

Clarification Document to the Call for Expressions of Interest Deep Tech Fund 2020/12

The aforementioned Call for Expressions of Interest (hereinafter the **Call**) stipulated that: “Requests for clarification shall not receive individual replies. Instead, answers to requests received before or on the above-referred deadline that are relevant to the Call and to all Applicants shall be published in one or several clarification document(s) to be posted on the website of SmartCap www.smartcap.ee at latest on 15 February 2021. Applicants will not be separately notified of a specific date that any such clarifications will be published.”

In accordance with this provision, we hereby present such a clarification document. Capitalised expressions used herein shall have the meaning attributed to them in the above-mentioned Call, unless otherwise expressly defined herein or required by the context.

Questions may or may not appear as they have been received without any editing from SmartCap. The questions also appear in a random order.

No	Question	Answer
1	Is it ok if the SmartCap investment is allocated to the fund structure through an Estonian feeder fund structure, i.e., a structure where the SmartCap investment is in a separate Estonian fund entity that invests into the international, for example Finnish, fund vehicle where the private money is located and the international fund vehicle invests into the Estonian target companies (not a fund of fund structure, i.e., there is no additional costs typically related to fund of fund structures)?	We refer Applicants to the Main Terms of the Call Document. There is no mandatory requirement for the Fund to be established in Estonia. Alternative structures such as master-feeder or parallel fund structures will be assessed based on the relevant EoI, subject to fulfillment of the terms of the Call, including in particular the need to satisfy the state aid requirements as well as governance and alignment of interest.
2	Is it ok if the SmartCap investment is allocated to the fund structure through an Estonian sidecar fund structure, i.e., a structure where the SmartCap investment is in a separate Estonian fund entity that co-invest into Estonian target companies with the international, for example Finnish, main fund vehicle where the private money is located (not a fund of fund structure, i.e., there is no additional costs typically related to fund of fund structures)?	We refer Applicants to the Main Terms of the Call Document. There is no mandatory requirement for the Fund to be established in Estonia. Alternative structures such as master-feeder or parallel fund structures will be assessed based on the relevant EoI, subject to fulfillment of the terms of the Call, including in particular the need to satisfy the state aid requirements as well as governance and alignment of interest.
3	If the fund size is 60M€ of which the SmartCap investment is 15M€ (either directly in the fund, sidecar or feeder fund structure), is it enough if 15M€, of which at least 30% is private money, deducted with the management fees, is invested into Estonia?	This would not satisfy the requirement set out in the Main Terms. We refer Applicants to the Main Terms which provide, inter alia, that the Fund shall invest a minimum of the greater of (i) the Early Fund II Contribution (i.e., 15 million euros) or (ii) 50% of the total amount invested by the Fund in Eligible Enterprises, into Early-Stage, Deep Tech Companies that are established and operating in Estonia. The Main Terms do not contemplate the deduction of management fees or other costs and expenses from the relevant amount to be invested into Estonia.

4	<p>If the fund size is 60M€ of which the SmartCap investment is 15M€ (either directly in the fund, sidecar or feeder fund structure), is it enough if 15M€ added with 30% which is private money, deducted with the management fees, is invested into Estonia?</p>	<p>This would not satisfy the requirement set out in the Main Terms. We refer Applicants to the Main Terms which provide, inter alia, that the Fund shall invest a minimum of the greater of (i) the Early Fund II Contribution (i.e., 15 million euros) or (ii) 50% of the total amount invested by the Fund in Eligible Enterprises, into Early-Stage, Deep Tech Companies that are established and operating in Estonia. The Main Terms do not contemplate the deduction of management fees or other costs and expenses from the relevant amount to be invested into Estonia.</p> <p>Also, as set out in the Main Terms, Applicants should note that neither the Fund Manager nor persons or entities directly or indirectly associated with the Fund Manager shall be considered an independent private investor for the purposes of calculating the Independent Private Investor Contribution.</p>
5	<p>Would it be a disadvantage if the planned investment size for SmartCap is smaller than 15M€?</p>	<p>As noted in the Call Document, the principal investment objective of the Fund is to support early-stage Deep Tech Companies that are established and operating in Estonia. SmartCap's objective, therefore, is to seek to deploy the full 15 million euros under the Call.</p> <p>Whilst there is no explicit requirement in the Call Document that would preclude Eols for less than 15 million euros from Early Fund II, Eols for less than the full 15 million euros would be assessed, among other things, having regard to the principal investment objective of the Call, including paragraph 2.2 of the Assessment Criteria.</p>
6	<p>Should the track record Excel referred to in Appendix 1 (Mandatory elements of the Business Plan) include also investments which have been written off?</p>	<p>Yes.</p>
7	<p>Could the Applicant make a selection of which investments are included within the track record Excel, if such selection criteria is objective?</p>	<p>Applicants should present their full investment track record history in privately held non-listed companies. However, Applicants should determine as part of their Eol how to demonstrate the investment experience and competence of the team members consistent with the mandatory requirements of the Business Plan in Appendix 1 of the Call. This may also include the provision of other applicable track record information.</p>

8	<p>Should the track record Excel include the investments of each and any team member in whatever position? Could the Applicant include here only Key Executives and other full-time members, excluding, among others, industry advisors, entrepreneurs in residence, positions not directly related to investment management?</p>	<p>The Business Plan should include all relevant track record information with respect to all Fund Manager investment team members, including Investment Committee members.</p> <p>Whilst not mandatory, Applicants should determine as part of their EoI how to demonstrate the competences and contribution to the Fund made by non-core team members such as venture partners, industry advisors and entrepreneurs in residence, consistent with the mandatory requirements of the Business Plan in Appendix 1 of the Call. This may include the provision of relevant track record information.</p>
9	<p>As regards information about net fund level returns to be provided in the Business Plan, could you specify which costs and items should be included for the purposes of this calculation, in particular in case, if the fund is in the middle of its lifecycle?</p>	<p>Where applicable, Applicants should present fund return data consistent with best market practices and industry standards, including Invest Europe Reporting Guidelines.</p>
10	<p>Based on the wording of Annex 2 (Main Terms of the Fund), the Fund Manager and all related entities shall be directly and indirectly controlled by the Key Executives and the directors, officers and employees of the Fund Manager. We understand that the above requirement is fulfilled if the Key Executives and the directors, officers and employees of the Fund Manager jointly control the Fund Manager and related entities even if the Key Executives alone do not control the Fund Manager and related entities. Is our understanding correct?</p>	<p>The Main Terms would not preclude an EoI in which the Key Executives alone do not control the Fund Manager and related entities. However, it should be noted the Main Terms stipulate that the Investment Committee should wholly or primarily be comprised of the Key Executives and that EoIs will be assessed having regard to, among other things, the alignment of interests between the proposed Fund Manager, the Fund management team and investors, and the corporate governance and independence of the proposed Fund management team and Fund Manager.</p>
11	<p>What is the definition of “high-tech” within the Eligible Enterprises term?</p>	<p>High-tech is not a term legally defined in the Call Documents but should be understood generally to refer to companies whose products or services are amongst the most advanced technology available.</p>
12	<p>Do we understand correctly that the definition of Eligible Enterprises is wider than the definition of Deep Tech Companies, i.e., that in addition to Deep Tech Companies the Fund is allowed to make direct investments into other Eligible Enterprises (which do not meet the definition of a Deep Tech Company)?</p>	<p>The definition of Eligible Enterprises is wider than the definition of Deep Tech Companies. As set out in the Main Terms, the Fund shall have a focus on Eligible Enterprises which are Deep Tech Companies. Any proposed deviations from the focus of the Fund on Deep Tech Companies (i.e., by also investing in other Eligible Enterprises) should be clearly articulated and with a relevant rationale in the Applicant’s EoI.</p>

13	Annex 4 (Assessment Criteria) item no 1.4 refers to “ability to demonstrate additional activity in comparison to present activity (if any) for the life of the Fund”. Could you specify in more detail the purpose and meaning of this criterion?	The purpose of this criterion is to assess the ability of the Fund Manager and Fund management team to adequately perform management activities for the Fund and devote sufficient resources to the management of the Fund and its portfolio companies, in addition to any other existing and/or contemplated activities (not related to the Fund) undertaken by the Fund management team or Fund Manager.
14	Could you provide further information as to which investors qualify as an “independent private investor”?	SmartCap is not in a position to confirm the status of any individual potential investor at this stage. Potential applicants interested in further information on this area may wish to review the relevant guidance in COMMUNICATION FROM THE COMMISSION: Guidelines on State aid to promote risk finance investments (2014/C 19/04) and/or seek guidance from such investors at an appropriate time.
15	Is it necessary that a Key Executive or other potential team member needs to have ceased any existing activity or employment prior to finalisation of the Selection Process? For example, could a proposed Key Executive or other team member be in other existing employment at the time of submission of an EoI subject to joining the Fund if the Applicant is awarded the Fund mandate.	There is no requirement for a proposed Fund Manager team member to have ceased any existing activity or employment prior to completion of the Selection Process. However, such proposed Key Executive or team member should be in a position to fulfil the relevant time commitment and other obligations to the Fund by the time the Fund is operational. EoIs will be assessed on the basis of the Key Executives and management team presented in the EoI as well as other information provided in the EoI.