



Questions and Responses to Inclusive Innovation Fund RFI DCEB-2018-I-0001

1. Section 4.2: What is the proposed structure of the fund. An LLC, LLP, C Corporation?
This is in response to the requirement that the Fund have a Board of Directors.

Answer: We would welcome recommendations on the structure of the fund.

2. Section 5.2.1: Is there potential for stage agnostic investments? Rationale: There are independent, bootstrapped companies which are at revenue stage but have never raised outside capital which would meet the goals of the Fund, but have already attained product/market fit.

Answer: Yes, there is potential for stage agnostic investments that meet the fund's primary objectives.

3. Section 5.2.2: Is the \$50k-\$250K investment stage hard capped, or flexible as well. Rationale: There are potentially pre-seed investments which might only consume \$10K, as well as post-see, Pre-A investments which might need \$500K. Is there flexibility in the investment amount?

Answer: The \$50,000-250,000 investment range was only anticipated, not hard capped. We would rely on the fund manager and board to determine the appropriate investment.

4. Section 5.3.1: Is the District contribution of \$1.5M to be invested at the beginning of the fundraising, or is this a capital commitment that will be satisfied at fund close?

Answer: The District's contribution would be committed at the time of award, but disbursement may be contingent on the fund manager securing private investment (amount to be determined, but would need to at least match the District's contribution). We welcome feedback on the structure that best meets the goals as quickly as possible, while also ensuring performance.

5. Section 5.3.2: Is the Fund size hard-capped? Can Annex Funds/Growth Funds be raised by the Fund Manager as follow on?

Answer: The size is not hard-capped and follow on funding is allowable.

6. Section 5.4.1: Are Convertible notes the only investment vehicle, or does the Fund Manager have leeway to invest in Preferred Rounds or other instruments?

Answer: Other investment vehicles would be considered with solid rationale, but we prefer the fund to provide capital that is suitable for first-time entrepreneurs.

7. Section 5.5.2: Will the Fund pay increased carry to offset reduced management fee?

Answer: We have not determined whether this would be allowed, but would welcome input on the benefits of doing so.

8. Is the \$1.5 million in seed capital to be used for investment, or is it for seed capital, investment and operational expenses for the fund?

Answer: The \$1.5 million could be used towards investment or operations. We welcome feedback on the best structure and potential limitations to ensure the best outcomes.

9. Are non-profit organizations eligible applicants?

Answer: There is no existing RFP or RFQ for which to apply, but we anticipate that a nonprofit organization with demonstrated capacity, qualifications and expertise could serve as a fund manager.

10. Is there a range or limit for management fees? Section 5.5.2 states "minimal management fee" and our team would like to know if the Office of the Deputy Mayor has established a range for these fees.

Answer: We have not established a range or limit. We would welcome input on what fee would be appropriate and/or necessary.

11. How can we access a copy of the questions and answers for this RFI?

Answer: All questions and answers will be posted to www.dmped.dc.gov under the Services>Procurement Opportunities and Forms link and www.ocp.dc.gov under the OCP Solicitation Link.

12. Do you have a target number of deals for this fund?

Answer: We have not set a target number of deals.

13. Do you have any preference on whether the fund retains any capital for follow-on investments or if investments are intended to be a one-time check?

Answer: We have not determined a preference and would welcome input.

14. When you mention entrepreneurs and investing in them via a VC fund, I assume you're talking about entrepreneurs that are building tech and tech-enabled companies that have high-growth potential? Or do you have a broader definition?

Answer: The focus is companies with high growth potential. These will likely include tech and tech-enable companies, but the fund would not be limited to such companies.

15. Section 5.3.2. Target: \$10-20 million – potential to re-raise for a bigger round later // what do you mean by this (particularly the word 'round')? Potential to raise a second fund at a later point in time?

Answer: We would consider making additional investments, depending on impact, resource availability and private sector participation, in the future.

16. Section 5.3.3. Possibility for additional \$1-5 million District investment in next 1-3 years // what do you mean by possibility? Do you intend that \$1-\$5M may be available to invest in this same fund? That it might be available for a second fund? Something else entirely?

Answer: At this time, the District has identified \$1.5 million in FY2018 to this initiative. It is possible that additional resources will be committed to this initiative in future fiscal years.

17. Section 5.6. Return 5.6.1. IRR TBD by board and fund manager // what do you mean by this? If you're structuring this as a VC fund, you can't set or promise an IRR for VC funds, because you really have no idea what level of performance you'll achieve. Your goal as a fund is to hit as high of an IRR as possible. Often, VCs assess performance by "MOIC" (money on invested capital). A common target for VC funds is to shoot for a 3x or 4x MOIC. If a fund achieves a 4x MOIC, over 10 years, then that may hit an IRR that LPs consider good for the asset class.

Answer: We would expect the fund manager and board to determine a reasonable target IRR, and that this may vary for different investors. The District, for example, may be willing to accept a lower IRR than private investors. We welcome feedback on appropriate target metrics.

18. Do you anticipate a team or partnership being sought that could provide supportive services in addition to investment management, or just a fund manager?

Answer: TBD. There is not currently an RFP or RFP, so nobody is being sought yet. We would like for as much as possible of the District's contribution to improve access to capital for DC entrepreneurs, but also recognize the importance of other factors to entrepreneurial success, including accessibility of support programs and services.