



From State to Market: transferring the management of SmartCap's Investment Portfolio

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Background:

- Estonian Development Fund and SmartCap (together EDF) are planning to reorient their strategy towards a fund of funds type model
- New investment strategy focuses on investments into
 - accelerator funds (EUR 8.4m) and
 - potential upcoming new investment vehicles.
- Reorganisation of EDF direct investment activities:
 - to further support the Estonian VC/PE ecosystem

Call for Expression of Interest: purpose

Select an independent venture capital/private equity fund manager:

- entitled to manage private equity funds
- able to transfer the existing portfolio into a newly created investment vehicle
- able to manage the existing portfolio in accordance with best market practices, and
- adding value to portfolio companies

The existing portfolio:

Key features:

- Up to 15 companies
- Cost (at 30.06.2016): approx. EUR 12.8m
- Fair Value (at 30.06.2016): approx. EUR 17.0m
- Additional commitment in cash: up to EUR 10.0m
- No new investments allowed
- Only follow-on investments into existing portfolio companies, where appropriate
- Exits, where appropriate

Main fund terms (indicative):

Key terms	
Fund legal structure	LP or similar form in European Economic Area (EEA) member states, based on best VC/PE practices
Fund term	4 years + possible extension
Investment period	no new investments, only follow-on into existing portfolio companies, where appropriate
Management fee	x% to be proposed by candidates together with the calculation principles
Hurdle	no minimum hurdle rate required, to be proposed by candidates
Carried interest	20% - to be split between selected fund manager and current carry holders
Fund manager commitment	at least EUR 100,000
Final valuation of the portfolio	to be determined at the moment of the transaction, subject to independent third party valuation

Selection Procedure:

The European Investment Bank has been entrusted to:

- advise and support EDF
- act as an observer in the Selection Procedure
- identify independent panel members who will carry out the selection
- ensure respect of fundamental principles such as:
 - equal treatment
 - non-discrimination
 - confidentiality and
 - transparency

Selection Procedure:

Expressions of Interest, to be submitted in English, will be examined and ranked:

- on a comparative basis
- using professional analysis and judgment
- avoiding conflicts of interest
- based on the criteria set in Call

Selection Committee:

- includes three members and one observer,
- acts in an independent fashion,
- shall carry out the Selection Procedure consisting of three stages

Selection Procedure:

Selection Procedure: three stages

- *First stage:*

- submission of initial Eols and
- assessment of Candidates against eligibility criteria and qualification criteria

- *Second stage:*

- access to information (data room),
- submission of final Eols and
- selection of successful Candidate

- *Final stage:*

- negotiation of Transaction documents and
- completion of Transaction

Selection Procedure: indicative time table

Steps		Date (indicative)	
1.	Publication of the call	25.08.2016	today
2.	Submission of requests for clarifications	08.09.2016	
3.	Publication of clarifications	19.09.2016	
4.	Submission of initial Eols (first stage)	03.10.2016	
5.	Assessment of eligibility and qualification of Candidates	17.10.2016	
6.	End date for Qualified Candidates' access to info.	28.11.2016	
7.	Submission of final Eols (second stage)	28.11.2016	
8.	Presentation of final Eols to Selection Committee	09.12.2016	
9.	Evaluation of final Eols and selection of Successful Candidate	22.12.2016	
10.	Negotiation of Transaction Documents and Closing	after step 10	

Website:

The Call for Expression of Interest will be published on
the following website:

www.smartcap.ee/reorganisation

Questions?

Thank you!