



## Frequently Asked Questions

**1. What, if any, are the restricted industries?**

**Answer:** The Open Call regulations specify that BCMAF is prohibited from investing in real estate bonds. For other industries, the Applicant is expected to outline their vision as part of their interpretation of BCMAF's investment strategy

**2. Can fund inflows from equity investments (dividends and proceeds from the sale of equity shares) be reinvested? Can fund inflows from debt investments (interest and principal) be reinvested? Since corporate bonds listed at Nasdaq First North typically have 2-3 years maturity (way shorter than the fund lifecycle), our ability to reinvest would positively contribute to fund economics.**

**Answer:** The Open Call document does not impose restrictions on reinvestments/recycling, enabling the potential Fund Manager to propose various investment strategies.

**3. Is the fund permitted to invest in enterprises with substantial (25%+) state ownership?**

**Answer:** According to SME definition the ownership structure by default can not include any public bodies. However, the ownership criterion (specifically the 25% public body ownership rule) does not apply to small and innovative midcaps as long as the latter satisfy criteria which define what a small-mid cap or innovative mid-cap is (employee count, balance sheet, innovation criteria, etc).

**4. The fund shall invest in "commercially viable" companies. What definition/characteristics should be used to assess whether our investment target is "commercially viable"? Examples may include actual/forecast positive EBITDA; actual/forecast net profit.**

**Answer:** The Applicant should outline their concept of what constitutes commercially viable companies as part of their interpretation of BCMAF's investment strategy.

**5. Please specify the definition of an 'innovative mid-cap' company**

**Answer:** 'Innovative mid-cap' definition is comprised of the following: Commission Guidelines on State Aid to promote risk finance investments (2021/C 508/01) Paragraph 2.3 (23) ('mid-cap' definition) and Paragraph 2.3 (20) ('innovative mid-cap' definition) as well as General Block Exemption Regulation version (01/07/2023) Article 2 (80) (definition of 'innovative enterprise').

**6. Is it allowed for the Fund to invest in IBOs which are NOT listed?**

**Answer:** The BCMAF's strategy allows investments in private debt issues (e.g. privately issued bonds) with a condition, that such an issue will be listed either on the main (regulated) market (e.g. at Nasdaq Baltic or other) or the alternative market (First North) within 12-36 months' time after issue date.

**7. Can the Fund invest available cash in short-term (2-3 yrs.) newly issued bonds, with an intent to reinvest into shares?**

**Answer:** There are no limitations to reinvestments until it meets the Fund investment strategy and Fund terms (investment period, fund term etc.). Therefore, we kindly invite potential candidates to present a case which they think would best serve the Fund's interests

**8. Is the Fund's main objective to become a „mobilizing“ investor in LT/LV IPOs?**

**Answer:** Yes, that is correct. Objective is the become a “mobilizing” investor.

**9. If the Fund invests in a pre-listing stage company, is it correct to assume that at the time of IPO the whole invested amount must be listed together with additional allocation to other IPO investors?**

**Answer:** Not necessarily. The company's shareholders will decide which proportion of shares to list on public stock exchange considering the funding that needs to be attracted.

**10. If the Fund invests at pre-listing stage, does the allocation criteria still apply? I.e. if the Fund invests at pre-listing, does it still need another investor, which invests 50% of that amount? Would it be possible that at pre-listing stage the Fund invests 100% of the initial amount, no less than that amount, or more is attracted at the time of an IPO?**

**Answer:** The allocation criteria remain regardless of an investment stage.

**11. Is it correct to assume that if the Fund did not invest at pre-listing stage, the condition for minimum allocation which goes to the Fund should remain?**

**Answer:** It only concerns newly issued share capital, to which a pre-condition of having no less than 25% (but not more than 50%) of issued shares remain.

**12. Is the fund allowed to participate in the IBO and IPO of the same company?**

**Answer:** Yes, it is allowed as long as other pre-conditions, such as maximum invested amount per investee are met.

**13. Is it correct that the Fund will act more as a passive investor with a focus on corporate governance as opposed to a hands' on investors more suitable for traditional PE fund?**

**Answer:** Please present the case which you think would best represent the Fund's interests, taking into account both hands' on and passive investing approach.

**14. Experience of team members - should the focus be more on IPO and corporate governance experience or on VC/PE and active management? The way the selection conditions are written, it seems that PE/VC experience of the team members is more important, but the investment strategy is more focused on the more passive role of a financial investor.**

**Answer:** It is not intended to value VC/PE experience more than IPO. It is our view that local Baltics market possesses significant VC/PE experience, whilst IPO experience is still developing. Potential applicants are more than welcome to share their IPO experience. All of the experiences – corporate governance, active management, VC/PE experience, IPO/IBO experience will be crucial when evaluating the candidates.

**15. What is considered an 'eligible investee'?**

**Answer:** As it was previously communicated in the public consultation discussions, an eligible investee **is a company, which at the time of the BCMAF investment has their main activities** (i.e., the main portion of their activities based on headcount, assets, or primary focus of the business activities) **in the Republic of Latvia and/or the Republic of Lithuania.** Additionally, according to Open Call document, it is defined that to encourage the development of the capital market in Latvia and Lithuania, a minimum amount to be allocated towards investment in SMEs and Small mid-cap or Innovative mid-cap companies **based in Latvia or Lithuania** ought to be equal to the amount of Latvia's and Lithuania's funding to the BCMAF (excluding the amounts of funding drawn down for the purpose to finance the BCMAF's management fee and/or expenses)."

**16. Whether an investment into a company would be measured at Final Recipient level or at the Group level?**

**Answer:** As it is defined in European Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32003H0361>) SME status should be assessed at a broader, group level instead of only at the level of the final recipient. Therefore, if the final recipient has linked or partner enterprises, SME status should be evaluated at the group level. This SME User Guide ([file:///C:/Users/ieva.jagere/Downloads/sme\\_definition\\_user\\_guide\\_en%20\(1\).pdf](file:///C:/Users/ieva.jagere/Downloads/sme_definition_user_guide_en%20(1).pdf)) can serve as general guidelines for enterprises when applying the SME Definition, however it does not have any legal force and only above mentioned European Commission Recommendation of 6 May 2003 is the sole authentic basis for determining the conditions regarding qualification as an SME.