of not receiving an explanation within the stated period, the Committee shall suspend TUBITAK's fund grant until a final decision has been made. TUBITAK shall take a course of action according to the final decision.

(6) In the case that during the investment and exit periods, key personnel of the Fund Manager and/or one or more of the Investment Committee members leave, or a new person(s) is recruited to the Investment Committee, decisions regarding the investments that will be made from the Fund shall be made by at least 75 (seventy five) percent of the fund investors which TUBITAK is included in as well.

(7) When necessary, TUBITAK reserves the right to audit the Fund and the Fund Manager through its experts or consultants.

PART SEVEN

Processes to Exit Investment

Exiting Investments

ARTICLE 21 - (1) In the case that the Fund Manager receives an offer from the current partners or from a third party/parties to exit any of its investments, or that it decides to make an offer to current partners or to a third party/parties, or to go public, the Fund Manager shall make its final decision after discussing these offers and its resolutions with the Investment Committee which is positioned within its structure. In the case that the Investment Committee decides to go for any of the exit choices, the Fund Manager, along with the Investment Committee, presents detailed information regarding the exit proposal and the reports on the company's assessments to the Committee for information purposes.

(2) In the case that the Fund Manager does not exit the investments it has made through the Fund within the period stated in the Fund Support Agreement, it shall report this to TUBITAK and the private investors. The Committee shall have the authority to provide additional time to the Fund regarding the issue. The resolution to dissolve the Fund at the end of additional periods shall be taken by the investors, including TUBITAK, that are participating in the Fund by at least a 75 (seventy five) percent majority.

(3) Provisions stated on the force majeure and justified reasons section in Article 27 of this Implementation Principles are reserved.

Distribution and liquidation of the Fund

ARTICLE 22 - (1) During investment and exit periods, in the case that the investments made from the Fund to the Venture Firms have been exited, the capital, which the investors have transferred to the Fund from the amount obtained from the exited Venture Firms, and the profit, which corresponds to the capital, shall be used and distributed as follows:

a) During investment and exit periods, the amount obtained from each exited investment may be used for new investments, provided that the investors participating in the Fund approve it. Furthermore, TUBITAK shall not be included in these decision making processes and shall just be informed.

b) The amount obtained from exited Funds and the profit corresponding to this main capital shall be distributed between the Fund Manager and the private investor as per the agreement they have reached and the exit strategy stated by the Fund Manager in the Call.

c) The amount that TUBITAK granted to the Fund and the profit corresponding to this figure shall be kept in a special account which the Fund Manager will open at a public bank using the project number provided by TUBITAK after each investment. The balance in this account shall be put to use by obtaining Government Treasury Bills within 15 (fifteen) days at the latest, and the information shall be presented to TUBITAK. When necessary, TUBITAK may ask the Fund Manager to provide bank-verified balance information regarding this account.

(2) During Fund liquidation, the Fund Manager shall apply to TUBITAK with an application form containing exit conditions from each investment, amounts transferred to private investors and the amount granted by TUBITAK, as well as the movement information on the account, which was opened in a public bank for the profit corresponding to that amount, including the income earned from GDSs. Subsequent to performing the necessary review and assessment within the scope of the application, the Committee shall pass a resolution pursuant to Clause 3 of this Article and shall deliver to the parties its decision concerning the distribution between the Fund Manager and Private Investors of the amount granted by TUBITAK as well as the profit corresponding to this amount and total accumulated figure (TUBITAK's share) in the account.

(3) Distribution of TUBITAK's share between the Fund Manager and the Private Investor shall be determined according to the following calculations and assessments:

a) Investment amounts made to Venture Firms (A) and the amounts obtained when exiting each investment (B) shall be indexed to the Consumer Price Index (CPI).

b) According to the obtained values, the Fund Yield Ratio is calculated as (FGO) $((B-A)/A) \times 100$.

c) In the case of not identifying any of the situations stated on Clause 5 of this Article, obtained FGO is compared to the value - the Indicator Value (GD) - which is found by calculating the average annual yield of the GDs issued by the Republic of Turkey Undersecretariat of Treasury.

d) Information regarding the calculation of FGO and GD shall be published on the TUBITAK website.

e) After completing the comparison, the following framework shall be used when making the decision regarding distributing TUBITAK's share between the Fund Manager and Private

Investors by the Committee.

FGO-GD	<(-)5	[(-)5-0)	[0-5)	[5-10]	>10
Fund Manager	0	10	25	60	90
Private Investor	100	90	75	40	10

(4) The parties shall be notified of the Committee's resolution. Following the notification, the Fund Manager shall inform TUBITAK about the transactions it has performed according to the decision.

(5) The Fund Manager or Private Investors shall not receive any payment from TUBITAK's grant, the profit corresponding to this amount or the total amount accumulated in the account, in the event of the Committee determining occurrences of misconduct, deliberate act, fraud, cheating, or other incidents committed by the Fund Manager, or any of the issues stated Clause 1 Article 11 of the Implementation Principles during the funding or Fund liquidation periods. If there is part of the amount, which TUBITAK made a commitment to transfer to the Fund but has not done so yet, this part shall be stopped. While the amount, which has been transferred to the Fund by TUBITAK but has not been transferred to the Venture Firm yet, shall be reclaimed. All of these amounts shall be refunded to TUBITAK. In case of these amounts not being refunded, they shall be collected with the default interest at the rates stated by the Law No. 6183 on Collection Procedure of Public Receivables dated July 21, 1953.

PART EIGHT Other Issues

Secure Electronic Signature practice and transfer of data in the electronic environment

ARTICLE 23- (1) Within the scope of the program, the parties that exchange information (file, document, report, agreement, etc.) with TUBITAK may asked to obtain a Qualified Electronic Certificate in order to ensure secure transfer of data in the electronic environment pursuant to the Secure Electronic Signature practice. TUBITAK website shall publish announcements regarding this issue.

(2) According to the program, transferal of information and documents between TUBITAK and related parties shall be performed as printed documents with signature and/or via the PRODIS application (with or without secure electronic signature). The TUBITAK website shall publish the applicable methods of information exchange. In the case of a discrepancy between the file/document, which has been sent to TUBITAK with wet signature after being prepared in the electronic environment and printed, and the information sent to TUBITAK online, the later records shall be valid. There shall not be a separate announcement made to individuals for these transactions. In the case of TUBITAK announcing that it requires documents to be sent to it in printed format, the date on which the document reached TUBITAK shall be taken as the application date stated in the Implementation Principles.

(3) Natural and legal persons that wish to perform transactions in the electronic

environment have to become a member of the portal created in regard to TUBITAK's funding program.

(4) The member shall be responsible for the confidentiality and renewal of the password that is created during the membership process to TUBITAK's portal. TUBITAK shall not be held responsible for authorized or unauthorized use of the password by third parties.

(5) Users of this electronic environment shall be informed regarding the methods of communication such as email, text message to mobile phone, and so on when they are signing up with the system. The communication address provided by the member shall be used for all notices. TUBITAK may post notices only in the electronic environment without sending out written notices to natural and legal persons for the situations and transactions it deems necessary during the project application, assessment, decision, and monitoring processes.

(6) Users that become members of TUBITAK's portal accept the accuracy and validity of all the information they have provided. TUBITAK shall not be held responsible for any issues arising from wrong information or declarations.

(7) In the event that natural and real persons that are obligated to send documents and information to TUBITAK in the electronic environment have not been able to do so within the period of time stipulated by legislation due to the TUBITAK electronic system failing temporarily, they shall be considered to have performed their obligations if they send the document or the information by the end of the third day after the problems have been resolved.

(8) In case of a dispute regarding the transfer of messages that are sent to organizations from TUBITAK in the electronic environment, TUBITAK electronic system records shall be taken as the basis.

(9) In the case that the deadline date for sending documents to TUBITAK over PRODIS application is a national holiday, the deadline date shall be the next business day.

Issues not mentioned in the Implementation Principles

ARTICLE 24 - (1) The Committee shall possess the authority to assess and pass resolution regarding the matters not mentioned in the Implementation Principles during the application, funding, monitoring, auditing, and exit processes of the funding program.

Liabilities

ARTICLE 25 - (1) Fund Manager shall be responsible as a legal entity for ensuring that the Fund, which has been created pursuant to this funding program, makes investments according to the established objectives and purposes; that the Fund and the Venture Firm that the investment was made in are managed in a transparent and honest manner; that all investors are provided accurate and complete information through regular reports provided on all of the technical, financial, administrative and legal matters regarding the management of the Fund and the Venture Firm.

Confidentiality

ARTICLE 26 - (1) Information and documents submitted to those who have taken part in the assessment and monitoring processes of the application to the funding system shall be considered "confidential trade information" or "restricted information" and, as such, cannot be

delivered to third parties by any method. Information and documents fall outside the scope of the Law No. 4982 on the Right to Information dated October 9, 2003.

(2) Without prejudice to the provisions of the Law No. 5846 on Intellectual and Artistic Works dated December 5, 1951, persons and organizations that have been determined by final court order to have acted in breach of the confidentiality provisions cannot take advantage of TUBITAK funding or take part in anyway in the projects that have been included within the scope of the funding.

(3) Evaluation reports prepared by the individuals who have been appointed to work in the assessment and monitoring processes for the project applications cannot be provided to natural and real persons making an application for the project or to any third parties or real persons for the purpose of protecting the professional and personal rights of these people.

Force majeure and justifications

ARTICLE 27 - (1) Conditions that can be accepted as force majeure are extraordinary natural events, earthquake, fire, flooding, similar natural disasters, legal strike, lockout, epidemic, embargo, limitations enforced by foreign countries, acts of terror, sabotage, war (whether declared or not), blockade, declaration of partial or general mobilization, and other similar situations.

(2) In order for a condition, as stated in Clause 1 of this Article, to be accepted as force majeure, it has to be documented by the authorized/related officials.

(3) In the event that the documents, which TUBITAK and the organization send to each other in printed or electronic form and which are required to be answered within a certain period of time, have not been received or are received late, these situations may be deemed as justification for not being able to perform the commitment with consideration of the justification. The aforementioned justification has to be documented in order for this justified reason to be accepted.

(4) Funding amount envisaged for TUBITAK is valid within the budget and cash limitations appropriated for TUBITAK as such, any possible changes in them may be considered as a justified reason for not being able to perform the commitment.

Use of the Program's name

ARTICLE 28 - (1) "TUBITAK Venture Capital Funding Program" may be called "TUBITAK GISDEP," "Venture Capital," "TechnoCapital" or "GISDEP" in short in official correspondences, in agreements that are made within the scope of the program, as well as in their annexes and in all content that is prepared regarding the program on printed, visual and other media.

Enforcement

ARTICLE 29 - (1) These Implementation Principles shall enter into force as of January 1, 2013.

Implementation

ARTICLE 30 - (1) These Implementation Principles shall be implemented by the President of TUBITAK.