STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1 CRIS Number: 2003/005-026.10.01

1.2 Title: “Development of the Tartu Science Park”

1.3 Sector: Economic and Social Cohesion

1.4 Location:
Estonia, Tartu

2. Objectives

2.1 Overall Objectives:
Sustainable growth of the business-sector in South-Estonia through improvement of high value-added technology-based businesses.

2.2 Project Purpose:
Expansion of Tartu Science Park’s incubation centre.

2.3 Accession Partnership and NPAA priority
N/A


The Single Programming Document (SPD) is fully in compliance with the Estonian R&D Strategy “Knowledge-Based Estonia”\(^1\), which was approved by Parliament on the 6th of December 2001 and constitutes the basis for the ministries elaborating the respective implementation plans, incl. R&D and innovation measures in SPD.

“Research and Technological development and Innovation ” is the measure number 8, Ch 3.2.4 (ERDF), in SPD\(^2\) priority of “Competitiveness of Enterprises”. The RTDI measure includes a sub-measure, which is targeted at strengthening of innovation support structures and institutions, whereby the following activities are foreseen:

- Creation and development of innovation and technology infrastructures;
- Support scheme for technology transfer and high-tech incubation services;
- Competence Centres Programme.

The current project "Development of the Tartu Science Park" is fully in compliance with this sub-measure “Strengthening of National Innovation System” wherein support to technology parks and incubators is foreseen.

2.5 Cross Border Impact

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\(^1\) Full document in English: http://www.mkm.ee

\(^2\) The draft version of SPD as of March, 18 2003 is referred to.
3. Description

3.1 Background and justification:

The R&D strategy defines the broad policy lines and public support framework for R&D and innovation until 2006. The aim of the R&D strategy is to ensure the renewal of knowledge base and to facilitate the development and utilisation of new technologies for increasing the competitiveness of enterprises and thus turning Estonia into knowledge based economy.

Three key technology areas – information technology, material technology and biotechnology – are highlighted in the R&D strategy, as a focus for further activities. These have been given high priority, considering their impact on the development of the economy through both the renewal of traditional industries/public sector services and the creation of new technology based companies.

The R&D strategy points out the need to improve the national innovation system incl. the development of full-scale science/technology parks both in Tartu and Tallinn. Tartu Science Park has been the first science park in Estonia for a decade now and has all the prerequisites to become a full-scale science park. Considerable modernization of its infrastructure and the introduction of new business support services are needed to fulfil the aims of the strategy.

The implementation of the R&D strategy through action plans has to ensure that at the end of the strategy period, the Estonian R&D intensity will be comparable with the EU average. The objective is to increase total R&D expenditures to the level of 1.5% of GDP by the year 2006, while the proposition of public and private efforts should also be comparable with the EU average. In the long term the objective is to reach the EU targets defined by the Lisbon Summit (GERD 3% from GDP).

The R&D strategy has envisaged EU pre-accession (Phare) - and Structural Funds as opportunity to support the efforts at national level and catalyse the process towards achievement of strategic objectives of both Estonia and the EU.

Tartu is the most important science and innovation centre in Estonia, which generates and disseminates new knowledge and technologies for the whole Estonia. As the financing of R&D has been within several years oriented to the basic research, the scientific excellence in several fields is at internationally comparative level. The targeted development of the existing R&D potential and effective transfer of knowledge created is of utmost importance for the long-term development of the competitiveness of Estonia as a whole. The key issue for today is to stimulate the development and transfer of technology in order to commercialize the R&D results and increase the competitiveness of industry.

3.1.1. Tartu Science Park

Tartu Science Park (TSP) was established already in 1992 and was the first innovation support institution in newly independent Estonia. Its current organizational body is Tartu Science Park Foundation – an independent non-profit foundation. It was created in 1996 by five founders: City of Tartu, County Government of Tartu (as a representative of the Estonian State), University of Tartu, Estonian Agricultural University and Institute of Physics.
Currently, TSP has approx. 5000 m² of heatable space, including 3300 m² of office, laboratory and production spaces. About 25 companies have been located in the TSP since the mid 1990s. The development of the TSP is given in the following table:

**Development of Tartu Science Park 1993-2002**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>No. of tenant companies in December</td>
<td>11</td>
<td>20</td>
<td>24</td>
<td>25</td>
<td>26</td>
<td>25</td>
<td>25</td>
<td>27</td>
<td>27</td>
<td>26</td>
</tr>
<tr>
<td>incl: incubants</td>
<td>0</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>5</td>
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<tr>
<td>Other R&amp;D-based</td>
<td>6</td>
<td>10</td>
<td>13</td>
<td>14</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>16</td>
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<tr>
<td>Offering support services</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>6</td>
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</tr>
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<td>Associated non-tenants</td>
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<td>4</td>
<td>6</td>
<td>9</td>
<td>9</td>
<td>7</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Annual turnover of TSP, EUR</td>
<td>25692</td>
<td>47550</td>
<td>68577</td>
<td>82254</td>
<td>90180</td>
<td>102578</td>
<td>182596</td>
<td>346976</td>
<td>333596</td>
<td>307703</td>
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<tr>
<td>Investments into TSP, EUR</td>
<td>5950:</td>
<td>35918</td>
<td>21730</td>
<td>23264</td>
<td>32340</td>
<td>20964</td>
<td>137666</td>
<td>331574</td>
<td>203610</td>
<td>43052</td>
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<tr>
<td>Incl: from Estonian state</td>
<td><em>~</em> : 15658</td>
<td>11888</td>
<td>15147</td>
<td>24095</td>
<td>0</td>
<td>88006</td>
<td>96507</td>
<td>12207</td>
<td>35902</td>
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<tr>
<td>from city of Tartu</td>
<td><em>~</em> : 16617</td>
<td>3515</td>
<td>1854</td>
<td>0</td>
<td>9715</td>
<td>6392</td>
<td>0</td>
<td>0</td>
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<td>0</td>
</tr>
<tr>
<td>TSP own funds</td>
<td><em>~</em> : 3260</td>
<td>4666</td>
<td>6264</td>
<td>5560</td>
<td>9203</td>
<td>15978</td>
<td>121112</td>
<td>104958</td>
<td>4743</td>
<td></td>
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<tr>
<td>Other sources (incl. EU)</td>
<td><em>~</em> : 384</td>
<td>1726</td>
<td>0</td>
<td>2685</td>
<td>1982</td>
<td>31061</td>
<td>107563</td>
<td>86445</td>
<td>2407</td>
<td></td>
</tr>
<tr>
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<td>ICECE</td>
<td>IASP, ICECE, BASTIC</td>
<td>IASP, ICECE, BASTIC</td>
<td>IASP, ICECE, BASTIC</td>
<td>IASP, ICECE, BASTIC</td>
<td>IASP, ICECE, BASTIC</td>
<td>IASP, ICECE, BASTIC</td>
<td>IASP, ICECE, BASTIC</td>
<td></td>
</tr>
<tr>
<td>Hosted events</td>
<td>3</td>
<td>6</td>
<td>5</td>
<td>11</td>
<td>8</td>
<td>22</td>
<td>29</td>
<td>32</td>
<td>34</td>
<td></td>
</tr>
</tbody>
</table>


Currently TSP focuses on three main fields of activity:
- Incubation Centre for knowledge-intensive companies;
- Technology transfer unit to support start-ups and introduce novel technologies;
- Coordination of regional innovation initiatives and projects.

The incubation centre occupies a central role in TSP activities. Within its incubation activities TSP targets companies operating in ICT, material technologies, electronics and apparatus building sectors. An important part of the incubation activities is the provision of knowledge-based or “soft” services aimed at business development of its incubants. High importance is put on building a tight and trustful working relationship with the incubants through continuous mentoring.

Normally, incubants are found through public tenders. The management of TSP assesses applications, and attention is paid to the quality of the business plan, market capability and growth orientation of the company, entrepreneurial abilities of the applicant and relatedness of its business activities to the target sectors of TSP and its existing set of companies. An acceptable incubant’s business plan would include high share of innovation activities, knowledge intensive activities, or co-operation with R&D institutions. Also the company must be no more than two years of age. Incubation period is two to three years. Incubation can also be ended before that time if the incubant does not use the incubation services purposefully, i.e. for realisation of activities described in the business plan submitted on application, or if during the semiannual assessments it demonstrates clear inability to realize its business plan.

Offering of incubation services to the incubants does not interfere with the commercial market, since the target group is too small and not financially strong enough to buy these services from the commercial market. The established “anchor” companies that receive technology transfer consultation services from the TSP belong to the area of technology or knowledge intensive
businesses and the commercial consultation market does not cater for their specific needs. Yet provision of consultations to them would create socio-economic benefits in the form of new highly qualified jobs and increased export capabilities. Detailed results of the currently existing incubation facility have been provided in the TSP business plan (see Annex 7) as well as in the Feasibility Study of the project (Geomedia OÜ, March 2003).

The full translation of incubation rules including the admission and exit condition for incubation companies are provided in Annex 9.

The main strategic goal of the TSP for 2006, as agreed in the Business Plan of TSP, is to develop a networked organisation, which is internationally recognised and capable to succeed as a full-fledged science park, has a motivated and performance-oriented staff for the implementation of the vision of the TSP and for the successful and balanced development of key areas and has the financing mechanism to secure it.

The TSP’s extended Supervisory Board accepted the Business Plan of TSP in the summer 2002. The Business Plan was compiled in full compliance with the Estonian R&D Strategy. The Business Plan of the TSP for 2002-2004 outlined several key areas for immediate action:

1) There is an urgent need to expand the territory as well as laboratory and office space area of the TSP. During the last several years the vacancy rate of the TSP real estate has constantly been under 10 per cent and usually even less than 5 per cent. At the same time the tenant companies have become more knowledge-intensive and internationally competitive. The expansion of the TSP enables to gather more companies of similar size and problems under the same roof, so creating possibilities of synergies between the companies.

2) There is a need for new and better business support services. These services would have a twofold impact. First of all, they accelerate the growth of the tenant companies. They also act as catalysts of the synergetic processes.

The current Phare project aims to modernize the infrastructure of Tartu Science Park (TSP) in order to develop innovative companies mainly in the field of information and communication technologies (ICT) and material technologies. As a result of the project a total of 2250 m² of new office, laboratory, and production space will be renovated or built, increasing TSP’s total usable building space from its current 3300 m² up to 5550 m². Such an increase in usable building space will allow considerable expansion of TSP’s activities – the number of tenants and incubants will grow, and also the volume of rendered soft-services will rise. The quantitative growth brings along also a qualitative leap – larger number of similar companies working at the site will significantly increase the synergetic effects; bigger volume of soft-services allows hiring additional employees, creating specialization, and exploiting economies of scale. As a result, the quality of TSP’s services will increase and the unit cost of its services will decrease. Overall, TSP’s activities will become more efficient and reach higher socio-economic impact.

3.1.2. Justification of the proposal

This proposal addresses several priorities specified in the Estonian R&D Strategy “Knowledge-based Estonia” for 2002-2006. First of all the Strategy aims to improve the capacity of the Estonian innovation system to develop full-scale science (or technology) parks in both Tartu and Tallinn. Secondly, most of the tenant companies of the TSP are either ICT companies or active in the materials technology field. This path will likely continue in the future because of
the active networking with the research institutions in the field. Both of the mentioned areas are among the three key technology areas in Estonia.

In the framework of this proposal necessary infrastructure will be built or renovated to accelerate the development of the so-called Silicon campus area\(^3\). This area embraces Tartu Science Park, Institute of Physics and in the near future also Institute of Technology of the University of Tartu. It is predictable that in the near future R&D capabilities close to Tartu Science Park increase dramatically. There are several reasons behind the prediction. In 2000 the Institute of Physics was chosen by the European Commission as one of the two EC Centers of Excellence in Estonia along with the Estonian Biocenter. This award enables to strengthen ties between the Estonian and the European research communities considerably in the field of nanotechnology, laser technologies etc. The impact will be new product ideas to commercialize and, hence, new companies to incubate.

Other measures to nurture knowledge-intensive entrepreneurship in the Tartu region include “The entrepreneurship development plan of the City of Tartu for 2001-2006”, implementation of the spin-off project at the University of Tartu (with the support of the ESTAG SPINNO programme), Phare 2000 CARIN project, Tartu Regional Innovation Strategy (TRIS) project, etc. The City of Tartu fully acknowledges the importance of Tartu Science Park as the leader in regional innovation system and considers the expansion of the TSP incubation facilities essential.

The last years have witnessed considerable changes in the composition of the tenant companies of the TSP. The export potential of the companies has increased steadily. More companies hire personnel with master or PhD degree. There has been growing interest from foreign companies to establish a branch in the TSP. The changes have been concomitant to the improvement of the so-called soft services of the TSP.

During last half a year several preparatory works have been made to take advantage of the situation, favourable for the creation of knowledge-based new ventures. The most important has been the preparation of the Business Plan of the TSP for 2002-2004 (with strategic objectives set for 2012), which was supported by the Estonian Technology Agency ESTAG. The compilation of the Business Plan involved all the founders and also well recognized international experts. Many seminars were held and most of the ideas were supported on a consensus basis. The most important point made was the stance that to fully exploit the potential economic impact of the present favourable situation in Tartu and in Silicon campus particularly, the better infrastructure with pertinent improvement in the soft services provision are crucial.

Phare 2000 ESC South-Estonia sub-project CARIN supports the development of infrastructure of Tartu Science Park (300 m\(^2\) of incubation rooms will be renovated and a parking lot with access road will be constructed) and the Materials Technology Labs of the Institute of Physics of the Tartu University will be constructed. The present project utilizes the results of the CARIN project and finishes the modernization (renovation and construction) of Tartu Science Park premises.

The current project deals with the renovation and construction of the premises of Tartu Science Park. About 1900 m\(^2\) will be renovated and approx. 1100 m\(^2\) additionally built. As a result of the project the total area 3000 m\(^2\) will be renovated or built, of which approximately 75% is usable as office space for incubation companies, the rest containing corridors, stairways and

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\(^3\) This name comes from the name of the adjacent area – Ränilinn – ‘räni’ means ‘silicon’ in English.
such. The Business Plan of the TSP foresees that in case of the additional office, laboratory, and production space the average vacancy rate would still be less than 15 per cent.

3.2. Linked activities:

<table>
<thead>
<tr>
<th>Project no</th>
<th>Name</th>
<th>Budget (EUR)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>ES 9803.04.0002</td>
<td>SPP Pilot Project No. 2: Development of Regional Cooperation Network for Innovative Entrepreneurship</td>
<td>Total: 1,100,000 incl Phare: 750,000 National co-fin.: 275,000 Private: 75,000</td>
<td>Final Report approved</td>
</tr>
<tr>
<td>(1999-2001)</td>
<td></td>
<td></td>
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<tr>
<td>Phare 2000 ESC</td>
<td>Economic and Human Resources Development Project of South-Estonia; sub-project CARIN (Coordinated Assistance for Regional Innovation)</td>
<td>Total: 2,000,000 incl Phare: 1,500,000 National co-fin.: 500,000</td>
<td>In process</td>
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<tr>
<td>Phare 2001 ESC</td>
<td>Structures and Instruments for Implementation of Business Support Measures. Sub-project: assessment and adoption of R&amp;D and innovation support measures in the MoEAC and Estonian Technology Agency due to the EU SF requirements.</td>
<td>Total: 4,140,000</td>
<td>In process</td>
</tr>
<tr>
<td>Structures and Instruments for Implementation of Business Support Measures. Sub-project: assessment and adoption of R&amp;D and innovation support measures in the MoEAC and Estonian Technology Agency due to the EU SF requirements.</td>
<td>Total: 4,140,000</td>
<td>In process</td>
<td></td>
</tr>
<tr>
<td>Phare Baltic Sea Region Cross-Border Co-operation Small Project Facility INNOSTEP BSPF/9811/055</td>
<td>Extension of Business Development and Innovation Support Services in Tartu (Estonia) via the experience of Tampere (Finland)</td>
<td>Total: 130,000</td>
<td>Final Report approved</td>
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</table>

Linked activities undertaken by other parties:

- **Estonian Innovation Relay Centre (ESTIRC)** [European Union R&D Fifth Framework Programme]. The project is aimed at increasing the innovation potential of Estonian enterprises and research institutions and its application for improving the competitiveness of Estonia and the European Union. ESTIRC is a part of the pan-European network of Innovation Relay Centres created with the financial support of the European Commission in the framework of the “Innovation and SMEs” programme of the 5th FP. This network consists of 68 centres, where approximately 250 organisations in total are involved. In Estonia the project consortium consists of Archimedes Foundation (co-ordinator in 2000-2002), Tartu Science Park Foundation (co-ordinator in 2002-2004), Estonian Technology Agency and Tallinn Technical University Innovation Centre Foundation.
- **SPINNO programme.** Programme launched by the Estonian Technology Agency aims at stimulating the commercialisation of R&D results through the development favourable environment for the entrepreneurship at the universities/R&D institutions. Elaboration of strategic approach for the technology transfer at the universities/R&D institutions and development of respective regulatory bases, networks and soft services are eligible activities for the co-financing under the SPINNO programme.

- **R&D support scheme.** Administered by Estonian Technology Agency, the scheme provides funding to market oriented R&D projects of companies and/or universities/R&D institutions in the form of grants and/or soft loans.

- **Institute of Technology of Tartu University** was established on 26. June 2001, in order to bring together the technological competence of the university, and to create a centre for technological studies and foundation for development work targeted directly at entrepreneurship. The purpose of new institute is to create of infrastructure favouring high-technological development, to support the introduction of innovative technologies, and to build up competence centres for product development. The strategy of ITUT foresees that the companies created by its activities will become incubants of the TSP.

- **Other technology incubators.** According to the preliminary results of the Estonian Incubation Survey there are two technology incubators in Estonia. The incubator of TSP is the oldest one. The other one is Tallinn Technology Park Incubation Centre (TTP IC) located in the campus of Tallinn Technical University. The Innovation Centre of Tallinn Technical University (TUIC) operates TTP IC and operating costs are subsidised by the City Government of Tallinn. TUIC and TSP have been close co-operation partners for several years and do not deem each other as a competitor. It’s main objective being incubation of companies in the Tallinn region, TTP IC is operating at the market not overlapping with TSP target market. The most important co-operation project at the present is launching of the Association of Estonian Business Incubators. TTP IC has also applied for support under Phare 2003.

### 3.3 Results

- Approx. 3000 m² of total area of TSP buildings renovated or constructed (approx. 5340 m² of renovated or constructed office, laboratory and production space available by end 2005).
- The number of incubation companies in TSP will increase (number of incubants in TSP increased from its current 8 to 16 by end 2006).
- New jobs will be created within the target sectors of TSP (additional 140 people working in TSP tenant companies by end 2006).
- Innovation support capacities of TSP will increase (2 additional consultants hired by end 2005, amount of soft services provided to the incubants have tripled by end 2006 compared to 2002 level).

### 3.4 Activities

3.4.1 **Service contract:** Technical design for renovation and construction of TSP premises. December 2003 - February 2004, total cost 134 000 EUR, Phare contribution is 100 000 EUR and national joint co-financing is 34 000 EUR.

3.4.2 **Works contract:** Renovation and construction of TSP premises. July 2004 – September 2005, total cost is 1 200 000 EUR, Phare contribution is 900 000 EUR and national joint co-financing is 300 000 EUR.

### 3.5 Lessons learned

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4 For the indicators please see ANNEX 1 – Logical Framework Matrix.
- **SPP Pilot Project No. 2: Development of Regional Co-operation Network for Innovative Entrepreneurship**

Creation of information and co-operation network between the existing advanced R&D potential of Tartu universities and Tartu Science Park (TSP) companies and the business and education communities of Ida-Virumaa and South-East Estonia. Links were established to support the technological renewal of these disadvantaged regions.

The Pilot Project contained mostly the creation and/or development of various specific innovation support institutions in Ida-Virumaa, Tartu and South-East Estonia, in order to form basis for the creation and expansion of technology-based businesses, products and services.

One of the outcomes from the Pilot Project has been the initiation of the new Master Plan for strategic development of TSP. Aside from the relevant (often expanded) meetings of the TSP General Board, the regular round-table discussions of all parties interested in regional innovation support (this permanent network got the name CARIN) have been a part of this process as well. By now both mechanisms have brought the key actors to acknowledge that re-defining and extending its responsibilities should increase the role of TSP as a core element of the regional innovation support structure.

- Tartu Science Park has got some experience of good project management practices being a member of several EU 5th Framework projects – both as a co-ordinator and a contractor. The goal of Tartu Regional Innovation Strategy (TRIS) Project [European Union R&D Fifth Framework Programme] is the elaboration of a flexible framework programme that enhances competitiveness of enterprises in the Tartu Region through the optimisation of infrastructures and regional innovation policies. As a concrete outcome of the project a consensus based innovation strategy will be developed, agreed and specific action plans will be elaborated.

- The management of other publicly financed (County Council, City Government etc) projects has been concomitant to EU financed projects. These parallel activities have enabled the TSP to adjust its management as well as accounting systems to be fully in accordance with the principles of sound and efficient project management.

- Economic and Human Resources Development Project of South-Estonia; sub-project CARIN (Co-ordinated Assistance for Regional Innovation) contributes to the creation of the integrated support system for business development and innovation. Project includes activities, which are directly related and form the basis for the current Phare 2003 project:
  - Infrastructure for facilitation of technology development and transfer in place, incl.:
    - Development of Tartu Science Park II phase; incl renovation of incubation rooms (300 m²) and replacing windows of the building (40 000 EUR Phare financing + 40 000 EUR national co-financing) and construction of the access road and the 1st stage of parking lot for 100 cars (130 000 EUR Phare financing)
    - Extended rooms for material technology laboratories (University of Tartu)
    - Training courses for technology managers.
  - The project will be completed in 2003 (before starting the activities of the present Phare 2003 project).
  - Strong involvement of beneficiary in the project preparation and implementation as well as financial contribution to the project shows the relevance of the project and ensures the sustainability of the investment.
  - Concrete measures to improve the co-ordination of the EU funds: Foreign Funding Division has been established in the Economic Development department in the Ministry of Economic Affairs and Communications. Phare Unit has been created in Enterprise Estonia (EE) accordingly.
4. Institutional Framework

4.1 Implementation

The Ministry of Finance, CFCU as an Implementing Agency (IA) is responsible for contracting and for the payments of the project.

Ministry of Economic Affairs and Communications (MoEAC) is responsible for achievement of the project objectives and is therefore monitoring the project, delegating the task of technical implementation of the project to the Enterprise Estonia (EE).

4.2 Beneficiaries

The direct beneficiary of the project is Tartu Science Park Foundation (see also Annex 8). TSP is governed by its Supervisory Board consisting of 8 members representing its founders. The Supervisory Board is responsible for the strategic management of TSP and organizing cooperation with the founding organizations. Tartu University is represented in the Supervisory Board by three members: Chairman of the Board professor Mati Karelson, a leading scientist in material technologies; professor Hele Everaus, vice-rector for institutional development of Tartu University; and professor Urmas Siigur, Chairman of the Board of Tartu University Clinic. Estonian Agricultural University (EAU) is represented by Mr. Andi Pärn, manager of the research and development department of EAU. The representative of Tartu University Institute of Physics is Professor Arvi Freiberg, a renowned scientist in nanotechnology. Its Vice-Mayor Margus Hanson, who is in charge of innovation strategy and entrepreneurship development, represents City of Tartu. County Government of Tartu is represented by it manager of development department, Mr. Taivo Tali. Estonian State is represented by Mrs Kitty Kubo, the head of innovation department of Ministry of Economic Affairs and Communications.

4.3 Owners of the assets

Owner of the assets after the end of project will be Tartu Science Park Foundation (Sihtasutus Tartu Teaduspark).

The beneficiary confirms that the investment made to the proposed Riia 181A building will remain the property of the Tartu Science Park Foundation and will not be sold to any third party nor will the ownership of the assets be transferred out of the foundation in any other way. We also acknowledge that in case there is nevertheless need to change ownership of the assets for currently unforeseen reasons this can only be made with explicit approval of the European Commission as stipulated in Phare rules and regulations.

5. Detailed Budget

<table>
<thead>
<tr>
<th>Phare Support (EUR)</th>
<th>National Co-financing</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td>Investment Support</td>
<td>IB</td>
<td>Total Phare (=I+IB)</td>
</tr>
</tbody>
</table>


The amounts for co-financing indicated in the table correspond to cash co-financing. The co-financing expenses will be monitored by the beneficiary and the NAO. For the earmarked co-finance, a clear and verifiable set of costs will be provided. Flow and stock data on co-finance will be submitted quarterly for steering committees, twice a year to the Sector Monitoring Working Group. The national co-financing budget line for this project is under art. 223.04.1 Enterprise Estonia in the state budget. The beneficiary together with the NAO commits to sound financial management and financial control.

The founders of the beneficiary Tartu Science Park Foundation: the State and City of Tartu, will provide at least 25% of financing to the project in total of 334 000 EUR from their budgets in 2003 – 2004.

Any additional costs necessary for the realisation of the objectives of the project will be covered from national resources.

1) Joint co-financing of 34 000 EUR to the project will be used for service contract for technical design for renovation and construction of TSP premises. This is important for the accuracy of the technical design.

2) Joint co-financing in total of 300 000 EUR will be used for works contract for renovation and construction of TSP premises.

### Implementation Arrangements

**6.1.1 Implementing Agency - CFCU**

The Implementing Agency is the CFCU, it will be responsible for tendering, contracting and payments. According to implementation contract between Ministry of Finance, Ministry of Economic Affairs and Communications and Enterprise Estonia, the advisory and supervisory services are the responsibility of Enterprise Estonia.

Tasks:
- Approval of tender documentation submitted by EE;
- Appointment of Contracting Authority Representative/Employer and Project; Manager/Engineer for the works contracts;
- Approval of composition of tender evaluation committee and evaluation report;
- Contracting works;

<table>
<thead>
<tr>
<th>National co-financing</th>
<th>2003</th>
<th>2004</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State budget</td>
<td>67 000</td>
<td>100 000</td>
<td>167 000</td>
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<tr>
<td>City of Tartu</td>
<td>67 000</td>
<td>100 000</td>
<td>167 000</td>
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<tr>
<td><strong>Total national co-financing</strong></td>
<td><strong>134 000</strong></td>
<td><strong>200 000</strong></td>
<td><strong>334 000</strong></td>
</tr>
</tbody>
</table>
- Requests of funds;
- Payments to contractor;
- Approval of reports.

**PAO:** Mr. Renaldo Mändmets  
**Title:** Deputy Secretary General  
**Institution:** Ministry of Finance  
**Address:** Suur-Ameerika 1; Tallinn 15006, Estonia  
**Phone:** +372 6113545  
**Fax:** +3726966810  
**E-mail:** renaldo.mandmets@fin.ee

**Title:** Procurement Specialist - Mari Mandel-Madise  
**Institution:** Ministry of Finance  
**Address:** Suur-Ameerika 1; Tallinn 15006, Estonia  
**Phone:** +372 6113405  
**Fax:** +3726113041  
**E-mail:** mari.mandel@fin.ee

### 6.1.2 The Ministry of Economic Affairs and Communications / Programme Officer (PO)

The Ministry of Economic Affairs and Communications is responsible for technical implementation, monitoring and steering of the project, maintaining regular contacts with PAO/CFCU and providing technical support for Steering Committee. The Ministry is directly responsible for achieving the project purpose and contributing to the achievement of overall objectives.

The MoEAC has set up the **Steering Committee (SC)** with PO as a chairman. The Committee is an inter-institutional body that is composed of the representatives of ECD, Ministry of Finance, Ministry of Economic Affairs and Communications, representative of the City of Tartu, Enterprise Estonia and social partners. The Steering Committee reviews, comments on and approves the reports and work plans of the project, discusses and authorises changes in project implementation plan and resource allocation.

The link between the MoEAC and the EE is ensured through the Economic Development Department of the MoEAC, which works directly under the guidance of PO. The PO is responsible for monitoring the progress and planning of projects by EE and is accountable to the PAO and ECD.

Twice a year the Ministry of Economic Affairs and Communications (MoEAC) submits the Report of ESC Programme under the MoEAC to the Ministry of Finance. Monitoring Reports on MoEAC Phare projects will be discussed in Internal Market/Transportation Monitoring Sub-Committee.

On yearly basis the overall monitoring report is presented to the Joint Monitoring Committee.

**Tasks:**
- Providing national co-financing;
- Monitoring results and impact;
- Proposing corrective actions.

**PO:** Mr. Raul Malmstein  
**Title:** Deputy Secretary General of Economic Development
6.1.3 Technical Implementation Unit (Enterprise Estonia)

Enterprise Estonia was founded by the Government in 2000, it consists of seven agencies: Regional Development Agency, Tourist Board, Technology Agency, Export Agency, Investment Agency, Ida-Viru Agency in Jõhvi and South-Estonian Agency in Tartu. Altogether there are above 110 employees, the number is constantly increasing.

According to the contract between MoEAC, MoF and Enterprise Estonia, the Technical Implementation Unit of the project is Enterprise Estonia (EE). In March 2002 a Phare Unit was established in EE with the objective to provide technical support to MoEAC in implementing the Economic and Social Cohesion (ESC) projects.

Responsibilities of Enterprise Estonia/ PO:
- Providing technical assistance to the project beneficiary
- Preparation of tender documentation
- Preparation of the standard formats and calendar for reporting of contractors;
- Submitting the composition of the tender Evaluation Committee to the PAO for approval;
- Organising the tender Evaluation Committee meetings;
- Examination of the Evaluation Reports and submitting to the PAO for approval;
- Follow up of the progress and planning of project;
- Conducting the general control of the implementation of the project, approval of project reports;
- Submitting request of payments of beneficiary to PAO for approval;
- Regular reporting to PO and Steering Committee.

The overall responsible person of the project: Mrs. Kerstin Liiva
Title: Head of Phare Unit
Institution: Enterprise Estonia
Address: Roosikrantsi 11, 10119 Tallinn, Estonia
Tel: +372 6 279 729
Fax: +372 6 279 427
6.1.4 Beneficiaries:

Tartu Science Park (TSP) was established in 1992 as a municipal company. The direct beneficiary of the project is Tartu Science Park Foundation, established in 1996 as an independent not-for-profit legal entity. It is governed by 8-member Supervisory Board made up of representatives of the founders.

The aim of TSP is creation of a favourable environment for the emergence and development of science- and knowledge-intensive business activities.

TSP has three main fields of activity:

- Incubation Centre for knowledge-intensive companies;
- Technology transfer units to support start-ups and introduce novel technologies – Laser Chamber & Information and Communication Technology Centre;
- TSP is one of the coordinators of regional innovation policies and projects, developing new technological parks and industrial parks regionally.

For further description, see Annex 8.

Financial control of the Foundation:

The rules for financial control of all foundations in Estonia, including Tartu Science Park Foundation, are laid down in the Foundations Act\(^5\). The law defines two mechanisms of financial control. First it is stipulated that every foundation must have a yearly external audit of all its accounts. The audit report together with financial and activity report is presented to the Supervisory Board of the Foundation, which is nominated by the founders of the Foundation. Thus, adequate financial control and transparency are ensured by an external auditor and Supervisory Board, acting independently of each other. The Supervisory Council of Tartu Science Park has decided to hire from year 2004 onwards an auditing company with international experience and track record to enable better assess increasing number of international and EU project where Science Park is involved.

**The representative of the beneficiary:** Mr. Toomas Noorem

**Title:** Director of Tartu Science Park Foundation

**Institution:** Tartu Science Park Foundation

**Address:** Riia str. 185, Tartu 51014, Estonia

**Tel:** +372 7 428 715

**Fax:** +372 7 383 041

**E-mail:** toomas.noorem@park.tartu.ee

Mr. Toomas Noorem is also the person responsible for the management of the project from the beneficiary’s side. Assistant project manager dealing with day-to-day management of the project in Tartu Science Park will be hired before implementation.

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\(^5\) RT I 1995, 92, 1604
Extended Decentralised Implementation System (EDIS)
Under EDIS the functions and tasks of all relevant bodies involved remain similar to the DIS procedures described above. The primary difference will be in that the ex-ante control will not be carried out by the ECD but by the Foreign Financing Department of the Ministry of Finance. The division of tasks between CFCU and ECD may thereby be revised accordingly after CFCU has received the accreditation. All specific provisions for the implementation and control mechanisms will be ensured by the Ministry of Finance and elaborated by the summer of 2003.

The provisional EDIS time schedule is the following:
Phase 1: Gap assessment – already completed;
Phase 2: Preparations for EDIS based on the gap assessment – May-August 2003;
EDIS system will presumably begin in the beginning of 2004.

6.3 Twinning

No twinning arrangements are envisaged in the project.

6.4 Non-standard aspects

No no-standard aspects are foreseen.

6.5 Contracts (Phare only)

- **Service contract**: Technical design for renovation and construction of TSP premises. December 2003-February 2004 134 000 EUR (100 000 EUR Phare).
- **Works contract** – Renovation and construction of 3000 m² space of Tartu Science Park premises: July 2004 – September 2005; 1 200 000 EUR (900 000 EUR Phare).

7. Implementation Schedule

7.1 **Start of tendering/call for proposals**: September 2003

7.2 **Start of project activity**: December 2003

7.3 **Project Completion**: September 2005

8. Equal Opportunity

- The PO will ensure equal opportunities for women, men and minorities during the implementation of the project.
- The Estonian laws and regulations concerning the equal opportunities for women, men and minorities will strictly be followed.
- During the implementation the project there will be no discrimination on the grounds of race, sex, sexual orientation, mother tongue, religion, political opinion, national or social origin and birth. Equal opportunities for women, men and minorities will be ensured by the Steering Committee during the implementation of the project.
- Equal opportunity for men and women to participate in the project will be measured by recording the experts and consultants employed.

9. Environment
The Tartu City government has officially confirmed in February 2003, that this project is not subject to carrying out of Environmental Impact Assessment.

10. Rates of return

The office, laboratory and production space renovated under this project would create rental income from the incubants and other tenants. According to the Tartu Science Park’s Business Plan (from July 2002) any revenues from the real estate operations of the TSP that surpass direct infrastructure maintenance costs are spent on business development or “soft” services. So, the real estate component and the business development services component of the TSP’s budget are inseparable.

The last several years have witnessed the increase in the average quality of the TSP’s tenant companies – the average value-added per employee as well as the average company profile has shown improvement compared to 1999. At the present the average value-added per employee of the TSP’s tenant companies is estimated around 10,000 EUR. New business support services of better quality ensure at least 20 per cent increase in the average value-added by the completion of the project.

The rate of return on investments into TT infrastructure, aimed at supporting the innovation processes is measured by the ability to generate the following impacts: increase in R&D and innovations activity, number of new knowledge-based companies, growth of existing companies, increase of public taxes paid by the companies and employees, new working places in TSP companies and in region, inflow of foreign investments. It should be emphasized that, according to it’s Statutes and Business Plan, the TSP Foundation is obliged to re-invest any profit that it may create into the development of the park.

An estimation of rate of return of the investment was included within the feasibility study for the project conducted by OÜ Geomedia in 2003. The analysis concluded that the rate of return, based on financial indicators alone would be 7%, and rate of return considering all the aforementioned indicators would be around 23%, both which are above the rate of return criteria of 5% mentioned in the Phare programming guide. The economic NPV is positive in the sum of 1.4 MEUR with discount rate of 6%.

11. Investment criteria

11.1 Catalytic effect:
The project is a major step ahead in the development of the so-called Silicon campus in Tartu. This helps to bring closer enterprises and research centres in order to support the development of innovative enterprises. The resultant increase in turnover and value-added per employee of the companies facilitates convergence processes between Estonia and the European Union.

11.2 Co-financing:
- At least 25% of financing will be allocated from the founders (Tartu City and the State of Estonia) of the Beneficiary – Tartu Science Park Foundation.
- Additionally:
  - TSP tenant companies have invested in improvement of infrastructure of TSP and will continue investing in the future.
  - TSP industrial partners will continue co-financing of TSP activities in promotion of start-up entrepreneurship in the field of ICT. The biggest contributor is the biggest local mobile operator - EMT.
11.3 Additionality:
Phare grants do not replace other financiers (mainly different National Support Programs). If
public support arises, the interest of financiers from the private sector or IFIs will arise as well.

Potential tenants of TSP have expressed willingness to invest approximately 360 000 EUR into
renovation of approximately 750 m² of office space not included in this project if the Phare
assistance is granted to the project. More of such investments may be expected, since
experience from SPP Pilot Project No.2 shows that about 300 000 EUR of public investments
into TSP infrastructure were coupled by investments from the tenants of TSP in the amount of
approximately 130 000 EUR.

An agreement reached by local real-estate experts during preparation of the TSP Business Plan
was that TSP is unlikely to attract private investments in its current state but initial investment
from public funds will increase its attractiveness to private real-estate developers and will draw
additional investments.

The renovated buildings would act as a collateral, allowing TSP to include loan capital for
further investments into its development.

Increased revenues arising from rental of the renovated space would strengthen the financial
position of TSP, allowing it to contribute the necessary co-financing to more innovation
support projects and thus attract additional financing for its services.

11.4 Project readiness and Size:
- Tartu Science Park business plan is approved by the Supervisory Board and the founders.
- Local experts in beginning of year 2003 made the feasibility study of investment.
- Technical design will be completed in the frame of the project
- The total of Phare financing of the project is **1 000 000 EUR**

11.5 Sustainability:
- The investment will be financially sustainable after the completion of the project as the
  internal rate of return analysis reveals. Information regarding the profitability and
  sustainability of TSP operations including the effect of the proposed investment can be
  found in Annex 12.
- Beneficiary will assure future maintenance and operating costs of the buildings, approx.
  150 000 EUR per year, to be covered from rents from tenants. The expected cost for
  maintenance and operation is based on long-term experiences of running of comparable
  facilities. The detailed description of revenue sources has been provided in the Feasibility
  Study of the project.
- The Estonian government plans to introduce a special measure to support incubation
  centres in the near future. The European Commission is currently supporting the
  technology transfer promotion services as part of the IRC network, and the program is
  foreseen to continue for next several years. The financial consultancy services’ market
  (innovation project financing) will emerge in the next years as the Government expands its
  innovation financing to accomplish goals set in the National R&D Strategy and TSP has
  good position in this market through good in-house competence and excellent track-record,
  without any state subsidies.
- The current and forthcoming national innovation support schemes and programmes
  (SPINNO, Competence Centres), also possibly co-financed in the future by EU Structural
Funds, contribute to the sustainability and development of the activities and thus ensure the effective functioning of local innovation support system as a whole.

- As one of the founders of the TSP and acknowledging its importance to its policies, the State is determined to contribute to the sustainability of TSP operations according to its objectives. If needed, public funds will be used to cover the maintenance and potential replacement of the buildings and equipment as well as the running costs of the incubator in the absence of other sources of financing.

11.6 Compliance with state aids provisions:

- State aid is regulated by Estonian Competition Law, which is harmonised and in compliance with European Union regulations.
- All state aid provisions deriving from the Estonian Competition Law will strictly be followed during the implementation of the project.

12. Conditionality and sequencing

12.1 Conditionality

- Project manager in Tartu Science Park will be hired by September 2003.
- The investment will be fully consistent with the content of the draft SPD its current version at the date of implementation of the project.
- The government (Ministry of Economic Affairs and Communications) guarantees the sustainability of Tartu Science Park due to its strategic importance. Maintenance and replacement costs for the building and equipment will be supported by public funds in the absence of other sources of financing. Contract 2 is conditional upon evidence of the availability of necessary public funds to cover the running costs of the building as well as necessary provisions for depreciation.
- Tartu University will give long-term usage rights of the land on which the incubator will be located to the Tartu Science Park Foundation. The start of the project is conditional upon:
  - a binding letter from Tartu University to Tartu Science Park Foundation and the Ministry of Economic Affairs and Communications, which explicitly states the commitment to grant these long-term usage rights of the land, after the ownership rights have been granted to the university by the State;
  - as well as upon the conclusion of a long-term rental contract for the incubator building between Tartu University and Tartu Science Park Foundation pending devolution of the long-term usage rights.

12.2 Sequencing

- Phare 2000 Carin project completed in 2003, before starting the activities of the present project.
- Tendering and contracting process for compilation of technical design and drawings (September 2003 – November 2003)
- Compilation of technical design and drawings (December 2003 - February 2004);
- Preparation of works tender dossier for the renovation and construction of TSP premises in co-operation of beneficiary and Enterprise Estonia (December 2003 – February 2004);
- Tendering and contracting process for the renovation and construction (March 2004 – June 2004)
- Renovation and construction works (July 2004 – September 2005).
Annexes to Project Fiche

ANNEX 1 – Logical framework matrix
ANNEX 2 – Time implementation chart
ANNEX 3 – Contracting and disbursement schedule
ANNEX 4 – Overall description of the Project
ANNEX 5 – Structure and organogramme of Enterprise Estonia
ANNEX 6 – Problem tree of SPD
ANNEX 7 – Business Plan of Tartu Science Park for 2002-2004
ANNEX 8 – Beneficiaries of the project
ANNEX 9 – Incubation Rules of Tartu Science Park
ANNEX 10 – Price list of incubation services of Tartu Science Park
ANNEX 11 – The statutes of Tartu Science Park Foundation
ANNEX 12 – TSP rental revenue and expenditure forecast 2003-2015

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6 The business plan is in the process of being updated by the management of TSP to reflect the change in current situation and to take into account the results of the incubation study by Kurik / Rowmaat.
### Development of the Tartu Science Park

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total budget:</td>
<td>1 334 000 EUR</td>
<td>Phare budget: 1 000 000 EUR</td>
</tr>
</tbody>
</table>

#### Overall Objective

**Objective**: Sustainable growth of the business-sector in South-Estonia through improvement of high value-added technology-based businesses.

**Objectively Verifiable Indicators**

- Min. of 120 new enterprises / spin-offs etc. incubated by end 2015
- Min. of 1 000 net jobs (FTE) created by end 2015
- Min. of 7 new incubants annually accepted to TSP by year 2010
- Min. of 14 new incubants annually accepted to TSP by 2015
- Survival rate of the incubated companies min. 80%

**Sources of Verification**

- Tartu Park; MoEAC
- Tartu Park; MoEAC

#### Project Purpose

**Project Purpose**: Expansion of Tartu Science Park’s incubation centre.

**Objectively Verifiable Indicators**

- Min. of 50 new enterprises / spin-offs etc. incubated by end 2010
- Min. of 300 net jobs (FTE) created by end 2010

**Sources of Verification**

- Tartu Park; MoEAC
- Tartu Park; MoEAC

**Assumptions**

- Stable macroeconomic development and favourable legal framework
- SPINNO and other EE programs contributes to the development of soft services and technology transfer activities
- Fruitful co-operation
### Results

Considerable share of TSP buildings modernised.

The number of incubation companies in TSP will increase.

New jobs will be created within the target sectors of TSP.

Innovation support capacities of TSP will increase.

- Approx. 5340 m² of renovated or constructed office, laboratory and production space available by end 2005
- Min. of 85% of floor-space utilised by end 2006
- Min. of 75% occupants ‘satisfied’ or ‘very satisfied’ with park services provided by end 2006
- Number of incubants in TSP doubled by end 2006 compared to 2002 level
- Additional 140 people working in TSP tenant companies by end 2006
- 2 additional consultants hired by end 2005, amount of soft services provided to the incubants have tripled by end 2006 compared to 2002 level

### Objectively Verifiable Indicators

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive co-operation between research centres / enterprises</td>
<td>- Tartu Park; MoEAC</td>
</tr>
<tr>
<td>Support of regional and local authorities to the activity</td>
<td>- Tartu Park; MoEAC</td>
</tr>
<tr>
<td>Interest and support from final target groups</td>
<td>- Tartu Park; MoEAC</td>
</tr>
</tbody>
</table>

### Activities

1. Technical design for renovation and construction of TSP premises.
2. Renovation and construction of TSP premises.

- Service contract for compilation of technical design.
- Works contract for renovation and construction of TSP premises

### Means

<table>
<thead>
<tr>
<th>Cost (EUR)</th>
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</thead>
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<tr>
<td>Phare</td>
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<td>100 000</td>
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<tr>
<td>900 000</td>
</tr>
<tr>
<td>National co-financing</td>
</tr>
<tr>
<td>34 000</td>
</tr>
<tr>
<td>300 000</td>
</tr>
</tbody>
</table>

### Assumptions

Funding of project according to agreed work-plan
Preconditions
Phare 2000 ESC Carin project completed in 2003, before starting the activities of the present project. Project manager in Tartu Science Park will be hired by September 2003. The investment will be fully consistent with the content of the draft SPD its current version at the date of implementation of the project. The government (Ministry of Economic Affairs and Communications) guarantees the sustainability of Tartu Science Park due to its strategic importance. Maintenance and replacement costs for the building and equipment will be supported by public funds in the absence of other sources of financing. Contract 2 is conditional upon evidence of the availability of necessary public funds to cover the running costs of the building as well as necessary provisions for depreciation.

Tartu University will give long-term usage rights of the land on which the incubator will be located to the Tartu Science Park. The start of the project is conditional upon:
- a binding letter from Tartu University to Tartu Science Park and the Ministry of Economic Affairs and Communications, which explicitly states the commitment to grant these long-term usage rights,
- as well as upon the conclusion of a long-term rental contract between Tartu University and Tartu Science Park pending devolution of the long-term usage rights.

before the project starts
ANNEX 2. TIME IMPLEMENTATION CHART
Project N°: ES
Project Title: “Development of the Tartu Science Park”

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>J</td>
<td>M</td>
<td>A</td>
</tr>
<tr>
<td>1. Service contract - Technical design for renovation and construction of TSP premises</td>
<td>T</td>
<td>T</td>
<td>C</td>
</tr>
<tr>
<td>2. Works contract – Renovation and construction of Tartu Science Park premises</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEX 3. CONTRACTING AND DISBURSEMENT SCHEDULE
Project N°: ES
Project Title: “Development of the Tartu Science Park”

CUMULATIVE CONTRACTING SCHEDULE

<table>
<thead>
<tr>
<th>Year</th>
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<th>2004</th>
<th>2005</th>
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<th>(EUR)</th>
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</thead>
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<td>Quarter</td>
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<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Investment (EUR)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Service contract: Technical design for renovation and construction of TSP premises</td>
<td>80 000</td>
<td>100 000</td>
<td>100 000</td>
<td>100 000</td>
<td>100 000</td>
</tr>
<tr>
<td>2. Works contract – Renovation and construction of Tartu Science Park premises</td>
<td>800 000</td>
<td>900 000</td>
<td>900 000</td>
<td>900 000</td>
<td>900 000</td>
</tr>
<tr>
<td></td>
<td>80 000</td>
<td>100 000</td>
<td>900 000</td>
<td>1 000 000</td>
<td>1 000 000</td>
</tr>
</tbody>
</table>

CUMULATIVE DISBURSEMENT SCHEDULE

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>TOTAL</th>
<th>(EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
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<tr>
<td>Investment (EUR)</td>
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</tr>
<tr>
<td>1. Service contract: Technical design for renovation and construction of TSP premises</td>
<td>80 000</td>
<td>100 000</td>
<td>100 000</td>
<td>100 000</td>
<td>100 000</td>
</tr>
<tr>
<td>2. Works contract – Renovation and construction of Tartu Science Park premises</td>
<td>200 000</td>
<td>350 000</td>
<td>450 000</td>
<td>650 000</td>
<td>900 000</td>
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<tr>
<td>TOTAL</td>
<td>80 000</td>
<td>100 000</td>
<td>100 000</td>
<td>300 000</td>
<td>450 000</td>
</tr>
</tbody>
</table>
ANNEX 4– Overall description of the Project:

The project addresses the need to enhance the Estonian innovation system. This need was explicitly pointed out in the Estonian R&D Strategy “Knowledge-based Estonia” for 2002-2006, where the activities were envisaged to develop a full-scale science/technology park in Tartu. Furthermore, at the present (and potentially in the future) most of the tenant companies of the TSP are either ICT or material technology companies. As a consequence the current proposal also addresses two of the three key areas (along with biotechnology), which the Estonian innovation system has been designed to focus on.

The starting points for this proposal are given by the Business Plan of the TSP (adopted by the extended Supervisory Board in July 2002). Internationally recognized experts from the most successful science/technology parks all over the world took part in the preparatory work (seminars in Tartu and Tallinn) as well as the local experts in the fields of real estate development, marketing, business development, organizational behaviour, etc. The founders of the TSP on a consensual basis accepted the result.

The Business Plan outlined several obligatory steps to follow in order to shape the TSP into a full-scale science park. These steps can be divided into two components: the infrastructural component and the so-called “soft” component. The former include the modernization of the TSP’s area to attract more private sector and foreign investments to the TSP. Although 200 000 EUR of private sector money has been invested into the TSP lately, public sector initiative would encourage private companies to invest more money into innovation support system and thus would bridge R&D community and business community. The present situation with mutual distrust between the two communities is the biggest challenge the Estonian R&D Strategy addresses. The initial costs associated with the mentioned modernization will be covered in the framework of the present project.

The “soft” component consists of different business development services, which assist to the growth and internationalization of the innovative companies (esp. start-ups) in the South Estonian and East Estonian regions. The Business Plan foresees the need to improve the quality of already existent services and to introduce new services. At the present the TSP provides business consultancy for start-ups, basic training for entrepreneurs, trans-national technology transfer support, organizes courses at the University of Tartu, initiates local networking etc. The TSP has been behind number of active business contacts between Estonian and EU companies by organizing company missions. The activities of the TSP have lead to the creation of several new ventures (esp. in the ICT field) during the last year and a half.

The present project includes renovation and construction of part of Tartu Science Park premises (complex of buildings on Riia Str. 185/185A/185 B/185C/185D/181A) based on TSP detail planning from year 2000. The renovation and construction works concern the building at Riia Str. 181A. The whole building will be renovated, with volumes as described in the following table:

<table>
<thead>
<tr>
<th>Table 1</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Area to be renovated</td>
<td>1900 m²</td>
</tr>
<tr>
<td>Area to be constructed</td>
<td>1100 m²</td>
</tr>
<tr>
<td>Total area to be renovated/constructed</td>
<td>3000 m²</td>
</tr>
<tr>
<td>Percentage of useful space</td>
<td>75%</td>
</tr>
<tr>
<td>Description</td>
<td>Area</td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Total useful space after renovation/construction</td>
<td>2250 m²</td>
</tr>
<tr>
<td>Useful space allocated for incubation center</td>
<td>2250 m²</td>
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</tbody>
</table>

Compilation of technical project and drawings financed from the founders of TSP is planned from September 2003 to December 2003; the planned cost is 134 000 EUR. The renovation and construction works financed from Phare funds are planned from July 2004 to July 2005. The total cost is 1 200 000 EUR (including general construction works and maintenance of the territory, communications and IT networks with necessary equipment, office appliances and furniture).
Annex 5
Structure of Enterprise Estonia
ANNEX 6


Emphasized areas (with shaded background and bold text)
Indicate TSP Phare project problem tree.
ANNEX 8 – Beneficiaries of the project

The direct beneficiary of the project is Tartu Science Park Foundation (Sihtasutus Tartu Teaduspark).

Tartu Science Park (TSP) was established in 1992 as a municipal company. In 1996 Tartu Science Park Foundation, an independent not-for-profit legal entity, was established by five founders: City of Tartu, Tartu County Government (as a representative of the Estonian State), University of Tartu, Estonian Agricultural University and Institute of Physics. Each of the founders has its representative(s) in an 8-member Supervisory Board. The Ministry of Economic Affairs and Communications and the Tartu University Clinics have also their representatives in the Supervisory Board.

General goal of TSP is creation of a favourable environment for the emergence and development of science- and knowledge-intensive business activities.

TSP is located in the outskirts of Tartu and occupies an area of 0.8 ha with 5,100 m² of heatable rooms and 800 m² of roofed warehouse area. TSP is surrounded by several research institutes (Institute of Physics of Tartu University, Institute of Technology of Tartu University, Institute of Zoology and Botany of Estonian Agricultural University) with their expertise and workshops (optics, electronics, mechanics, and glassworks). TSP offers services for the TSP companies, supports the launch of new R&D-based businesses, administers and maintains the TSP buildings and territory.

TSP has nowadays three main fields of activity:
- Incubation Centre for knowledge-intensive companies;
- Technology transfer units to support start-ups and introduce novel technologies – Laser Chamber & Information and Communication Technology Centre;
- TSP is one of the coordinators of regional innovation policies and projects.

TSP has 26 tenant companies incl. knowledge-intensive start-ups and service companies. The industrial partners’ list of TSP includes the biggest national mobile operator EMT, the biggest equipment supplier Ericsson Estonia, etc. TSP was one of the initiators and is a major shareholder of the Tartu Biotechnology Park Ltd founded in 2001. The aim of the company is to establish in Tartu a thematic science park for biotechnology and health care sector. TSP is a member of several international networks incl the International Association of Science Parks (IASP).

The aim of the day-to-day activities of the Tartu Science Park Foundation – to develop a full-scale science park – as well as the accompanying synergetic effects, is supported also by the companies based in the TSP. This support is, among other things, also expressed in private sector investments in the development of the infrastructure of the Park (in 2000-2001 - ca 2.5 million Estonian kroons).

TSP as a member of the regular round-table discussions of all parties interested in regional innovation support has signed the protocol of intent for joint activities and tight collaboration in the field of innovation support.

The other beneficiaries from the project are knowledge-intensive companies (mainly in the field of ICT and material technologies), local and regional authorities. Indirect beneficiary is in broader means all Estonian economy.
ANNEX 9 – Operating principles of TSP technology incubator and the order of applying for incubation services

1. General Principles

1.1. The current operating principles of TSP technology incubator (from here onwards referred to as Principles) regulates the organization of operation of the incubator of Tartu Science Park (from here onwards TSP), application for the services rendered by the incubator as well as processing and evaluating those applications.

1.2. Goals of the technology incubator are:
   a. provision of the emergence, viability and growth capacity of new innovative enterprises
   b. creation of new primarily highly qualified jobs
   c. channeling the output of students and authors of market capable research and development works into business.

1.3. Client companies using the services of the technology incubator – called incubation services (see chapter 2) – and physically located in the technology incubator premises will be called tenants.

1.4. Incubation services will be offered to tenants during two years, the period can be prolonged by one year pending the decision of the Management of TSP.

1.5. Contracts with tenants and recipients of incubation services will be signed by the Management of TSP.

1.6. The order of provision of incubation services of the technology incubator and the formats of standard contracts will be appointed by the Supervisory Board of TSP (from here onwards Board).

2. The principal activity of the technology incubator and incubation services

2.1. The principal activity of the technology incubator is the provision of such services to tenants that allow starting up innovative entrepreneurs to:

   2.1.1. focus on their core activities;
   2.1.2. save expenses as compared to acting on their own (so called “shared service effect”);
   2.1.3. increase the efficacy and flexibility of their activities;
   2.1.4. adequately evaluate their perspective and stay informed about other (incl. Financing) support structures for entrepreneurship.

2.2. The basic set of services offered by (or mediated by) the technology incubator includes:

   2.2.1. initial analysis of a business idea and evaluation of its market potential;
   2.2.2. physical infrastructure related services:
   2.2.2.1. utility services (electricity, heating, ventilation, water, waste management);
   2.2.2.2. technical maintenance of rooms and equipment;
   2.2.2.3. communications and IT services, including telephone, fax, and postal services; high-quality internet connection;
   2.2.2.4. office services including accounting services, recruitment services; secretarial services, guest reception, translation and copying services; equipped seminar room.

   2.2.3. business development services:
       2.2.3.1. technological assessment of new business projects;
       2.2.3.2. ensuring the availability of necessary laboratory equipment and supplies and experiment- and measuring services, technological support, connections to research and science institutions;
       2.2.3.3. technology transfer related information and consulting;
2.2.3.4. legal, management and financial consulting;
2.2.3.5. assistance in finding seed capital and other financing, including compilation of applications.

2.2.4. marketing and cooperation networks:
2.2.4.1. spreading company information;
2.2.4.2. search for cooperation and business partners, assistance in international communication;
2.2.4.3. arranging contact seminars and brokerage events and participation in such events.

2.3. Incubation services mentioned in 2.2. can be used by companies / entrepreneurs that have been given the status of tenant of TSP technology incubator in accordance with the procedures described in this document.

2.4. In cases when nature of the company makes physically locating in the Technology Incubator ineffective, it needs to obtain the status of tenant of TSP Technology Incubator in accordance with the procedures described in this document to receive incubation services mentioned under 2.2.3 – 2.2.4.

3. Eligibility for the status of tenant of Technology Incubator.

3.1. The status of tenant of Technology Incubator can be applied for by a business company or a sole trader registered in the Central Commercial Register of Estonia fulfilling the following conditions:
3.1.1. no more than 2 years have passed since initial registration (the time of registration in the Tax Office Register counts for sole trader as well);
3.1.2. company is free of tax liabilities
3.1.3. no liquidation or bankruptcy procedures have been started with regard to the company

3.2. Incubation services will normally not be provided to firms / projects in the following fields:
3.2.1. financial services and real estate development,
3.2.2. production and sales of alcohol and tobacco products,
3.2.3. organization of gambling
3.2.4. agricultural production and fishing industry
3.2.5. transport services

3.3. Incubation services will normally not be provided to firms / projects that do not have innovative content and are not based on knowledge intensive activities.

4. Applications

4.1. The rules of applying for the status of tenant of Technology Incubator and for incubation services according to present document and application forms are available on the web page of Tartu Science Park (http://www.park.tartu.ee/inkubatsioon).

4.2. Application forms for the status of tenant of Technology Incubator and for the incubation services will be confirmed by the Supervisory Board.

4.3. The applicant shall submit a pro forma application with all the required documents to Tartu Science Park (Riia 185, 51015, Tartu, Estonia).

4.4. Tenders for Technology Incubator tenancy shall be held depending on the emergence of free places in the incubator (arising from endings of incubation period or withdrawals of tenants / clients).

4.5. The abovementioned tenders will be announced by the notice of managing director of TSP and published in national print- and electronic media.

5. The procedure of appointing the status of Technology Incubator tenant.

5.1. Becoming a tenant of the technology incubator shall take place through public competitions where participants are found through announcements published in press and on various seminars and
contact events targeted towards the client base of Tartu Science Park, Tartu University and Estonian Agricultural University.

5.2. If the application is submitted pro forma, Management of Tartu Science Park shall carry out primary assessment of market sustainability of the project and, should the need arise, appoint a TSP consultant in cooperation with whom the applicant shall further develop her business plan.

5.3. The primary evaluation criteria are:
5.3.1. quality of the business plan (technology, marketing, financing, management);
5.3.2. market capability and growth orientation
5.3.3. entrepreneurial abilities of the applicant
5.3.4. relatedness of its business activities to the target sectors of TSP and its existing set of companies

6. **The principles of financing incubation services**

6.1. Services rendered by the Technology Incubator will be supported by Enterprise Estonia based on the price list in Annex 1.

6.2. Pre-incubation analysis and evaluation (2.2.1.) is free of charge for the applicants of Technology Incubator tenant status.

6.3. Tenants shall pay for the services of Technology Incubator related to physical infrastructure (2.2.2.) based on their cost or sourcing price for the incubator, whereas the payment can be deferred upon agreement with the Management of Technology Incubator.

6.4. Enterprises in the status of tenant of Technology Incubator can receive incubation services mentioned in 2.2.3. and 2.2.4 for free in the amount of nine hours of consultation- and brokerage services per quarter.

6.5. Price list of the services of Technology Incubator shall be approved by the Supervisory Board.

7. **Assessment, evaluation and approval of applications**

7.1. Evaluation of applications shall be carried out by the Supervisory Board.

7.2. Initial assessment of the applications shall be organised by the Management of TSP, submitting their evaluation results and suggestions to the Supervisory Board for final approval.

7.3. The Supervisory Board decides upon conferring the status of tenant to the applicant on the basis of criteria mentioned in 5.3. and the opinions of Management and/or the consultant involved in co-development of the applicants business plan.

7.4. Meetings of the Supervisory Board will be recorded.

7.5. Tartu Science Park shall inform the applicants in writing during 10 (ten) working days since reaching a decision.

7.6. Decision of the Supervisory Board shall be the basis on which Management of TSP shall sign a contract concerning the rendering of incubation services and / or rental of space.

8. **Discontinuation of the status of Technology Incubator tenant.**

8.1. Status of Technology Incubator tenant is valid for two years from the moment of signing a contract between TSP and the tenant concerning the rendering of incubation services and / or rental of space.

8.2. Upon expiry, the status of Technology Incubator tenant can be prolonged for additional period of maximum one year pending the approval of Management of TSP.
8.2.1. To prolong its status as a tenant, the tenant must submit an application to the Management of TSP explaining the reasons for needing such prolongation.

8.2.2. The decision to prolong the status of Technology Incubator tenant will be based on its potential contribution towards achieving the goals stated in the business plan of the tenant.

8.3. The status of Technology Incubator tenant can be revoked in cases of considerable discrepancy from the business plan of the company indicating its inability to realize the business plan.

8.3.1. Tenants will be assessed semiannually by the Management of TSP concerning the existence of such cases.

9. Reporting and Control

9.1. Technology Incubator is obliged to present quarterly reports to the Supervisory Board.

9.2. Tenants of the Technology Incubator and recipients of incubation services must report as stated in their rental- and incubation services contracts.

9.3. Reporting forms are inseparable part of standard contract approved by the Supervisory Board.

9.4. In cases when the tenant of Technology Incubator does not use its status purposefully, i.e. for realisation of activities described in the business plan submitted on application, the management of Technology Incubator may terminate its rental- and/or incubation services contract according to conditions in the standard contract.
## ANNEX 10 Price list of incubation services:

<table>
<thead>
<tr>
<th>Item</th>
<th>Price</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental of office/laboratory space</td>
<td>55kr/m² per month</td>
<td>Incl. 17,5 kr/m² support from Enterprise Estonia</td>
</tr>
<tr>
<td>Consultations</td>
<td>9 h per quarter free 500 kr/h</td>
<td>Incl 4500 kr per quarter support from Enterprise Estonia Service offered by Neuron Systems</td>
</tr>
<tr>
<td>Internet</td>
<td>120 kr per month</td>
<td></td>
</tr>
<tr>
<td>Copying, printing</td>
<td>0.50 kr per page</td>
<td></td>
</tr>
<tr>
<td>Incoming fax</td>
<td>Free</td>
<td></td>
</tr>
<tr>
<td>Outgoing fax</td>
<td>Call price</td>
<td></td>
</tr>
<tr>
<td>Rental of seminar room</td>
<td>500 kr/day</td>
<td>20 – 30 places</td>
</tr>
<tr>
<td>Rental of meeting room</td>
<td>50 kr/h</td>
<td>10 – 15 places</td>
</tr>
<tr>
<td>Rental of computer class</td>
<td>2000 kr/day</td>
<td>7 – 10 places</td>
</tr>
<tr>
<td>Rental of data projector</td>
<td>200 kr/day</td>
<td></td>
</tr>
<tr>
<td>Standard repair and</td>
<td>Included in rental charges</td>
<td></td>
</tr>
<tr>
<td>maintenance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extra repair and</td>
<td>150 kr/h</td>
<td>1 – 2 repairmen</td>
</tr>
<tr>
<td>maintenance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* VAT will be added to all prices, except rental of space

Consultations are services mentioned under 2.2.3 and 2.2.4 of Operating principles of TSP technology incubator and the order of applying for incubation services.
ANNEX 11 Statutes of Tartu Science Park Foundation:

Tartu Science Park Foundation
STATUTES

1.1. The name of the Foundation is Sihtasutus Tartu Teaduspark.
1.2. The domicile of the Foundation is the City of Tartu, Republic of Estonia.
1.3. The address of the Foundation is Riia 185, EE2400 Tartu.
1.4. The Foundation has been established for the management and use of assets with the following objectives:
   - application of the research potential of Tartu for the stimulation of science (and/or) technology intensive business activities;
   - valuing and encouragement of the entrepreneurial spirit and ability to succeed in Tartu and Southeast Estonia;
   - modernisation of innovative companies, raising their competitiveness;
   - maximum retention of research and engineering specialists in Tartu;
   - attraction of foreign capital to Tartu and Southeast Estonia;
   - creation of an exemplary infrastructure and aesthetically acceptable production and business environment;
   - support of the preservation of the cultural (arts) traditions of Tartu.
1.5. In order to achieve its objectives, the Foundation shall form and develop structures, through which ideas of science-intensive products and know-how shall be identified, processed, verified, developed into products and marketed. The Foundation shall also provide various services (information, advisory, advertising, communication, utilities, rental, etc. services) and shall provide/mediate credits and support to companies and individuals starting or developing science-intensive business activities.
1.6. The Foundation is a legal person according to private law.

2. Assets of the Foundation
2.1. The assets of the Foundation shall be formed from the tangible and intangible assets delivered to the Foundation by the founders, incl. from the total assets of the Tartu Science Park Municipal Development Company, other donations and targeted allocations, also from the revenues generated with the economic activities of the Foundation.
2.2. The Foundation can use its revenues only for the achievement of its statutory objectives.
2.3. The balance sheet of the Foundation shall contain a separate endowment for development activities, for which separate accounting records shall be opened. The endowment for development activities shall contain targeted funds allocated by the donors specifically to the endowment, and the tangible or intangible assets allocated for that purpose with a decision of the Supervisory Board of the Foundation. The credits and tax benefits granted to innovative companies by the Tartu Science Park Municipal Development Company shall also be transferred to the account of the endowment for development activities.
2.4. With the decision of the Supervisory Board of the Foundation also other endowments can be set up in the balance sheet of the Foundation.
2.5. The procedure of setting up endowments shall be approved with a decision of the Supervisory Board of the Foundation.
2.6. At the time of establishment of the Foundation the founders shall transfer their monetary payments to the bank accounts that shall be opened for that purpose, using the name Sihtasutus Tartu Teaduspark asutamisel (Tartu Science Park Foundation being established). Non-monetary
payments shall be delivered to the Foundation being establishment on the basis of deeds of delivery and acceptance.

2.7. The funds transferred to the Foundation at the time of establishment can be used in the name of the Foundation after the registration of the Foundation.

2.8. The founders shall deliver the monetary and non-monetary payments to the Foundation within three months from the adoption of the decision on the establishment and approval of the Statutes of the Foundation.

3. Management of the Foundation

3.1. The management bodies of the Foundation shall be the Management Board and the Supervisory Board.

3.2. Management Board

3.2.1. The Management Board shall be in charge of and shall represent the Foundation.

3.2.2. The Management Board can consist of two or three members. If the Management Board has three members, the Management Board members shall elect the Chairman of the Management Board from among themselves and the Chairman shall organise the activities of the Management Board.

3.2.3. A Management Board member cannot be a Supervisory Board member or be bankrupt.

3.2.4. The Management Board shall be guided by the legitimate orders of the Supervisory Board in the management of the Foundation. Any transactions exceeding the limits of day-to-day activities can be performed by the Management Board only with the consent of the Supervisory Board.

3.2.5. At least once every four months the Management Board shall submit to the Supervisory Board an overview of the economic activities and economic condition to the Supervisory Board and shall notify the Supervisory Board immediately of a considerable deterioration of the economic situation of the Foundation and other important circumstances related to the economic activities of the Foundation.

3.2.6. Each member of the Management Board shall have the right to represent the Foundation in all legal proceedings, unless otherwise specified in the law.

3.2.7. The right of the Management Board to represent the Foundation can be restricted with a decision of the Supervisory Board.

3.2.8. Any changes in the number of Management Board members or the composition of the Management Board, withdrawal of Management Board members and appointment of new members shall be decided by the Supervisory Board. The term of authorisation of the Management Board members shall be five years.

3.2.9. The Supervisory Board can withdraw a Management Board member for justified reasons, which are primarily a failure to fulfil his obligations to a considerable extent or an inability to manage the Foundation. The rights and obligations arising from the contract made with a Management Board member shall expire according to the contract.

3.2.10. The Supervisory Board shall establish the amount and payment procedure of the remuneration to be paid to Management Board members and it will be specified in the contract to be made with the member. The amount of the payment shall depend on the assignments of the Management Board member and on the economic situation of the Foundation.

3.2.11. A Management Board member shall have the right to claim compensation for the necessary expenses incurred in the fulfilment of his assignments.

3.2.12. Management Board members shall be jointly and severally responsible for the damage caused to the Foundation with their guilty violation of the requirements of the law or the Statutes or their improper fulfilment.

3.2.13. The Management Board members that have caused damage to the creditors of the Foundation through their guilty failure to fulfil or improper fulfilment of their obligations shall be responsible before creditors jointly and severally with the Foundation.

3.3. Supervisory Board

3.3.1. The Supervisory Board shall plan the activities of the Foundation, arrange the management of the Foundation and supervise the activities of the Foundation.
3.3.2. The Management Board needs the consent of the Supervisory Board for the performance of transactions that exceed the limits of day-to-day economic activities, primarily for the transactions accompanied by:
1) the acquisition or termination of ownership in a business organisation,
2) alienation of real estate or movables recorded in the register, also their encumbering with property rights,
3) making lease contracts, granting of credits and support.
The Supervisory Board may establish, in which conditions the Management Board shall have the right to perform such transactions without the consent of the Supervisory Board. The consent of the Supervisory Board is not necessary, if a delay in making the transaction would entail considerable damage to the Foundation.
3.3.3. In order to fulfil its obligations, the Supervisory Board shall have the right to see all documents of the Foundation and to check the correctness of accounting records, existence of assets, also the conformity of the activities of the Foundation with the law, with the Statutes and with the decisions of the meetings of the Supervisory Board.
3.3.4. The Supervisory Board shall have the right to receive information from the Management Board about the activities of the Foundation and to request the operating report and balance sheet from the Management Board.
3.3.5. The Supervisory Board shall represent the Foundation in disputes and transactions with Management Board members.
3.3.6. The Supervisory Board shall consist of 8 members; two members shall be appointed by the City of Tartu, two by the University of Tartu, one by the Clinic of University of Tartu, one member by the Tartu County Governor, one member by the Institute of Physics and one member by the Estonian Agricultural University.
3.3.7. The term of authorisation of the Supervisory Board shall be five years.
3.3.8. A founder shall have the right to withdraw a Supervisory Board member appointed by it and to appoint a new member instead. In case of the liquidation of a Founder the Supervisory Board shall have the respective right.
3.3.9. A Supervisory Board member cannot be a Management Board member or an auditor or a person equivalent with them by their economic interests, or be bankrupt.
3.3.10. Supervisory Board members shall elect from among themselves the Chairman and the Vice Chairman of the Supervisory Board that shall organise the activities of the Supervisory Board. The Chairman and the Vice-Chairman shall be re-elected every year.
3.3.11. Meetings of the Supervisory Board shall be held whenever necessary, but not less than once every 3 months. A meeting shall be called by the Chairman or Vice Chairman of the Supervisory Board or a Supervisory Board member substituting for them.
3.3.12. A meeting of the Supervisory Board shall be competent to adopt decisions, if more than half of the Supervisory Board members participate in the meeting.
3.3.13. A Supervisory Board meeting shall be called at the request of a Supervisory Board member, Management Board or the auditor.
3.3.14. Meetings of the Supervisory Board shall be recorded in the minutes. The minutes shall be signed by the Chairman or Vice Chairman of the Supervisory Board or a Supervisory Board member substituting for them, and the person that has taken the minutes. Any dissenting opinions of Supervisory Board members shall be recorded in the minutes and confirmed with the signature of the member.
3.3.15. Meetings of the Supervisory Board shall be public, as a rule. If necessary, certain items on the agenda can be discussed privately.
3.3.16. A decision of the Supervisory Board shall be deemed as adopted, if more than half of the Supervisory Board members that participated in the meeting voted for the decision.
3.3.17. The Supervisory Board can adopt a decision without calling a meeting, if all Supervisory Board members vote for the decision in writing.
3.3.18. Each Supervisory Board member has one vote. A Supervisory Board member shall have no right to abstain from voting or remain neutral.
3.3.19. A Supervisory Board member shall not participate in the voting, if giving a consent to a transaction between him and the Foundation is discussed, also a consent to a transaction between a third person and the Foundation, if the interests of the Supervisory Board member arising from the transaction are at variance with the interests of the Foundation.

3.3.20. Supervisory Board members are paid remuneration that shall be in accordance with his assignments and the economic situation of the Foundation.

3.3.21. Supervisory Board members shall be jointly and severally responsible for the damage caused to the Foundation by the violation of the requirements of the law and the Statutes, also for the failure to fulfil or improper fulfilment of their obligations.

3.3.22. The Supervisory Board members that have caused damage to the creditors of the Foundation through their guilty failure to fulfil or improper fulfilment of their obligations shall be responsible before creditors jointly and severally with the Foundation.

3.3.23. A Supervisory Board member shall be relieved from their liability towards the Foundation, if he has expressed a dissenting opinion at the adoption of the decision that served as a basis for illegal activities and the dissenting opinion has been recorded in the minutes.

4. Accounting and Auditing

4.1. The Management Board shall organise the accounting procedures of the Foundation according to the Accounting Act.

4.2. After the end of an accounting year the Management Board shall prepare the annual accounting report and operating report according to the procedure established in the law.

4.3. The Management Board shall submit the reports to the Supervisory Board for approval within four months at the latest from the end of the accounting year. Before the presentation of the reports to the Supervisory Board for approval, the Management Board shall present the report to the auditor for auditing.

4.4. All Management Board members shall sign the approved annual report of the accounting year.

4.5. The term of authorities of the auditor of the Foundation shall be one year. The Auditor shall be appointed by the Supervisory Board that shall also establish the procedures of his remuneration and withdrawal and specify these procedures in the contract made with the auditor.

5. Alteration of the Statutes

5.1. Cancellation or alteration of the Decision on Establishment and the Statutes before the registration of the Foundation in the register

5.1.1. Till the registration of the Foundation in the register the Founders can cancel or alter the Decision on Establishment or alter the Statutes only jointly.

5.1.2. In case one of the Founders has been liquidated or cannot or does not wish to implement the rights of the Founder for some other reason (has dropped out), other Founders cannot cancel the decision on the establishment. Other Founders can alter the Deed on Establishment or the Statutes only in the interests of achieving the objectives of the Foundation.

5.1.3. If all Founders have dropped out, the Decision on Establishment and the Statutes can be altered by the Management Board in the interests of achieving the objectives of the Foundation in order to remove the obstacles for the registration in the register or in order to take into account changed circumstances.

5.2. Alteration of the Statutes after the registration of the Foundation in the register

5.2.1. After the registration of the Foundation in the register the Statutes of the Foundation can only be altered by the Supervisory Board with a permission of the court, taking into account changed circumstances and in the interests of achieving the objectives of the Foundation.

5.2.2. Alteration of the Statutes shall come into effect from the date of entry of the alteration in the register.

6. Termination

6.1. The Foundation shall be terminated with a decision of the Supervisory Board, if the objectives of the Foundation have been achieved or are no longer achievable. The decision shall be deemed as adopted, if all Supervisory Board members have voted for the decision.
6.2. If it turns out that the Foundation has less assets than commitments, the Management Board shall have to file a bankruptcy petition. The Management Board members guilty of a failure to file or a delay in filing the decision shall be jointly and severally responsible for any damage caused with that to the Foundation or to third persons.

6.3. In the cases and according to the procedures set out in the law, forced termination of the Foundation can be applied.

6.4. In case of termination of the Foundation it shall be liquidated, unless otherwise specified in the law.

6.5. The liquidators of the Foundation shall be Management Board members. In case of forced termination the liquidators shall be appointed by the court.

6.6. Liquidators shall have such rights and obligations of the Management Board and the Supervisory Board that are not at variance with the purpose of the liquidation.

6.7. Liquidators shall terminate the activities of the Foundation, collect receivables, sell the assets, satisfy the claims of creditors and after the satisfaction of the claims of creditors shall distribute the remaining assets between the persons entitled to it (Art. 6.13).

6.8. Liquidators need not sell the assets, unless it is necessary for the satisfaction of the claims of creditors or for the distribution of the remaining assets between the entitled persons.

6.9. Liquidators may only perform transactions that are required for the liquidation of the Foundation.

6.10. Liquidators shall publish a notice on the liquidation proceedings of the Foundation immediately in the newspaper and in the publication Riigi Teataja Lisa. The liquidators shall have to send the notice on liquidation to all known creditors. They have to indicate in the liquidation notice that the creditors would have to present their claims within one month from the publication of the last notice.

6.11. The creditors will have to notify the liquidators about all their claims against the Foundation within one month from the publication of the last notice. If a known creditor has not presented a claim, the funds belonging to him shall be deposited.

6.12. If the assets of the Foundation to the liquidated prove to be insufficient for the satisfaction of all claims of creditors, the liquidators shall have to file a bankruptcy petition.

6.13. The assets left after the satisfaction of all claims of creditors and depositing of the funds shall be distributed between the Founders in proportion to their payments made at the time of establishment of the Foundation and their subsequent donations.

6.14. After the end of the liquidation procedure the liquidators shall file an application for the removal of the Foundation from the register.

6.15. Liquidators shall deliver the documents of the Foundation to one of the liquidators or to a third person for storage.

6.16. Proceeding with changed circumstances and considering the objectives of the Foundation, the Supervisory Board may decide to merge the Foundation with another foundation or divide it according to the procedure specified in the law.
### ANNEX 12 TSP rental revenue and expenditure forecast 2003-2008 in MEEK:

<table>
<thead>
<tr>
<th>Year</th>
<th>OPERATING REVENUE</th>
<th>OPERATING EXPENSES</th>
<th>OPERATING PROFIT (-LOSS)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NET SALES</td>
<td>INFRASTRUCTURAL COSTS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rent of Incubating Space</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Rent of old TSP premises</td>
<td>1 603 800</td>
<td>1 683 990</td>
</tr>
<tr>
<td></td>
<td>Utility services</td>
<td>350 000</td>
<td>763 600</td>
</tr>
<tr>
<td></td>
<td>Total rental revenue</td>
<td>2 553 800</td>
<td>2 447 590</td>
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<tr>
<td></td>
<td>Sales of &quot;Soft&quot; services</td>
<td>238 000</td>
<td>290 000</td>
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<tr>
<td></td>
<td>Financing from Enterprise Estonia</td>
<td>126 000</td>
<td>138 600</td>
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<tr>
<td></td>
<td>Revenue from projects</td>
<td>3 060 893</td>
<td>3 213 398</td>
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<tr>
<td></td>
<td>TARGET FINANCING INVESTMENTS</td>
<td>3 129 320</td>
<td></td>
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<tr>
<td></td>
<td>TOTAL OPERATING REVENUE</td>
<td>9 108 013</td>
<td>6 090 128</td>
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<tr>
<td></td>
<td>INFRASTRUCTURAL COSTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Goods, materials, services</td>
<td>895 000</td>
<td>895 000</td>
</tr>
<tr>
<td></td>
<td>Maintenance costs</td>
<td>306 771</td>
<td>332 640</td>
</tr>
<tr>
<td></td>
<td>Other (extraordinary) costs</td>
<td>139 550</td>
<td>138 880</td>
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<tr>
<td></td>
<td>Infrastructure-related labour expenses</td>
<td>838 647</td>
<td>880 579</td>
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<tr>
<td></td>
<td>Depreciation of fixed assets</td>
<td>940 000</td>
<td>230 000</td>
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<td></td>
<td>Total infrastructural costs</td>
<td>3 120 008</td>
<td>2 475 099</td>
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<tr>
<td></td>
<td>Operating profit from infrastructure</td>
<td>-566 208</td>
<td>-27 509</td>
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<td></td>
<td>SERVICE COSTS</td>
<td></td>
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<tr>
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<td>Communication costs</td>
<td>213 180</td>
<td>240 000</td>
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<tr>
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<td>Travelling costs</td>
<td>64 650</td>
<td>67 883</td>
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<td>Administrative expenses</td>
<td>164 196</td>
<td>172 408</td>
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<td>Marketing expenses</td>
<td>68 000</td>
<td>71 400</td>
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<td>Service-related labour expenses</td>
<td>1 173 465</td>
<td>1 232 138</td>
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<td>Purchased consulting services</td>
<td>918 208</td>
<td>1 285 575</td>
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<td>Total service and consulting costs</td>
<td>2 601 759</td>
<td>3 069 402</td>
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<td></td>
<td>Operating profit from services</td>
<td>823 134</td>
<td>573 138</td>
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<td>OTHER BUSINESS EXPENSES</td>
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<td>Target investment costs</td>
<td>3 129 320</td>
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<tr>
<td></td>
<td>FINANCIAL COSTS (loan interests)</td>
<td>59 379</td>
<td>20 000</td>
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<td></td>
<td>OPERATING PROFIT (LOSS)</td>
<td>107 040</td>
<td>420 102</td>
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