

## CALL FOR EXPRESSION OF INTEREST

Date of publication: **25 August 2016**

This Call for Expression of Interest (together with its Annexes hereinafter the “**Call**”) is launched by:

- (1) **Eesti Arengufond** (*Estonian Development Fund*) (“**EDF**”), a public legal entity acting under the Estonian Development Fund Act, registration number 77402233, and
- (2) **AS SmartCap**, a fund management company established under the laws of Estonia, registration code 12071991 (“**SmartCap**”), acting on the account of, and as a fund manager for Early Fund II, a venture capital fund established under the Investment Funds Act of Estonia (“**Early Fund II**” or “**EF II**”)  
(each hereinafter a “**Prospective Investor**” and both collectively the “**Prospective Investors**”).

Through this Call the Prospective Investors invite all interested legal entities and teams of natural persons intending to establish a legal entity (“**Candidates**”) to submit Expressions of Interest (“**EoIs**”):

- (a) to offer a collective investment instrument (the “**Fund**”) into which the Prospective Investors could commit to invest by transferring their investments in portfolio companies described in **Annex 1** and contributing certain amount of cash for the purposes of follow-on investments into such companies (such investments and cash hereinafter collectively the “**Investment Assets**”), and
- (b) to act, or establish a company to act, as a fund manager (“**Private Fund Manager**”) of the Fund,

in order to execute the Transaction defined below under the Main Terms set out below in this Call.

The procedure for the selection of the Fund together with the Private Fund Manager to execute the Transaction (“**Selection Procedure**”) and any other proceedings and actions under or in relation to this Call are governed by the provisions of Estonian civil law and do not constitute a public procurement procedure within the meaning of Estonian Public Procurement Act or the EU public procurement directives.

This Call does not constitute an offer (in Estonian: *pakkumus*) nor an invitation to submit an offer (in Estonian: *ettepanek esitada pakkumus*) by the Prospective Investors within the meaning of any applicable laws. An EoI submitted in response to this Call does not constitute an offer and any decision made with respect to an EoI pursuant to the Selection Procedure does not constitute an acceptance (in Estonian: *nõustumus*) within the meaning of any applicable laws.

For the purposes of this Call the term “EDF” shall include also any legal successor of Eesti Arengufond.

### 1. Prospective Investors’ background

EDF is a public legal entity acting under the Estonian Development Fund Act. Since its establishment in 2007, EDF’s mission has been to address the early stage investments market gap and develop venture capital market in Estonia, amongst other activities. For this purpose, EDF has been making direct venture capital investments in early-stage Estonian companies

and providing them with managerial support. EDF's activities have been fully funded by the Estonian state.

As of the second quarter of 2012 EDF's investment activities have been carried out through its 100% subsidiary SmartCap which operates as a fund manager for venture capital fund Early Fund II and advisor to EDF with respect to EDF's investments made before the second quarter of 2012. SmartCap is a regulated entity, authorized to manage venture capital funds under the supervision of the Estonian Financial Supervision Authority (*Finantsinspeksioon*).

For the purposes of this Call, EDF's portfolio comprising direct venture capital investments made from its inception until the launch of Early Fund II are referred to as Early Fund I ("EF I"), although such investments have not been formally pooled into an investment fund or similar investment vehicle.

The annual reports of EDF (holding directly the assets of EF I) and EF II for the financial years 2013, 2014 and 2015, are available at [www.smartcap.ee/reorganisation/](http://www.smartcap.ee/reorganisation/).

## 2. Purpose of the Call

The Prospective Investors wish to reorient their investment activities towards a fund of funds type model and intend to transfer the outstanding direct investments of EF I and EF II and invest certain amount of the remaining capital of EF II for the purpose of follow-on investments to a Fund managed by a Private Fund Manager to be selected through this Call (the "**Transaction**").

Through the Transaction the Prospective Investors wish to ensure that the outstanding portfolio of EF I and EF II will be managed and the capital contributed from EF II will be invested by a competent, experienced and sustainable Private Fund Manager in accordance with market conditions and best industry standards with the aim to maximise the return for the Prospective Investors.

For the avoidance of doubt, through the Transaction the Prospective Investors do not aim to exit from any Portfolio Company or otherwise conduct any transaction with the nature of secondary sale.

The Transaction will comprise the following:

- (i) EDF will make a Commitment (as defined in Annex 2) to the Fund equal to the fair value of the EF I Assets. For the purposes of this Call, "**EF I Assets**" shall comprise the shares and loans specified in **Annex 1 Part I**. EDF will transfer the EF I Assets to the Fund as in-kind contribution for its Commitment and in return will become an investor, and acquire a respective holding, in the Fund. The fair value of EF I Assets is to be determined based on valuation by an independent third party to be commissioned by the Prospective Investors and completed prior to Closing (as defined in Annex 2);
- (ii) EF II will make a Commitment to the Fund equal to the fair value of the EF II Assets. For the purposes of this Call, "**EF II Assets**" shall comprise the shares and loans specified in **Annex 1 Part II** and cash for follow-on investments in the amount of up to € 10 million ("**EF II Cash Commitment**"). The exact amount of the EF II Cash Commitment will be determined by EF II, taking into account the investments and divestments made in the ordinary course of business between the launch of this Call and the Closing and the amount of Private Fund Manager Commitment (as defined below), it being understood that the EF II Cash Commitment and Private Fund Manager Commitment can be used for follow-on investments into any of the Portfolio Companies (irrespective of whether the respective investments into Portfolio

Companies are part of EF I Assets or EF II Assets). EF II will transfer the EF II Assets to the Fund as in kind contribution and monetary payment based on cash draw downs and in return will become an investor, and acquire a respective holding in the Fund. The fair value of the shares and loans being part of the EF II Assets is to be determined based on valuation by an independent third party to be commissioned by the Prospective Investors and completed prior to Closing;

- (iii) The key members of the team of the Private Fund Manager (each a “**Key Executive**”) will commit to the Fund as further outlined in the Main Terms (the “**Private Fund Manager Commitment**”);
- (iv) SmartCap, its preferred shareholders and/or a carried interest entity established by any of the aforementioned (as designated by SmartCap at its discretion) (“**Current Carry Holder(s)**”) will be granted a carried interest entitlement to the Fund on the terms and conditions outlined in the Main Terms.

The principal terms of the Fund are outlined in **Annex 2 Part I** (“**Main Fund Terms**”). The main terms and conditions for the Transaction are outlined in **Annex 2 Part II** (“**Main Transaction Terms**”) and together with the Main Fund Terms the “**Main Terms**”).

As long as the Main Terms are fulfilled the Private Fund Manager may structure and organise the Fund and its activities according to its own discretion and the best market practices.

### **3. Selection Procedure**

In conducting the Selection Procedure, the Prospective Investors or bodies or individuals appointed or entrusted by the Prospective Investors to support the Selection Procedure are committed to respect fundamental principles, such as:

- (i) equal treatment,
- (ii) non-discrimination,
- (iii) confidentiality, and
- (iv) transparency.

The EoIs will be examined and ranked, on a comparative basis, using professional analysis and judgment avoiding conflicts of interest based on the criteria set below and otherwise in accordance with the Selection Procedure described below.

Upon proposal of the European Investment Bank, who has been entrusted by the Prospective Investors to support the Selection Procedure, the Prospective Investors have appointed a selection committee comprising three (3) members and one (1) observer (the “**Selection Committee**”). Throughout the process the Selection Committee members and observer will have to disclose any potential conflict of interest which might affect the Selection Procedure. The Selection Committee, acting in an independent fashion, shall carry out the Selection Procedure consisting of three consecutive stages described below. Throughout the whole Selection Procedure, the Selection Committee shall be entitled to engage external advisors to provide assistance in legal and technical matters.

- (i) *First stage: submission of initial EoIs and assessment of Candidates against eligibility criteria and qualification criteria*

The Candidates are invited to express their interest by completing and submitting an initial EoI by the deadline and otherwise in accordance with the requirements set out in this Call.

The Selection Committee shall assess the compliance of Candidates and their initial EoIs with the eligibility criteria listed in **Annex 3** (“**Eligibility Criteria**”).

All Candidates and initial EoIs that have been determined to comply with Eligibility Criteria shall be evaluated and ranked by the Selection Committee against the qualification criteria listed in **Annex 4 (“Qualification Criteria”)**. All other initial EoIs will be rejected.

Candidates who have received highest average scores according to Qualification Criteria (“**Qualified Candidates**”) shall be notified accordingly and invited to proceed to the second stage described below. The exact number of Qualified Candidates shall be determined by the Selection Committee at its sole discretion, taking into account of the total number of Candidates having submitted initial EoIs in compliance with this Call. Initial EoIs submitted by non-Qualified Candidates will be rejected.

Candidates whose initial EoIs are rejected, either because of non-compliance with Eligibility Criteria and/or them not achieving Qualified Candidate status, will be informed accordingly. The main reasons for their initial EoIs being rejected will be communicated to them upon request.

In case there are no Qualified Candidates or in case there is only one Qualified Candidate, the Prospective Investors, considering the non-binding opinion of the Selection Committee, may decide either to (a) proceed with the only Qualified Candidate; (b) republish the Call with or without amending its terms; (c) extend the deadline and invite additional Candidates to submit initial EoIs without amending any other terms of the Call; or (d) to terminate the Call in its entirety.

At this stage, the Prospective Investors will not disclose the identity of any Candidates that have responded to the Call, including any Qualified Candidates, to any Candidate or other person or entity.

*(ii) Second stage: provision of access to information, submission of final EoIs and selection of successful Candidate*

Subject to conclusion of confidentiality agreements and acceptance of data room rules in the form proposed by Prospective Investors, the Qualified Candidates will be granted access to the following documents for a period set out in section 4 of this Call:

- investment agreements pursuant to which the Prospective Investors have acquired equity stakes or any other commitments or rights in respect of the Portfolio Companies;
- shareholders’ agreements relating to Portfolio Companies between the Prospective Investor(s) and other shareholders;
- current articles of association and similar constituting documents of Portfolio Companies other than those publicly available;
- resolutions of the supervisory board and board of directors of Portfolio Companies for years 2013-2016;
- outline of the core activity of the Portfolio Companies;
- outline relevant financial information of the Portfolio Companies for the latest financial periods, including regular reports, other than information readily available at public sources;
- summary information about latest and upcoming rounds of funding and relevant documents.

All the above documents will be made available to the Qualified Candidates in electronic data room.

All Qualified Candidates are invited to submit a final EoI by the deadline and otherwise in accordance with the requirements set out in this Call.

Each Qualified Candidate shall be given equal time and opportunity to present its final EoI and reply to the questions of the Selection Committee at respective individual panel meetings to be held in Tallinn.

Following the individual panel meetings, the Selection Committee shall evaluate the final EoIs according to the assessment criteria set forth in **Annex 5** (“**Assessment Criteria**”). When making such assessment, the Selection Committee shall take into account information contained in the final EoIs (together with attached documentation) which have been submitted by the Qualified Candidates in the form required, and otherwise in accordance with the terms of this Call as well as the information provided during the panel meetings (to the extent such information clarifies and/or specifies the information contained in the final EoIs and attached documentation). Information communicated by the Qualified Candidates to the Selection Committee in any other way or under any other circumstances shall not be taken into account.

A Qualified Candidate who has received the highest average score according to such assessment criteria shall be determined to be a successful Candidate (“**Successful Candidate**”) and submitted by the Selection Committee as such for approval to the supervisory board of SmartCap and management board of EDF. Other Qualified Candidates may be included in a reserve list with a validity of twelve months, provided, however, that EoIs submitted by Qualified Candidates that fail to achieve the minimum required score set forth in **Annex 5** will be rejected.

Following the approval by the supervisory board of SmartCap and management board of EDF the Successful Candidate shall be notified accordingly and invited to the final stage. At the same time the identity of the Successful Candidate shall be disclosed to the public and all other Qualified Candidates shall be notified about the outcome of the process.

*(iii) Final stage: negotiation of Transaction documents and completion of Transaction*

In the final stage, the Prospective Investors and the Successful Candidate will negotiate the Transaction documents which shall include, above all, a subscription agreement and a limited partnership agreement (or any other similar document setting out the terms of operation of the Fund, the relationship between the Prospective Investors and with the Private Fund Manager and the parties’ respective rights and obligations) and agreement for the transfer of Investment Assets to the Fund (if not included in the subscription agreement) (the “**Transaction Documents**”).

The Transaction Documents shall be based on the Main Terms (as outlined in this Call and as may be amended as set out herein) and the terms set forth in the final EoI of the Successful Candidate (to the extent not contrary to the Main Terms). The purpose of negotiations is to agree on the details of the legal structure of the Fund as well as other technical aspects of the Transaction. The substantial terms of the Transaction, above all, any terms that have been the basis for the selection of the Successful Candidate, will not be subject to any negotiation.

The final drafts of the Transaction Documents shall be submitted to SmartCap supervisory board and EDF management board for approval. The contractual negotiation process may not be considered concluded prior to the signature of all Transaction Documents by all relevant parties. The negotiation of the terms and conditions of the Transaction Documents does not entail any obligation for the Prospective Investors to enter into such Transaction Documents.

If, for any reason, the Prospective Investors and the Successful Candidate have not signed the Transaction Documents within ninety (90) days following the selection of the Successful

Candidate, the Prospective Investors may revert to the first or second stage of the Selection Procedure by either (a) republishing the Call with or without amending its terms; (b) extending the deadline and inviting additional Candidates to submit their offer (without amending any other terms); or (c) selecting another Successful Candidate amongst the Qualified Candidates included in the reserve list.

Should the Prospective Investors make any material amendments to the terms of this Call at any time during the Selection Procedure (i.e. the time from the publishing of the Call until the disclosure of the identity of the Successful Candidate), an information notice with respective amendments shall be published and the Selection Procedure shall be reverted to the first stage, unless the respective amendments could not influence the participation or qualification of the Candidates, the selection of the Qualified Candidates and the selection of the Successful Candidate, in which case the Prospective Investors will publish the respective amendments, but may otherwise proceed with the Selection Procedure.

The Prospective Investors or the Selection Committee have the right to cancel the Selection Procedure in its entirety at any time for any reason or without any reason without any obligation to provide any explanations.

**4. Timetable**

The indicative time table of the Selection Procedure and Transaction is provided below:

	Action	Deadline
<b>1</b>	<b>Deadline for submission of requests for clarifications</b>	<b>08.09.2016</b>
2	Publication of clarifications as relevant	19.09.2016
<b>3</b>	<b>Deadline for submission of initial EoIs (first stage)</b>	<b>03.10.2016</b>
4	Assessment of eligibility and qualification of Candidates	17.10.2016
5	End date for Qualified Candidates’ access to information	28.11.2016
<b>6</b>	<b>Deadline for submission of final EoIs (second stage)</b>	<b>28.11.2016</b>
7	Presentation of final EoIs to Selection Committee and panel interviews	09.12.2016
8	Evaluation of final EoIs and selection of Successful Candidate	22.12.2016
9	Conclusion of Transaction Documents and Closing	As soon as possible after step 8

The Selection Committee has the right to modify the indicative time table above by giving a reasonable advance notice to all Candidates currently participating in the Selection Procedure (if any).

**5. Submission of EoI**

Any Candidate interested in participating in the Call should submit an initial EoI complying with the requirements of this Call not later than by **03.10.2016** (“**First Submission Deadline**”).

The initial EoI must be submitted in the form set out in **Annex 6** and supplemented with documents required pursuant to **Annex 6**. The Candidates may not modify the form, omit terms or declarations or add any clauses to the EoI.

The initial EoI and all attached documents shall be written in English, converted to .PDF format (as scanned copy of documents with handwritten signatures in at least 300 dpi resolution), encrypted with DigiDoc 3 Crypto for decryption only by an independent third party whose details will be provided by SmartCap upon request by the Candidate and submitted via e-mail to the address [reorganisation@smartcap.ee](mailto:reorganisation@smartcap.ee).

The subject field of the e-mail shall indicate the name of the Candidate and the following: *“Expression of Interest. To be read only by duly Authorised Persons representing Eesti Arengufond and AS SmartCap”*.

An initial EoI will be accepted only if it has been received on or before the First Submission Deadline. A Candidate bears the risk of any technical or other impediments in delivering the EoI.

Each Candidate whose initial EoI has been received on or before the First Submission Deadline shall be sent a confirmation of receipt by e-mail. Such confirmation of receipt does not constitute a declaration of completeness of the initial EoI and the documents submitted therewith, nor any other kind of assessment or acceptance of the same.

A Candidate may amend its initial EoI on or before the First Submission Deadline by submitting a respective document in the same manner as specified above. Such document must clearly and unambiguously state any amendments made to the original EoI.

A Candidate may withdraw its initial EoI on or before the First Submission Deadline by submitting a clear statement to that effect in the same manner as specified above.

A Candidate shall clearly indicate information contained in the initial EoI and the attached documents which it deems to be a business secret. The fact of submission of the initial EoI shall not be deemed to be a business secret.

Until no later than **08.09.2016**, the Candidates may request clarifications regarding the Call and/or the proposed Transaction. Such requests must include a reference to the Call and the name of the Candidate and shall be submitted in English via email to [reorganisation@smartcap.ee](mailto:reorganisation@smartcap.ee).

Requests for clarifications from Candidates shall not receive individual replies. Instead, answers to all requests for clarifications which are received before the above-referred deadline and which are relevant to the Call and to all Candidates will be published in one or several clarification document(s) to be posted on the website [www.smartcap.ee/reorganisation](http://www.smartcap.ee/reorganisation) no later than **19.09.2016**.

The Prospective Investors and the Selection Committee will not contact any Candidate prior to the First Submission Deadline, unless they consider it necessary to clarify issues of a mere technical nature.

However, should the Prospective Investors discover any errors, inaccuracies, omissions or any other type of clerical defect in the text of the Call before the First Submission Deadline, the Prospective Investors will amend the text and inform accordingly by means of publication on the website [www.smartcap.ee/reorganisation](http://www.smartcap.ee/reorganisation).

A final EoI by a Qualified Candidate shall be prepared and submitted in accordance with the same requirements and technical means that apply to the initial EoI, as set forth above. A final EoI should be submitted no later than by **28.11.2016** (“**Final Submission Deadline**”).

## **6. Other matters**

No Candidate or other person or entity has any right to request any compensation for any costs and expenses incurred in connection with its participation in the Selection Procedure or

otherwise in relation to this Call, including any legal costs and costs of other outsourced services, irrespective of the outcome of the Selection Procedure, including in case the Call is cancelled as provided above.

The Prospective Investors are aware that the current employees of SmartCap may become Candidates and have therefore taken steps to manage and limit conflicts of interest inherent in the management of the Investment Assets during the time period from the launch of this Call to Closing and believe there will not be any materially adverse impact on the Investment Assets as a result of the activities of the current employees during this period.

## **7. Annexes**

The following Annexes to this Call constitute an integral part of this Call:

**Annex 1: Investment Assets**

**Annex 2: Indicative Main Terms**

**Annex 3: Eligibility Criteria**

**Annex 4: Qualification Criteria**

**Annex 5: Assessment Criteria**

**Annex 6: Form of EoI**

Schedule 1: Declaration of Honour (template)

Schedule 2: Declaration of conflict of interest (template)

Schedule 3: Mandatory elements of EoI

Schedule 4: Form of CV of team member



## Annex 1: Investment Assets

### Part I: Investment Assets to be transferred from EF I\*

Company (registration code)	Country	Sector	Original investment	Investment instrument(s) to be transferred (as at 30.06.2016)**
Cleveron AS (11405467)	Estonia	Tech	2008	Shares representing 14,82% of share capital
my!WIND OÜ (12013166)	Estonia	Energy & Industry	2011	Share representing 30,5% of share capital Convertible loan of € 16 223
OÜ Cellin Technologies (11543666)	Estonia	Biotech	2010	Share representing 24,48% of share capital
Selfdiagnostics OÜ (11488192)	Estonia	Biotech	2011	Share representing 13,98% of share capital Convertible loan of € 137 500
BiotaP OÜ (11401239)	Estonia	Biotech	2009	Share representing 35% of share capital
GOLIATH Wind OÜ (11441701)	Estonia	Energy & Industry	2009	Share representing 7,46% of share capital Loan of € 115 791
Sportlyzer OÜ (11671051)	Estonia	Tech	2010	Share representing 6,25% of share capital
Realeyes (Holdings) Limited (08922462)	UK	Tech	2011	Shares representing 3,48% of share capital
<b>Total cost value of investments as at 30.06.2016 (unaudited)</b>				€ 2 146 115
<b>Total fair value of investments as at 30.06.2016 (unaudited)</b>				€ 4 484 851

### Part II: Investment Assets to be transferred from EF II\*

Company (registration code)	Country	Sector	Original investment	Investment instrument(s) to be transferred (as at 30.06.2016)**
GOLIATH Wind OÜ (11441701))	Estonia	Energy & Industry	2013	Share representing 17,32% of share capital
IOT Holding OÜ (12580341)	Estonia	Tech	2012	Share representing 20,35% of share capital Convertible loan of € 200,000
Scoro Software OÜ (10806081)	Estonia	Tech	2016	Share representing 9,10% of share capital
Sportlyzer OÜ (11671051)	Estonia	Tech	2012	Share representing 4,29% of share capital
Realeyes (Holdings) Limited	UK	Tech	2012	Shares representing 23,39% of share capital

(08922462)				Convertible loan of € 1 166 250
WeatherMe OÜ (12247361)	Estonia	Biotech	2013	Share representing 16,72% of share capital
Jobbatical OÜ (12671900)	Estonia	Tech	2014	Share representing 16,40% of share capital
Lingvist Inc.	US (Delaware)	Tech	2014	Shares representing 8,79% of share capital
Thinnect Inc. (5911282)	US (Delaware)	Tech	2015	Convertible loan of € 260 000
Monese Ltd. (08720992)	UK	Tech	2014	Convertible loan of € 950 000
<b>Total cost value of investments as at 30.06.2016 (unaudited)</b>				€ 10 587 134
<b>Total fair value of investments as at 30.06.2016 (unaudited)</b>				€ 12 481 951

In addition to the above, EF II will make the EF II Cash Commitment to the Fund.

\* The Prospective Investors shall, at any time on or before the Closing, have the right (but not an obligation) to exclude from the Investment Assets any shares or convertible loans listed above in respect of which the Prospective Investors have commenced exit process, either by way of disposal of respective shares or loans or disposal of assets of the respective Portfolio Company or otherwise (“**Exclusions**”). In addition, information provided in Annex 1 may need to be updated due to investment activities conducted by the Prospective Investors until Closing, corporate events relating to Portfolio Companies and other similar circumstances (“**Changes**”).

If an Exclusion or Change is made on or before the First Submission Deadline, the Prospective Investors shall update Annex 1 of this Call and republish it on the website [www.smartcap.ee/reorganisation](http://www.smartcap.ee/reorganisation). If an Exclusion or Change is made after the First Submission Deadline, but before the date being seven (7) days before the Final Submission Deadline, the Prospective Investors shall notify thereof all Qualified Candidates that are currently participating in the Selection Procedure, in which case the respective Qualified Candidate(s) shall have the right to revise and resubmit their final EoI.

If any Exclusion is made after the date being seven (7) days before the Final Submission Deadline, then each respective Portfolio Companies being subject to such Exclusion shall be deemed to be part of the Investment Assets for the purposes of calculation of fees and compensation of expenses to the Private Fund Manager for the period of first six (6) months following the Closing.

\*\* All shareholdings have been presented on a fully diluted basis. In case of loans, the amount refers to the principal outstanding amount of the loan.

## Annex 2: Indicative Main Terms

### Part I: Main Fund Terms

The terms and conditions referred to below are to be considered as indicative, are not exhaustive and are in outline form only.

<b>Definitions</b>	<p>“<b>Affiliate</b>” of a specified person or entity means another person or entity that, directly or indirectly, controls, is controlled by or is under common control with, the person specified and in case of EDF and SmartCap, any person or entity founded or controlled by the Republic of Estonia.</p> <p>“<b>Closing</b>” means the completion of transfer of all, or substantially all, Investment Assets other than EF II Cash Commitment to the Fund and/or under the management of the Private Fund Manager.</p> <p>“<b>Closing Date</b>” means the date of completion of Closing.</p> <p>“<b>Commitment</b>” means, in relation to an investor in the Fund, the amount committed by it to the Fund, whether or not such amount has been advanced in whole or in part and whether or not it has been repaid to the investor in whole or in part (the aggregate of such amounts the “<b>Total Commitments</b>”).</p> <p>“<b>Investors’ Consent</b>” means the written consent of EDF and SmartCap.</p> <p>“<b>Portfolio Company</b>” means a company listed in Annex 1, subject to Exclusions and Changes made pursuant to Annex 1.</p>
<b>Legal structure</b>	<p>The Fund shall be established as a limited partnership or in any other form generally accepted in the venture capital and private equity industry in Europe. The Fund must be incorporated in an EEA member state acceptable to the Investors (other than the Private Fund Manager).</p> <p>The Fund must be compliant with the laws of the jurisdiction of its incorporation.</p> <p>The Fund must be established in a fully tax transparent form so that, for the purposes of any applicable tax laws and regulations, the Investors will be treated in the same way as if they had made all investments directly in Portfolio Companies (without any incremental tax liability).</p>
<b>Private Fund Manager</b>	<p>The Private Fund Manager, i.e. the entity managing the Fund, must be legally entitled to manage the Fund pursuant to applicable laws.</p> <p>The Private Fund Manager must act with a diligence of a professional manager and in good faith, operating according to best industry practices, complying with professional standards issued by the Invest Europe, ILPA or other equivalent organisation.</p>
<b>Currency</b>	<p>The Fund shall be denominated in euros (€) and cash distributions will be made in euros.</p>

<p><b>Investors</b></p>	<p>Investors shall be EDF and SmartCap (acting on the account of Early Fund II) and Key Executives or their Affiliate with respect to the Private Fund Manager Commitment.</p> <p>Each Investor’s liability for the debts and obligations of the Fund must be limited and may not exceed the amount of the remaining Investor’s Commitment to the Fund at any point of time.</p> <p>EDF and SmartCap may transfer their interest in the Fund, in whole or in part, to any of its Affiliates without any restrictions. Each such Investor may transfer such interest to any other person only upon the prior approval of the Private Fund Manager.</p> <p>The Key Executives or their Affiliate may transfer their interest in the Fund (with respect to the Private Fund Management Commitment) only upon the prior Investors’ Consent.</p> <p>A third person or entity may invest in the Fund or otherwise acquire an interest in the Fund only with the prior Investors’ Consent.</p>
<p><b>Private Fund Manager Commitment</b></p>	<p>The Private Fund Manager Commitment shall be € [x] and it shall be paid in cash to the Fund.</p> <p>[x] will be declared by the Private Fund Manager during the Selection Procedure, but it must be at least € 100,000.</p> <p>The Private Fund Manager Commitment must be funded solely by its Key Executives.</p>
<p><b>Closing, drawdowns</b></p>	<p>All Investment Assets other than EF II Cash Commitment will be transferred by EDF and EF II to the Fund upon the Closing. The Fund will not hold any subsequent closings.</p> <p>EF II Cash Commitment and Private Fund Manager Commitment will be drawn down by the Fund on a <i>pro rata</i> basis as needed to make Investments and to pay Management Fee (as defined below) and Fund Expenses (as defined below) with not less than ten (10) business days’ prior written notice.</p>
<p><b>Term</b></p>	<p>The Fund shall have a fixed term of four (4) years from the Closing Date. EDF and SmartCap may agree to (a) an extension of the term of the Fund for a maximum of three (3) consecutive one-year periods to provide for orderly realization of investments (and upon such extension they will also agree upon the Management Fee to be paid during such extension) and (b) an early termination of the Fund.</p>
<p><b>Investment period</b></p>	<p>The Fund shall not make any new investments. Any Commitments may be drawn down only (a) to make follow-on investments in existing Portfolio Companies (b) to pay Management Fee and Fund Expenses.</p>
<p><b>Investments</b></p>	<p>The Fund may invest in a Portfolio Company (each an “<b>Investment</b>”), provided that the requirements set forth in Article 35(1) and Article 37(1) of the Estonian Development Fund Act (<i>Eesti Arengufondi</i></p>

	<p><i>seadus</i>) or any subsequent legislation amending or replacing the above-referred provisions are met.</p> <p>Investments shall be made by acquiring a holding in the Portfolio Company in the course of the increase of the Portfolio Company's share capital. Investments shall be made only into the voting capital of a Portfolio Company, except as provided in section "Lending".</p> <p>Investments shall not be made by acquiring a participation held by other shareholders or participants, except in the following cases:</p> <ul style="list-style-type: none"> <li>(i) upon exercising the Fund's pre-emptive rights or rights of first refusal to acquire shares transferred by other shareholders of the respective Portfolio Company;</li> <li>(ii) upon exercising the right to buy back shares from the founders, employees, directors or consultants of the Portfolio Company in accordance with reverse vesting arrangements in cases where the Portfolio Company itself is not legally permitted to do so; and/or</li> <li>(iii) if the respective investment is combined with new capital to the Portfolio Company representing at least fifty per cent (50%) of each investment round into the Portfolio Company.</li> </ul> <p>For the avoidance of doubt, the Fund shall not make any investments other than follow-on investments in existing Portfolio Companies.</p>
<b>Portfolio diversification</b>	<p>The total exposure (cost of investment) of the Fund in any Portfolio Company (together with existing exposure at the date of Closing) may not exceed the higher of (a) € 2,526,141 or (b) the existing exposure at the date of Closing. The Fund may exceed this threshold upon the prior approval of the Investors' Representative, but not to more than € 6,315,352.</p>
<b>Ownership limits</b>	<p>As a general rule Fund's holding in any Portfolio Company (on a fully diluted basis) may not exceed forty-nine per cent (49%). A holding exceeding forty-nine per cent (49%) may be acquired only in case there is a clear need to acquire control over the Portfolio Company to avoid any adverse effect or loss.</p>
<b>Lending</b>	<p>The Fund may grant convertible loans to, and subscribe convertible notes issued by, Portfolio Companies and such investments shall be considered as equity investments.</p> <p>The Fund may provide bridge investments to Portfolio Companies with a view to having the Portfolio Company repay or redeem the bridge investment or to selling the bridge investment to a third party within twelve (12) months from making the bridge investment.</p> <p>A bridge investment not repaid, redeemed or sold within such period shall be converted into the share capital of the Portfolio Company.</p> <p>Aggregate bridge investments shall not exceed, at any given time, fifteen per cent (15%) of the cost of outstanding EF I Assets and EF II Assets.</p> <p>The Fund shall not engage in commercial (bank type) lending.</p>

<b>Guarantees and borrowings</b>	<p>The Fund may provide guarantees in connection with its investments where it reserves an amount of undrawn commitments equal to the amounts guaranteed.</p> <p>Any borrowing by the Fund shall be short-term in nature (up to twelve (12) months).</p> <p>The aggregate amount of guarantees, borrowings and other leverage of the Fund shall not exceed, at any time, fifteen per cent (15%) of the cost of outstanding EF I Assets and EF II Assets.</p>
<b>Re-investment</b>	<p>The Fund shall not re-invest any proceeds.</p>
<b>Cross-over investments</b>	<p>In order to avoid potential conflicts of interest, the Fund shall not co-invest with, acquire from or sell to another investment fund or collective investment scheme managed or advised by the Private Fund Manager, its Key Executives or any of their Affiliates, unless for duly justifiable reasons with prior written approval of the Investors' Representative.</p>
<b>Co-investment rights of the management team</b>	<p>The Private Fund Manager, its Key Executives and any of their Affiliates shall not co-invest with the Fund, i.e. invest in any Portfolio Companies, except (a) via the Fund itself through the Private Fund Manager Commitment; or (b) with the prior written approval of the Investors' Representative.</p>
<b>State aid rules</b>	<p>The Private Fund Manager shall ensure that all investments of the Fund will be made, and that the operations of the Private Fund Manager and the Fund shall otherwise be conducted, in accordance with the market economy investor principle so as to ensure that no State aid is present at any level in relation to any investments.</p> <p>Private investors shall participate in investments in the Portfolio Companies on the conditions and in the amounts as is necessary to ensure that the investment by the Fund is not considered as State aid.</p>
<b>Exclusivity</b>	<p>Considering that the Fund is not allowed to make any new investments, the Private Fund Manager shall not be bound by exclusivity obligations (i.e. restrictions on raising, closing and managing new funds with a similar investment strategy as the Fund). However, neither the Private Fund Manager nor any of its Key Executives shall engage in any activities beyond management of funds without the prior Investors' Consent.</p>
<b>Management fee</b>	<p>The rate and principles for the calculation of the management fee (the "<b>Management Fee</b>") will be declared by the Private Fund Manager during the Selection Procedure.</p> <p>The Management Fee is exclusive of VAT.</p> <p>The Management Fee will accrue as of the Closing Date and will be paid quarterly in advance to the Private Fund Manager.</p>

<p><b>Transaction, break-up and other fees</b></p>	<p>Any monies and fees received by the Private Fund Manager or its employees, members of governing bodies, shareholders or any Affiliates of the aforementioned persons in relation to investments, divestments, the holding and/or monitoring of assets of the Fund (including, without limitation, transaction fees, service fees, monitoring, directors' and break-up fees and any other similar fees payable by the Portfolio Companies or otherwise), net of any unreimbursed related expenses, will reduce the Management Fee otherwise payable by the Fund. Any such monies and fees shall be reported in quarterly reports to the Investors.</p> <p>The Management Fee reductions will be carried forward if necessary.</p>
<p><b>Fund expenses</b></p>	<p>The Fund will bear all reasonable, properly incurred and duly documented expenses incurred in relation to the administration of the Fund ("<b>Fund Expenses</b>") including (a) expenses related to the purchase, holding and sale of investments which are not borne by the Portfolio Companies or third parties; (b) insurance costs incurred in relation to the professional liability insurance; (c) taxes; (d) expenses of third party accountants, valuers, auditors and legal counsels; (e) fees and expenses of the annual Investors' meeting; (f) litigation expenses; and (g) other extraordinary expenses, subject to approval of the Investors' Representative.</p> <p>To the extent possible, third party costs will be charged to Portfolio Companies.</p> <p>The Private Fund Manager will be responsible for all other expenses, including, without limitation, all overheads or running costs of the Private Fund Manager (including remuneration and expenses paid to its employees and related taxes, rent, office costs and utilities).</p> <p>The aggregate Fund Expenses in any calendar year (save for any legal costs in relation to any investments) shall not exceed an amount equal to 0,5% of cost of investments not exited or written off, except with prior Investors' Consent.</p>
<p><b>Fund establishment expenses</b></p>	<p>Reasonable third party fees and expenses incurred in connection with the organization and establishment of the Fund ("<b>Establishment Expenses</b>") shall be borne by the Fund up to € 75 000. Establishment Expenses in excess of the amount set out above shall be paid by the Private Fund Manager.</p>
<p><b>Carried interest</b></p>	<p>The total carried interest for the Fund shall be calculated as twenty per cent (20%) of the net profit of EF I and EF II since inception, i.e. calculated on the cumulative repayments less the paid-in capital of EF I and EF II since their inception, respectively (the "<b>Carried Interest</b>").</p> <p>For these calculation purposes:</p> <ul style="list-style-type: none"> <li>(a) the paid-in capital of EF I shall be € 7,7 million and the paid-in capital of EF II shall be € 25,3 million;</li> <li>(b) cumulative repayments of EF I shall include (i) any amounts</li> </ul>

	<p>repaid to EDF before Closing in connection with its investments into portfolio companies (including portfolio companies from which EDF has exited), such amount being € 5,6 million as at 30.06.2016 as well as (ii) any proceeds that will be received in connection with EF I Assets transferred to the Fund;</p> <p>(c) cumulative repayments of EF II shall include (i) any amounts repaid to EF II before Closing in connection with its investments into portfolio companies (including portfolio companies from which EF II has exited), such amount being € 1,2 million as at 30.06.2016 as well as (ii) any proceeds that will be received in connection with EF II Assets transferred to the Fund.</p> <p>The Private Fund Manager will have an entitlement to the following portion of the total Carried Interest (“<b>Private Fund Manager’s Carried Interest</b>”): 56,5% of Carried Interest calculated on EF I since inception and 80,25% of Carried Interest calculated on EF II since inception.</p> <p>The Current Carry Holders will have an entitlement to the remaining portion of the total Carried Interest, i.e. 43,5% of Carried Interest calculated on EF I since inception and 19,75% of Carried Interest calculated on EF II since inception.</p> <p>The Private Fund Manager’s Carried Interest may be allocated only to the Private Fund Manager’s Key Executives, employees and advisors and it will be subject to a vesting over the term of the Fund. The terms of vesting will be declared by the Private Fund Manager during the Selection Procedure.</p>
<p><b>Hurdle</b></p>	<p>“<b>Hurdle</b>” means an expected rate of return by EDF and SmartCap as Investors that is calculated as [x]% compounded annually on EF I paid-in capital since inception (as set out above) and EF II paid-in capital since inception (as set out above) (hereinafter “<b>Preferred Return</b>”) before the Private Fund Manager is entitled to receive Private Fund Manager’s Carried Interest, taking into account a separate accounting of proceeds in respect of EF I Assets and EF II assets.</p> <p>For the avoidance of doubt, the Hurdle will not affect the Current Carry Holders entitlement to the Carried Interest.</p> <p>The Hurdle rate ([x]%) will be declared by the Private Fund Manager during the Selection Procedure. There is no expectation on the minimum level of Hurdle.</p>
<p><b>Distribution cascade</b></p>	<p>There shall be separate calculation and distribution cascade for (a) proceeds and profits received in connection with EF I Assets transferred to the Fund and (b) proceeds and profits received in connection with EF II Assets.</p> <p>Distribution Cascade in connection with EF I Assets shall be as follows:</p>



	<p>(1) first, to EDF, until it has been repaid an amount of € [x] [NOTE: [x] to be calculated as EF I paid-in capital since inception less EF I cumulative repayments occurred until the Closing]</p> <p>(2) second, 91,3% to EDF up to an amount equal to the Preferred Return and 8,7% to the Current Carry Holders up to an amount equal to 9,529% of the Preferred Return;</p> <p>(3) third, 91,3% to the Private Fund Manager and 8,7% to the Current Carry Holders until they have received an amount equal to 25% of the Preferred Return distributed to EDF less the amount paid to the Current Carry Holders under (2) above;</p> <p>(4) finally, 8,7% to the Current Carry Holders, 11,3% to the Private Fund Manager and 80% to EDF.</p> <p>Distribution Cascade in connection with EF II Assets shall be as follows:</p> <p>(1) first, to EF II, until it has been repaid an amount of € [x] [NOTE: [x] to be calculated as EF II paid-in capital since inception less EF II cumulative repayments occurred until the Closing]</p> <p>(2) second, 96,05% to EF II up to an amount equal to Preferred Return and 3,95% to the Current Carry Holders up to an amount equal to 4.112% of the Preferred Return;</p> <p>(3) third, 96,05% to the Private Fund Manager and 3,95% to the Current Carry Holders until they have received an amount equal to 25% of the Preferred Return distributed to EF II less the amount paid to the Current Carry Holders under (2) above;</p> <p>(4) finally, 3,95% to the Current Carry Holders, 16,05% to the Private Fund Manager and 80% to EF II.</p>
<b>Clawback</b>	<p>Upon termination of the Fund, the Carried Interest beneficiaries will be required to return to the Fund distributions of Carried Interest previously received to the extent that they exceed the amounts that should have been distributed to them.</p>
<b>Investment committee</b>	<p>The Fund’s investment and divestment decisions shall be subject to approval by the investment committee.</p> <p>The Private Fund Manager shall hold the majority of the votes of or seats in the investment committee whereas the investment committee may include professional independent members.</p>
<b>Investors’ Representative and advisory committee</b>	<p>The Fund will not have an advisory committee and EDF and SmartCap as Investors will be represented in advisory role for the Fund by a representative jointly nominated by EDF and SmartCap (“<b>Investors’ Representative</b>”).</p> <p>The functions of the Investors’ Representative shall be defined in the Fund documentation and shall include, <i>inter alia</i>, the review of the Fund’s performance and activity, deciding on reporting requirements, valuation policy, auditors and the Private Fund Manager’s actual or potential conflicts of interest (which the Private Fund Manager shall be required to disclose to the Investors’ Representative) as well as the</p>

	<p>review of Private Fund Manager’s annual budget.</p> <p>The Investors’ Representative approval shall be required <i>inter alia</i> for the above matters as well as other matters set out in these terms.</p> <p>However, should EDF and SmartCap as Investors decide to establish an advisory committee, then all provisions relating to the Investors’ Representative as outlined herein will apply to the advisory committee.</p>
<p><b>Key executive provisions</b></p>	<p>The Key Executives shall be listed in the Fund documentation.</p> <p>The Key Executives shall devote substantial part of their aggregate business time and efforts to the Fund.</p> <p>At least one (1) Key Executive must be a resident of the Republic of Estonia.</p> <p>Any of the Key Executives may only be replaced by the Private Fund Manager with the prior approval of the Investors’ Representative.</p> <p>“Key Executive Event” shall mean the situation where (a) a Key Executive ceases to devote the agreed amount of his/her business time to the affairs of the Fund or ceases to have an employment and service relationship with the Private Fund Manager and (b) no successor has at least simultaneously been appointed (with the prior approval of the Investors’ Representative). The Private Fund Manager shall promptly notify the Investors of any Key Executive Event.</p> <p>Key Executive Event shall have the following consequences:</p> <ul style="list-style-type: none"> <li>(a) immediate suspension of follow-on investments and divestments for which there were no legally binding written commitments prior to the Key Executive Event; any single exception will require the approval by the Investors’ Representative, provided that the Investors’ Representative may also issue a general approval;</li> <li>(b) replacement of the outgoing individual(s) must be made within one hundred twenty (120) days from the commencement of the Key Executive Event with the prior approval of the Investors’ Representative, which approval shall automatically lift such suspension.</li> </ul> <p>If the suspension has not been lifted within such one hundred twenty (120) days, then the Investors’ Representative may:</p> <ul style="list-style-type: none"> <li>(a) resolve to continue the Fund with the existing Key Executives with or without simultaneous adjustment of the Management Fee;</li> <li>(b) resolve to transfer management of the Fund to a new Private Fund Manager and/or investment advisor (in which case the removal of the Private Fund Manager shall be considered as “removal for Cause”);</li> <li>(c) resolve to terminate and liquidate the Fund.</li> </ul>
<p><b>Removal of the Private Fund Manager</b></p>	<p>The Private Fund Manager may be removed upon any act or omission that EDF and SmartCap as Investors determine to constitute Cause (as defined below). The Private Fund Manager shall immediately notify</p>

	<p>such Investors of the occurrence of any event constituting the Cause.</p> <p>“Cause” shall mean any act or omission constituting gross negligence, fraud, wilful misconduct, bad faith, reckless disregard, unauthorised change of Private Fund Manager’s control, material breach of the Fund’s by-laws or constitutional documents, including any side letter, criminal conduct, breach of securities law or material breach of any duties or obligations to the Fund or the Investors by the Private Fund Manager or any Key Executive.</p> <p>In the event of removal for Cause, the Private Fund Manager’s rights to receive the Carried Interest and the Management Fees shall cease immediately.</p> <p>The provisions on the removal of the Private Fund Manager without Cause shall be agreed in accordance with normal market practice.</p> <p>Upon the removal of the Private Fund Manager for any reason, the Private Fund Manager shall reasonably co-operate with the Fund, the Investors and the replacement Private Fund Manager (if any) to ensure that the full control of, and economic entitlement to, all investments of the Fund is promptly transferred to the replacement Private Fund Manager or to the Fund.</p>
<b>Monitoring</b>	<p>The Fund must follow an intensive monitoring of the Portfolio Companies and shall seek to ensure appropriate accounting, controlling and information standards of theirs.</p> <p>In addition to exercising its rights and performing its obligations as a shareholder in Portfolio Companies, the Fund shall appoint representative(s) to the governing bodies of the Portfolio Companies to the extent this is proportionate to the shareholding of the Fund in each respective Portfolio Company, taking into account normal market practice.</p>
<b>Valuations</b>	<p>The investments of the Fund must be valued, on a quarterly basis, according to International Private Equity and Venture Capital Valuation Guidelines as promoted by Invest Europe and as amended from time to time.</p>
<b>Reporting to Investors</b>	<p>The Private Fund Manager shall report to the Investors according to Investor Reporting Guidelines as promoted by Invest Europe and as amended from time to time.</p> <p>Annual audited financial statements of the Fund will be provided to the Investors no later than one hundred and twenty (120) days following each annual accounting date.</p> <p>Quarterly reports of the Fund will be provided to the Investors no later than forty five (45) days following the end of each quarter.</p> <p>The Private Fund Manager will hold annual meetings to provide Investors with the opportunity to review and discuss the Fund’s investment activities and portfolio and any general questions that may be raised with respect to the overall strategy and performance of the</p>

	<p>Fund.</p> <p>The Investors will treat all reports as confidential and will not disclose any information concerning the Fund or its investments to third parties, except as required under mandatory provisions of applicable laws.</p>
<b>Transfers</b>	<p>Carried Interest benefits (other than those belonging to SmartCap and/or Current Carry Holders) as well as the direct or indirect control of the Private Fund Manager shall not be transferred without the prior written consent of the Investors' Representative.</p>
<b>Legal compliance</b>	<p>The Private Fund Manager shall comply, and shall ensure that the Fund complies, with all agreements, laws and regulations applicable to the Private Fund Manager and the Fund.</p>
<b>Legal documentation</b>	<p>Any amendment of the Fund legal documentation shall require the prior Investors' Consent.</p>
<b>Legal opinion</b>	<p>EDF and SmartCap as Investors shall receive a legal opinion issued by legal counsel to the Fund confirming, amongst other things, the legality, validity, binding effect and enforceability of the legal documentation of the Fund and the Investors' limited liability status. EDF and SmartCap as Investors will provide a list of items to be covered in the opinion.</p>

## **Part II: Main Transaction Terms**

Transfer agreement will be concluded on customary terms (including reasonable limitation of liability of the EDF and SmartCap as transferors). Representations and warranties of these Investors shall be limited to the representation that such Investors have legal title to the respective Investment Assets to be transferred.

### Annex 3: Eligibility Criteria

A negative result (a “NO”) on any of the following criteria results in the elimination of the Candidate:

The EoI is received on or before the respective deadline.	YES/NO
The EoI is submitted in .PDF format by e-mail.	YES/NO
The EoI is completed and submitted in English.	YES/NO
The EoI is duly signed by all persons who, pursuant to Annex 6, are required to sign the EoI.	YES/NO
The EoI is prepared substantially in accordance with the requirements set forth in this Call.	YES/NO
All documents which, pursuant to Annex 6, are required to be prepared and/or attached to the EoI, have been duly prepared and/or attached.	YES/NO
If, according to Declaration of conflicts of interests (based on template in Schedule 1 to Annex 6) submitted by the Candidate any of the Relevant Persons (as defined in Schedule 2 to Annex 6) is in any situation of potential conflicts of interest that may have a material adverse effect on the impartial conduct of the Selection Procedure, the Candidate has proposed sufficient measures to minimize the effect of such potential conflicts of interest.	YES/NO
The Candidate is not in any situation described in Declaration of Honour (based on template in Schedule 1 to Annex 6).	YES/NO
The Candidate has declared to be able to communicate both in English and Estonian.	YES/NO
According to proof of residency submitted, at least one of the Key Executives is resident in Estonia.	YES/NO

The Prospective Investors and the Selection Committee reserve the right to assess the compliance of a Candidate with the above eligibility criteria throughout the whole Selection Procedure. The Prospective Investors reserve the right to exclude any Candidate if any of the above criteria ceases to be fulfilled at any time during the Selection Procedure.

Furthermore, the Prospective Investors shall have the right to exclude any Candidate from the Selection Procedure at any time if it becomes evident that such Candidate has submitted false information or knowingly withheld information relevant to Selection Procedure.

#### Annex 4: Qualification Criteria

A Candidate shall be considered “Qualified Candidate” only if it achieves a minimum of forty per cent (40%) on each of the following criteria and fifty per cent (50%) as a whole:

Criteria	Relative weight
<u>Candidate’s market experience and knowledge:</u> <ul style="list-style-type: none"><li>- Assessment of history of the Candidate (if legal entity) and its previous and existing business activities;</li><li>- Team composition and their early stage investment competences, including detailed investment track record of the team members;</li><li>- Operational, financial and technical competence;</li><li>- Capability as members of board of investee companies;</li><li>- Sector specific experience in technology, biotech, energy and industry;</li><li>- Previous collaboration with other investors and market players etc.;</li><li>- Relevant networks and relationships built with public and private sector.</li></ul>	70
<u>Candidate’s team:</u> <ul style="list-style-type: none"><li>- Joint experience of team members;</li><li>- Shareholder structure and general independence of the team.</li></ul>	30

## Annex 5: Assessment Criteria

Candidate must achieve a minimum of fifty per cent (50%) on each of the following criteria:

Criteria	Relative weight
<u>Market and investment approach</u> <ul style="list-style-type: none"> <li>- Follow-on investment strategy and plans;</li> <li>- Adding-value plans towards Portfolio Companies post-investment and exit strategies;</li> <li>- Assessment of the Portfolio Companies' advisers and pool of experts' structure to be put in place;</li> </ul>	40
<u>Institutional capacity &amp; sustainability</u> <ul style="list-style-type: none"> <li>- Candidate's long-term viability;</li> <li>- Assessment of legal and organizational structures and operational set-up scheme, including proposed outsourcing arrangements;</li> <li>- Division of roles between team members and competence of each member of the team to be contributed to the Private Fund Manager and Fund;</li> <li>- Ability of team members to take on additional activities and responsibilities (i.e. tasks of Private Fund Manager) in addition to existing activities and responsibilities;</li> <li>- Assessment of valuation, reporting and control procedures;</li> <li>- Terms and conditions applied in relation to possible follow-on investments to Portfolio Companies.</li> </ul>	30
<u>Alignment of interests</u> <ul style="list-style-type: none"> <li>- Assessment of the alignment of interests between Private Fund Manager and Investors, including the amount of Private Fund Manager Commitment and the incentive scheme (internal carry allocation) of the Private Fund Manager;</li> <li>- Assessment of proposed measures to mitigate possible conflicts of interests that may arise in the performance of the tasks of the Private Fund Manager, including the proposed conflicts of interest policy or similar rules and regulations.</li> </ul>	15
<u>Economic and financial items (as a package)</u> <ul style="list-style-type: none"> <li>- Rate and principles for the calculation of the Management Fee;</li> <li>- Hurdle rate level in respect of the Fund;</li> <li>- Amount of Establishment Expenses and operational budget of the Fund.</li> </ul>	15

## Annex 6: Form of Expression of Interest

To: Estonian Development Fund and AS SmartCap  
E-mail address: [reorganisation@smartcap.ee](mailto:reorganisation@smartcap.ee)

Candidate submitting the Expression of Interest:

[If legal person:]

Company name:

Legal form:

Registration details:

Denomination of register:

Date of registration:

Country of registration:

Standard identification code / registration number (if applicable):

Contact details:

Address:

Telephone:

E-mail:

[If natural persons (to be completed for each person):]

Names (Surname and Forename(s)):

Contact details:

Address:

Telephone:

E-mail:

### EXPRESSION OF INTEREST

Dear Sir or Madam,

Herewith we submit our [initial]/[final] Expression of Interest on behalf of [*Candidate*] in response to the Call for Expressions of Interest, dated **25 August 2016** (the “**Call**”).

Each of the undersigned, by signing this form, certifies and declares that all information contained in this Expression of Interest and all documents attached to it are complete and correct in all aspects.

The undersigned shall, upon request, provide any evidence to confirm the above.

All capitalized terms used in this Expression of Interest shall have the meanings attached to them in the Call, unless otherwise expressly defined herein.

[NOTE: In case of legal persons, the EoI should be signed by the authorized representative of the Candidate as well as each of the Key Executives]

[NOTE: In case of natural persons, the EoI should be signed by all team members of the Candidate, including, for the avoidance of doubt, all Key Executives]

[Insert the names and positions of the undersigned]

[Insert the signatures of the undersigned]

[Insert the date of signing of document]

Attached documents:



- 1) Declaration of Honour (based on template in Schedule 1);
- 2) Declaration of conflict of interests (based on template in Schedule 2);
- 3) The Expression of Interest containing, in case of initial EoI, the information required under Schedule 3 Part I and, in case of final EoI, the information required under Schedule 3 Part II;
- 4) In case of initial EoI, CVs of Candidate's Key Executives and other team members (based on template in Schedule 4);
- 5) In case of legal persons, copy of a registration certificate or other document evidencing the due incorporation and registration of the Candidate\*;
- 6) Copy of identity card, passport or any other document which can be used for identification purposes, for each natural person signing the EoI, including (in case of legal persons) the authorized representative of the Candidate\*;
- 7) In case of legal persons, appropriate evidence of the representative's authorization to act for and on behalf of the Candidate\*.

\* Copies of original documents as well as uncertified translations in English would be sufficient.

## **Schedule 1: Declaration of Honour (template)**

The undersigned declare(s) that the Candidate, any of its Key Executives or persons having powers of representation, decision-making or control over the Candidate are not in one of the following situations:

- a) the Candidate is as of the date of this declaration bankrupt or being wound up, is as of the date of this declaration having its affairs administered by the courts, in this context, has during the last five (5) years from the date of this declaration entered into an arrangement with creditors, has as of the date of this declaration suspended business activities, is as of the date of this declaration the subject of proceedings concerning those matters, or is as of the date of this declaration in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b) during the last five (5) years from the date of this declaration, the Candidate, Key Executives or persons having powers of representation, decision-making or control over the Candidate have been convicted of an offence concerning its professional conduct by a judgment which has the force of *res judicata*, which would affect its ability to act as a Private Fund Manager. Alternatively, where such judgments exist the undersigned declares that the Candidate can demonstrate that adequate measures have been adopted with respect to the Key Executives or persons having powers of representation, decision making or control over the Candidate, who are subject to this judgment;
- c) during the last five (5) years from the date of this declaration, the Candidate, the Key Executives or persons having powers of representation, decision-making or control over the Candidate has been the subject of a judgment which has force of *res judicata* for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity, where such illegal activity is detrimental to financial interests of companies in general. Alternatively, where such judgments exist the undersigned declares that the Candidate can demonstrate that adequate measures have been adopted with respect to the Key Executives, persons having powers of representation, decision making or control over the Candidate, who are subject to this judgment; and
- d) as of the date of this declaration, the Candidate is guilty of misrepresentation in supplying information required for selection as a Private Fund Manager or fails to supply this information.

[NOTE: For the avoidance of doubt, the above references to five (5) year periods do not imply that the Candidate must have existed or operating for the whole of such period.]

[Insert the names and positions of the undersigned]

[Insert the signatures of the undersigned]

[Insert the date of signing of document]

**Schedule 2: Declaration of conflict of interests (template)**

The undersigned declare(s) that:

- (a) Neither the Candidate nor any of its Key Executives, members of management or supervisory board or similar body, direct or indirect shareholders or beneficial owners or any other person or entity authorised to represent the Candidate or having material influence on the actions of the Candidate, including any person or entity financing the Private Fund Manager Commitment (each a “**Relevant Person**”) has a direct or indirect interest of such a nature and scale that may have a material adverse effect on the impartial conduct of the Selection Procedure, except any such interest of which neither the Candidate nor any of its Key Executives are or should be aware; or
- (b) if any of the Relevant Persons is in any situation of potential conflicts of interest described in paragraph (a), then such potential conflict of interest is fully disclosed in this Schedule 2 together with proposed measures to be taken in order to mitigate the effect thereof.

Examples of a potential conflict of interest that may have a material adverse effect on the impartial conduct of the Selection Procedure include but are not limited to the following:

- being a “connected person” (within the meaning of the Anti-Corruption Act of Estonia) to a member of the management or supervisory board of EDF or SmartCap;
- participation in, or providing any advice, service or assistance to, the preparation or conduct of the Selection Procedure.

[All above-described possible conflicts of interest (if any) of which the Candidate or any of its Key Executives are or should be aware to be described here in detail].

[All measures proposed to be taken to mitigate the effect of potential conflicts of interest to be described here in detail.]

The Candidate will inform the Prospective Investors without delay of any situation (not described above) arising at any time during the Selection Procedure and constituting a conflict of interest or which could give rise to a conflict of interest.

[Insert the names and positions of the undersigned]

[Insert the signatures of the undersigned]

[Insert the date of signing of document]

### **Schedule 3: Mandatory elements of EoI**

#### **Part I – Mandatory elements of initial EoI**

##### Candidate's team and their market experience and knowledge:

- in case of a Candidate that is an established legal entity - detailed history of the Candidate and its previous/existing business activities, particularly describing any activity having potential conflicts of interest with the performance of the tasks of the Private Fund Manager;
- List of Key Executives and other members of the team (including expected positions to be recruited), detailing who would be full-time and who would be part-time dedicated to the Fund (with % dedication and describing side activities for the part-time team members);
- Division of roles between team members and competence of each team member that will be contributed to the Private Fund Manager;
- CVs of each of the members of the team in the form set out in Schedule 4;
- Description of the joint experiences and previous cooperation of the team members;
- List of all previous (2012-2016) and current board seats (if any) of the team members and how current activities will impact the performance of the tasks of the Private Fund Manager;
- Planned location of team members;
- Description of previous collaboration with other investors and market players etc.;
- Description of relevant networks and relationships built with public and private sector;
- Expected or confirmed pool of advisors and industry experts to be engaged with Portfolio Companies and respective cooperation structure;
- Description of team members' other work assignments and estimated time required to perform other professional tasks during the term of the Fund.

##### Candidate's (proposed) shareholders:

- Provide organizational chart showing ownership and management structure;
- Detail the shareholder base and ultimate beneficial ownership of the Candidate and the envisaged shareholder base for the fund management company, if it's planned to set up a new entity as a fund manager;
- Describe direct or indirect restrictions on the Key Executives to exercise their rights as shareholders in proportion to their holdings (if any).

#### **Part II – Mandatory elements of final EoI**

##### Market and investment approach

- Follow-on investment strategy and plans;
- Adding-value plans towards Portfolio Companies post-investment and exit strategies;
- Investment decision making process;
- Expected returns.

### Institutional capacity and alignment of interests

- Proposed legal and organizational structure (including proposed country of incorporation) of the Fund and the Private Fund Manager;
- Services proposed to be outsourced from third parties regarding the Fund and the Private Fund Manager, and expected service providers, if already known;
- Rules of corporate governance proposed to be implemented by the Private Fund Manager;
- Proposed methods to align interests between the Private Fund Manager and Investors;
- Incentive structure proposed regarding the Private Fund Manager's Carried Interest and the vesting scheme;
- Full disclosure of any interests of any Relevant Person (as defined in Schedule 1 to Annex 6) that may have a material adverse effect on the independent performance of the tasks of the Private Fund Manager following the Closing (including general management of the Fund as well as taking of individual management, follow-on investment and divestment decisions independently), except any such interest of which neither the Candidate nor any of its Key Executives are or should be aware; such interests may include, without limitation, holding or other interest in, or participation in the management of, any of the Portfolio Companies;
- Proposed measures to mitigate the effect of possible conflicts of interests disclosed above as well as any other conflicts of interests (which are not yet known, but may arise in the future);
- Proposed valuation, reporting and control procedures;
- Terms and conditions proposed to be applied in relation to possible follow-on investments to Portfolio Companies (template of term sheet);
- Elements proving the financial status of the Key Executives for the previous three years in relation to the Private Fund Manager Commitment;
- Sources for funding the Private Fund Manager Commitment.

### Economic and financial terms of the Fund

- Rate and principles for the calculation of the Management Fee and proposed operational budget of the Private Fund Manager;
- Hurdle rate, if the Candidate will propose it for the Fund;
- The amount of Private Fund Manager Commitment;
- Proposed financial model of the Fund, including operational budget and estimated amount of Establishment Expenses.

#### **Schedule 4: Form of CV of team member**

Full name:

Date of birth:

Current place of living (residency):

Nationality:

Education and academic experience:

- 1)
- 2)
- 3)

Professional experience:

- 1)
- 2)
- 3)

Language proficiency and declaration of ability to communicate in English [and in case of at least one Key Executive, declaration of ability to communicate in Estonian]:

- 1)
- 2)
- 3)

Please provide investment track record for each team member with the following details in two separate sections (realised and unrealised investments) as of 31.03.2016: name of investee company, location, sector, stage, date of investment/exit, invested amount, ownership, co-investors, proceeds received to date, entry/exit multiple, current valuation, multiple of cost, gross IRR, role of team member in transaction, describe relevance with the proposed strategy for the Fund.

Where the track record involves formal funds, in addition to individual transaction information, net returns on fund level should be included;

Provide at least three references (including e-mail address and telephone number) for the team member that would be relevant for the purposes of the Call.

**Proof of residency of the Key Executive residing in Estonia shall be attached to the CV.**