

Clarification Document to the SmartCap Greentech Investment Programme 2022/10

This Clarification Document is published in connection with the Investment Programme for Green Technology Companies, reference code Greentech Investment Programme 2022/10 (GTIP), dated 31 October 2022. Capitalised expressions used herein shall have the meaning attributed to them in the above-mentioned Investment Programme, unless otherwise expressly defined herein or otherwise required by the context.

According to the Programme Document, the Applicants were invited to submit requests for clarification regarding the Programme. These requests for clarification shall not receive individual replies. Instead, answers to requests that are relevant to the Programme shall be published in a clarification document on the website of SmartCap: <https://smartcap.ee/open-calls/gtip-202210/>. The clarification document will be updated with answers to new relevant clarification requests at an on-going basis at least once a month. Applicants will not be separately notified of a specific date that any such clarifications will be published.

In accordance with the above, SmartCap hereby presents the aforementioned clarification document.

The questions may or may not appear in the exact wording that they were received. The questions are not provided in the order that they were received.

No	Question	Answer
1	<p>The Applicant should be privately held company. Are companies who are listed on First North or listed with minority of their shares eligible?</p> <p>Are subsidiaries of the listed companies considered privately held?</p>	<p>Applicants whose equity instruments are listed on regulated markets (e.g., on Nasdaq Tallinn lists, including First North market) would not be considered privately held companies for the purpose of the Programme, regardless of the proportion of the listed shares.</p> <p>The public listing of a company belonging to the same consolidation group with the Applicant does not affect the determination of the privately held status of the Applicant. However, if the Applicant is a subsidiary of a publicly listed company, such Applicant might not be suitable investment for the Green Fund, if the ownership structure, economic and control terms, or other conditions are not inherent to venture capital deals or early-stage companies. Such assessment must be made on case-by-case basis.</p>
2	<p>Is there any restriction for companies whose shares are traded on alternative trading platforms (e.g., Funderbeam marketplace or on other similar platforms)?</p>	<p>Applicants listed on alternative trading platforms might be considered as being privately held companies for the purpose of the Programme depending on the structuring of the Applicant's instruments that are traded on the platform.</p>

3	<p>Can we apply for an investment from the Green Fund if there is already SmartCap indirect ownership in the company via another fund's investment?</p>	<p>There is no restriction for applying for an Investment from the Programme, even if there is a pre-existing indirect SmartCap ownership in the Applicant via other VC investment funds.</p> <p>However, the aggregate holding acquired by SmartCap in the Applicant, either directly or indirectly through other investment funds, may not exceed 49% at the moment the Investment is made.</p>
4	<p>If the Applicant has received an Investment from the Programme, can the Applicant also apply for other public financing (investments, grants, etc.)?</p>	<p>The Investment may not be used to fund the own contribution amount of the Applicant when applying for financing from certain other EU sources (e.g., grants or investments from EU structural funds). For other possible restrictions, the Applicant should check the specific terms and conditions applicable to such other source of funding.</p>
5	<p>How long does it take for SmartCap to make final investment decision since submission of application documents?</p>	<p>The exact timeframe for providing the final investment decision depends on several circumstance (including complexity of each individual case, current deal flow volume, etc.) and cannot be specified.</p> <p>However, as provided in the Programme Document, the screening of the Applicant against the Eligibility Criteria shall be carried out within 20 business days after confirmation by SmartCap that the Application is duly received.</p>
6	<p>Do all submitted documents (including all investment proposal documents) need to be signed and submitted via email?</p> <p>What is acceptable digital signing for Application documents?</p>	<p>The Applicant needs to sign at least the Investment Application (template provided in Annex 5) and the Declaration of Honour forms (template provided in Appendix 2 of Annex 5). Please also see the signing instructions provided under each of the templates. Investment proposal document(s) (compiled according to Appendix 1 of Annex 5) do not need to be signed.</p> <p>"Digitally signed", for the purpose of the Programme Document, means signed in the Qualified Electronic Signature format (e.g., the Estonian digital signature). Other electronic signature formats (e.g., using DocuSign) are not accepted.</p>
7	<p>How to proceed if the materials are too large to be sent via email?</p>	<p>If the investment proposal documents are too large to be sent via email, the Applicant shall provide SmartCap, together with the Investment Application, access to the data</p>

		room or other form of link where the document(s) can be viewed and downloaded from. In such case the Investment Application shall be considered as received when SmartCap has downloaded the investment proposal document(s) to its servers.
8	Does SmartCap have a requirement for minimum ownership in Applicant company?	There is no requirement for minimum ownership % in the Applicant company.
9	Where can we find more information about the appendices 1 and 2 that should be added to the Application.	<p>The mandatory Appendices that should be submitted together with the Investment Application are provided in Annex 5 of the Programme Document (“Appendix 1 – Mandatory elements of the investment proposal” and “Appendix 2 – Declaration of Honour”).</p> <p>Please note that Appendix 2 contains a template that should be filled in, signed according to the signing instructions thereto, and submitted together with the Investment Application, while Appendix 1 contains a list of mandatory elements that must be included in the investment proposal document(s). There is not mandatory form for the investment proposal document(s). The investment proposal may be submitted in any form commonly used in venture capital fundraising (executive summary, pitch deck, business plan, etc.), provided the document(s) contains the mandatory elements listed in Appendix 1 of Annex 5 of the Programme Document.</p>
10	How are the investment rounds defined, e.g. Seed to series B?	The investment rounds are not predefined terms. The Applicant's investment round is determined based on market practice (e.g., determination by the lead investor), taking into consideration the specific details of the Applicant and the Investment (including the development stage of the Applicant, size of the Investment, valuation, etc.).
11	What is the exit strategy of SmartCap?	SmartCap is investing at market terms and is expected to exit together with or at similar terms to a private venture capital investor. However, SmartCap is willing to act as a patient investor, therefore could have a holding period similar to private patient capital providers.

12	What are considered 'the main activities' of the Applicant to be exercised in Estonia?	"Main activities" within the context of "established and operating" shall mean the primary economic activity of the Applicant. Neither the source of income nor location of employment base are decisive for determining whether the Applicant can be considered as established and operating in Estonia.
13	Is the Applicant considered as established and operating in Estonia when the Applicant is not incorporated in Estonia, but its subsidiary is incorporated in Estonia and exercises its main activities in Estonia?	An Applicant who is incorporated outside of Estonia but who carries out its primary economic activities in a subsidiary incorporated in Estonia would be considered as "established and operating in Estonia" within the meaning of the Programme.
14	Can we apply for an investment if the private lead investor has not yet committed the investment?	Having a private lead investor or a qualified co-investor is a pre-requisite for making an investment decision by SmartCap. However, it is not mandatory for the first phase of the Investment Process (Eligibility screening) to have final commitment from private investors.
15	Do you have minimum investment return target or this is purely up to expectations of private investor(s)?	SmartCap is investing at market terms <i>pari passu</i> and together with private investors, therefore, SmartCap's return expectation is market return.
16	Does SmartCap also consider short-term financing, e.g. traditional bridge financing or mezzanine instruments?	SmartCap makes VC investments under regular market conditions. SmartCap does not participate in mezzanine financing or any short-term bridge-financing rounds, even if such bridge-financing is structured as an equity investment.
17	Please specify what are the publicity obligations entailed with the Investment?	The exact details of the requirement to acknowledge the origin and ensure the visibility of the Investment being EU funding as described under the term 'Publicity' in Annex 2 ('Environmental Terms') of the Programme Document are provided in the document that can be found here: publicity-requirements-for-companies.pdf (smartcap.ee)
18	Are the previous investors of an Applicant who are also participating in the new investment round together with SmartCap Green Fund considered to be independent private investors for the Programme?	As provided in Annex 1 of the Programme Document, the term 'Independent Private Investor Contribution' is defined within the meaning of the Commission Guidelines on State aid to promote risk finance investments (2021/C 508/01). According to the Guidelines, 'independent private investor' means a private investor who is

		<p>not a shareholder of the eligible undertaking in which it invests, irrespective of their ownership, to the extent that they bear the full risk in respect of their investment.</p>
19	<p>Are the sectors that are listed under the term "Strategic areas" taken into consideration when determining whether a company contributes to an environmental objective? What factors into determining what company contributes to these objectives?</p>	<p>The strategic areas listed in Annex 1 of the Programme Document are general, broad scale sustainability related fields set out in the Estonian Recovery and Resilience Plan where the technologies backed by the Investments will designedly have a positive impact in. These strategic areas should be understood as guiding themes for SmartCap, and not as specific sectors where the Investments will be made.</p> <p>The strategic areas do not factor in to determining whether an Applicant contributes to an environmental objective listed in the Programme Document and, therefore, is considered a 'Green Tech Company'. To determine whether an Applicant contributes to an environmental objective within the meaning of the Programme, the Applicant must be able to demonstrate that its technology is directly engaged in an activity listed in the sub-clauses under the term 'Contributing to an environmental objective' in Annex 2 of the Programme Document. Please bear in mind that to be considered as engaged in the activity, the first and primary use purpose of an Applicant's technology must be aimed to perform that activity (i.e., the activity is not a secondary use or a side result).</p> <p>Engagement in an activity listed in the Programme Document must be sufficiently demonstrated based on objective criteria or metrics. SmartCap may require additional information from an Applicant to evidence this.</p>
20	<p>Please clarify when the Applicant's other investors can make their investments? For example, can the other investors pay in their contributions in the investment round (i) before submitting the Investment Application to SmartCap; (ii) after submitting the Investment Application; (iii) or must the contributions of the other investors be made after SmartCap's positive investment decision?</p>	<p>According to the Programme Document, the Investment of SmartCap shall be made as a pari passu investment, i.e., the Investment is made at the same time and under the same terms with independent private investors whose commitments hold real economic significance.</p> <p>'At the same time' should be understood as being carried out as part of the same investment round (presumably not lasting longer than 6 months in total), provided that the overall economic standing of the</p>

		investment deal has not deteriorated (including, but not limited to, due to circumstances related to the Applicant or the global economic situation).
21	Is a company who has received an investment from SmartCap Green Fund allowed to apply for a grant from the EU's Just Transition Fund (JTF)?	According to the current information available to SmartCap, companies who have received an investment from SmartCap Green Fund are allowed to also use grants or other measures financed from European structure funds. Nevertheless, the specific terms and conditions applicable to such measures should also be reviewed, as there might be other limitations to combining different EU funding applicable to each specific aid measure.