

Questions and answers

The purpose of this document is to provide responses to questions, comments and suggestions posed by the public and market participants in relation to a draft Call for Expression of Interest selection of the fund managers for the implementation of the Financial Instrument “Accelerator 3”, co-funded by the European Regional Development Fund (ERDF) and State budget.

Question, proposal	Reference topic	Answer
<p>1. As we already have a running accelerator 2x per year, it could be interesting to offer some workshops as well - Would this be something you are open for? Of course mentoring etc. will be customized.</p>	<p>Acceleration program <i>an acceleration program is an aggregate of planned activities providing training (at least company building, team forming, legal, fundraising, pitch, sales, consulting or lectures, etc.) lasting for at least 10 weeks to at least 5 Pre-seed Fund Final Recipients selected as a result of an earlier call and established procedure by Fund Manager. The Acceleration program's organizational structure and implementation principles shall be similar for all Pre-seed Fund Final Recipients. The organizer of the Acceleration program cooperates with mentors, sector and technology experts to support the Pre-seed Fund Final Recipients on such issues as development, improvement and testing of the business idea, products, team and business model to prepare these Pre-seed Fund Final Recipients for attracting of external financing.</i></p>	<p>1. The Fund manager may offer workshops during Acceleration program, along with other activities to support the Pre-seed Fund Final Recipients. Potential Fund manager is invited to propose the activities, timeline, content and other necessary means for the implementation of Acceleration program in the Business Plan.</p>
<p>2. Is the minimal threshold only 5 out of 45? What is meant by an earlier call?</p>	<p><i>an acceleration program is an aggregate of planned activities providing training (at least company building, team forming, legal, fundraising, pitch, sales, consulting or lectures, etc.) lasting for at least 10 weeks to at least 5 Pre-seed Fund Final Recipients selected as a result of an earlier call and established procedure by Fund Manager. The Acceleration program's organizational structure and implementation principles shall be similar for all Pre-seed Fund Final Recipients. The organizer of the Acceleration program cooperates with mentors, sector and technology experts to support the Pre-seed Fund Final Recipients on such issues as development, improvement and testing of the business idea, products, team and business model to prepare these Pre-seed Fund Final Recipients for attracting of external financing.</i></p>	<p>2. Yes, the minimal number of the Pre-seed Fund Final recipients in one Acceleration program is 5. The total number of accelerated Pre-seed Fund Final recipients is at least 45. 'Earlier call' means a call made by the selected Fund Manager to prospective Pre-seed Fund Final Recipients to apply for the Acceleration Program.</p>
<p>3. Proposed formulation: "MSE and SME who receive equity and/or quasi-equity funding from the Pre-seed Fund and contribute to Smart Specialization Concept." Reasoning for change: We propose expanding the eligibility for the Pre-seed Fund's Final Recipients to include SMEs alongside MSEs. In the market, we frequently observe that more traditional businesses are pivoting</p>	<p>Pre-seed Fund Final Recipient <i>MSE who receives equity and/or quasi-equity funding from the Pre-seed Fund and contribute to Smart Specialization Concept.</i></p>	<p>3. Proposal declined. Financial instruments' objective is to accelerate start-ups and invest in MSE's through the Pre-seed Fund in accordance with the agreement between ILTE and Ministry of Economy and Innovation on the investments under Accelerator 3.</p>

<p>towards becoming tech companies. These businesses often do not fit the narrow MSE criteria by age, yet they possess innovative potential that aligns with the fund's objectives. Excluding SMEs could limit our ability to invest in companies with strong market experience and established platforms. Furthermore, experienced professionals transitioning into the startup world often have prior ventures or consultancies under a different legal entity and may not meet MSE criteria. Including SMEs ensures that we do not miss out on valuable investment opportunities in companies that may have started as traditional SMEs but are just as innovative and aligned with the Smart Specialization Concept.</p>		
<p>4. Is there a threshold for how many of the 45 final recipients need to fall within Smart Specialization Concept?</p>	<p>Fund Objectives <i>The Fund shall invest in a diversified portfolio consisting of high-growth SMEs, including start-ups, that are in their pre-seed and seed stage, and which contribute to the Smart Specialization Concept.</i></p>	<p>4. All Final Recipients must contribute to the Smart Specialization Concept. For clarity Fund Objectives part in the Call will be amended as follows: <i>The Fund shall invest in a diversified portfolio consisting of high-growth SMEs, including start-ups, that are in their pre-seed and seed stage, and which contribute to the Smart Specialization Concept.</i> <u>All Pre-seed Fund Final Recipients and Seed Fund Final Recipients shall contribute to the Smart Specialization Concept.</u></p>
<p>5. 5 (as per page 5) or 45 accelerated?</p>	<p>Fund Objectives: <i>during the implementation of the Acceleration program - at least 45 Pre-seed Fund Final Recipients accelerated</i></p>	<p>5. During all the Acceleration program at least 45 Pre-seed Fund Final Recipients should be accelerated. For clarity Fund Objective will be amended as follows: during the implementation of the Acceleration program <u>at least 45 Pre-seed Fund Final Recipients accelerated</u></p>
<p>6. Proposed formulation: The Seed Fund shall invest into Pre-seed Fund Final Recipients the amount equal or not less than</p>	<p>Fund Objectives <i>The Seed Fund shall invest into Pre-seed Fund Final Recipients at least 70% of total amount invested by the Seed Fund.</i></p>	<p>6. Potential Fund Managers will be invited to present the target in the Business Plan. Fund Objectives will be amended as follows:</p>

<p>minimum required fund size (4.673M EUR) (ILTE + minimum private commitment of 40%).</p> <p>Reasoning for change: If the fund manager attracts significantly larger private investor commitments than originally indicated in the documents, these additional funds should be permitted to be invested in direct deals.</p>		<p>The Seed Fund shall invest into Pre-seed Fund Final Recipients at least 70% EUR 2,6 million. <u>The specific size or proportion of the Seed Fund investment into Pre-seed Fund Final Recipients shall be proposed in the Business Plan.</u></p>
<p>7. Are there any specific exemptions regarding the deminimis we need to be aware of/how much does this account for?</p>	<p>State aid regime</p>	<p>7. The Fund Manager shall be contractually bound to ensure that investments by the Fund comply with the General Block Exemption Regulation (Commission Regulation (EU) No 651/2014) and the State Aid Scheme to be approved by the Minister of Economy and Innovation of the Republic of Lithuania.</p>
<p>8. Proposed formulation: The Pre-seed Fund shall invest in undertakings which at the time of the risk finance investment (initial and follow-on) fulfill the conditions stipulated in Article 21(3) of the General Block Exemption Regulation.</p> <p>Reasoning for change: Shifting the focus to Article 21(3) instead of Article 22(2) ensures greater alignment with the broader investment strategy, which includes both MSEs (up to 5 years) and SMEs (up to 7 years). Companies operating within the Smart Specialization Concept, particularly those in DeepTech, often require longer development periods, especially when their innovations emerge from research labs or involve complex technologies. These companies typically need</p>	<p>Pre-seed Fund eligible investments <i>The Pre-seed Fund shall invest in undertakings which at the time of the risk finance investment (initial and follow-on) fulfil the conditions stipulated in Article 22(2) of the General Block Exemption Regulation. Investments shall be made following the requirements of a State aid scheme.</i></p>	<p>8. Proposal declined. Financial instruments' objective is to accelerate start-ups and invest in MSE's through the Pre-seed Fund. Aid for start-ups is stipulated in the Article 22 of the GBER. Article 21 requires substantially larger financing from the independent private investor in comparison with the requirement of this Call for the Pre-seed Fund.</p>

<p>more time to transition from research to commercialization compared to traditional startups. Aligning the regulation with Article 21(3) allows for greater flexibility in investing in companies that have outgrown the MSE phase but are still in critical stages of technological development. This adjustment acknowledges the extended timelines required for high-impact innovations.</p>		
<p>9. I suggest rewording to “at least 50% of the total amount invested into the eligible Final Recipient including earlier investments”.</p>	<p>Replacement capital <i>The Fund may provide replacement capital only if combined with new capital representing at least 50% of each investment round into the eligible Final Recipient.</i></p>	<p>9. Proposal declined. This is a requirement of GBER Article 21(7): “7. For risk finance investments in the form of equity and quasi-equity investments in eligible undertakings, a risk finance measure may cover replacement capital only if the latter is combined with new capital representing at least 50 % of each investment round into the eligible undertakings.”</p>
<p>10. Proposed formulation The Pre-seed Fund shall attract a minimum of 3% of additional finance from independent private investors. In order to do that, ILTE allows creating special structures like feeder fund, etc. Reasoning for change Fund managers should seek to propose Seed Fund investors to participate proportionally in Pre-seed Fund also, and special structures may be required in order to do that, including feeder funds. In all cases such structures should be compatible with the current regulations and Lithuanian laws.</p>	<p>Independent private investors <i>The Pre-seed Fund shall attract a minimum of 3% of additional finance from independent private investors.</i></p>	<p>10. Proposal declined. The Fund Manager may opt for any financing structure as they consider appropriate in attracting Independent private investors.</p>
<p>11. Can this be covered by the GP commitment?</p>		<p>11. As defined in the definition of the Independent private investor, GP commitment cannot be considered as the commitment of Independent private investor</p>
<p>12. Proposed formulation: The total amount, including follow-on</p>	<p>Maximum investment</p>	<p>12. Proposal declined. 10% of the maximum investment in a single Seed Fund Final Recipient is a reasonable amount for</p>

<p>investments, invested by the Seed Fund in a single eligible Seed Fund Final Recipient shall not exceed 20% of the total commitments to the Seed Fund.</p> <p>Reasoning for change: Early-stage investing is inherently high-risk, and dilution is a significant concern for VC funds, particularly in exceptional cases where a startup has the potential for outsized returns. By raising the threshold to 20%, the fund gains greater flexibility to capture a larger share in high-potential companies. This strategy would still align with Article 21(8) of the General Block Exemption Regulation and remain subject to the provisions of Article 8 of the same regulation.</p>	<p><i>The total amount, including follow-on investments, invested by the Seed Fund in a single eligible Seed Fund Final Recipient shall not exceed 10% of the total commitments to the Seed Fund, provided in any event that such amounts shall not exceed the amount set out in Article 21(8) of the General Block Exemption Regulation and be subject to the Article 8 of the General Block Exemption Regulation.</i></p>	<p>portfolio diversification, as will require to capture larger number of high-potential companies.</p>
<p>13. As the main cost drivers (setup, accelerator, investments) will be born in the first 3-4years, can the fees be 80% allocated during this time and then the remainder leveraged for portfolio management? (Please note that we have a 800+ FTE global team and a 2000+ portfolio, we have everything in-house already)</p>	<p>Management fee and costs</p>	<p>13. The potential Fund Manager is invited to propose and specify in its Business Plan the management fee (including all applicable taxes) and costs (which must cover all operating expenses of the Fund, including all applicable taxes), separate for the Pre-seed Fund (including Acceleration program activities with detailed budget lines for each program) and the Seed Fund, and the calculation methodology.</p>
<p>14. What is the difference between the Pre-seed fund distribution proceeds and Seed fund distribution proceeds structure? The wording is different but it is not clear how the structures are different.</p>	<p>Distribution of the Fund's income</p> <p><i>Proceeds received by Pre-seed Fund shall be distributed so that each Pre-seed Fund investor shall receive the total amount contributed for the investments into Pre-seed Fund Final Recipients and a net investment return equivalent to Hurdle rate per annum calculated from the total amount invested into Pre-seed Fund Final Recipients before the Fund Manager</i></p>	<p>14. Main difference between Pre-seed Fund and the Seed Fund distribution of proceeds is underlined below:</p> <ul style="list-style-type: none"> - Pre-seed Fund investor shall receive the total amount <u>contributed for the investments into Pre-seed Fund Final Recipients (which is total amount contributed to the Pre-seed Fund less the amount contributed for the management fees and costs)</u> and a net investment return equivalent to Hurdle rate per annum <u>calculated from the total amount invested into Pre-seed Fund Final Recipients</u>

	<p><i>becomes entitled to a share of the profits (the Carried Interest).</i></p> <p><i>Proceeds received by the Seed Fund shall be distributed so that each Seed Fund investor shall receive a net investment return equivalent to Hurdle rate per annum before the Fund Manager becomes entitled to a share of the profits (the Carried Interest).</i></p>	<p>before the Fund Manager becomes entitled to a share of the profits (the Carried Interest) ;</p> <ul style="list-style-type: none"> - Seed Fund investor shall receive the <u>total contributed amount to the Seed Fund (the amount contributed to the investments plus the amount contributed for the management fees and other costs)</u> and a net investment return equivalent to Hurdle rate per annum (<u>calculated from the total contributed amount to the Seed Fund</u>) before the Fund Manager becomes entitled to a share of the profits (the Carried Interest). <p>For clarity the Distribution of the Fund's income will be amended as follows:</p> <p><i>Proceeds received by the Seed Fund shall be distributed so that each Seed Fund investor shall receive the total contributed amount to the Seed Fund and a net investment return equivalent to Hurdle rate per annum calculated from the total contributed amount to the Seed Fund before the Fund Manager becomes entitled to a share of the profits (the Carried Interest).</i></p> <p>-</p>
<p>15. Proposed formulation Applicants are invited to include proposals in their Business Plan in relation to the Hurdle rate percentage (not less than 6% per annum), Carried Interest percentage and the catch-up mechanism (if any) for the Fund Manager in relation to the Hurdle Rate.</p> <p>Reasoning for change The suggestion to lower the Hurdle Rate from 8% to 6% is based on the projected decrease in EURIBOR over the coming years. The rate has already been reduced three times in 2024, and we anticipate that the benchmark for hurdle rates in the venture capital industry will also decline. This adjustment would still allow potential fund managers</p>	<p><i>Applicants are invited to include proposals in their Business Plan in relation to the Hurdle rate percentage (not less than 8% per annum), Carried Interest percentage and the catch-up mechanism (if any) for the Fund Manager in relation to the Hurdle Rate.</i></p>	<p>15. Proposal accepted. The Hurdle rate percentage will be corrected to: <i>Applicants are invited to include proposals in their Business Plan in relation to the Hurdle rate percentage (not less than 6% per annum), Carried Interest percentage and the catch-up mechanism (if any) for the Fund Manager in relation to the Hurdle Rate.</i></p>

the option to propose higher hurdle rates in their bids if they choose to do so.