

Inclusive Innovation Fund RFA Live Chat Q+A Responses

May 11, 2018

This document includes responses to questions submitted during a live chat session held on Monday, May 7, 1:00-2:00 p.m. EST.

- 1. After the \$6 million target for the fund has been met, is the fund manager required to commit additional funds to D.C. entrepreneurs exclusively, or can it be expanded to include entrepreneurs that meet the criteria, but not based in D.C.?**

(5/7/18) Once the target has been met, it could be expanded.

(5/11/2018) Our goal is to improve access to investment capital for DC entrepreneurs, and we are open to ideas from investment professionals about how to best do this. We could see the Inclusive Innovation Fund program taking shape in various ways -- for example, as a new, standalone initiative or as an auxiliary initiative of an existing effort that serves a broader geography or range of clients. As long as the project approach can meet the investment criteria and performance metrics for investing in DC-based companies laid out in the RFA, there is no prescribed structure, and we welcome innovative proposals. (page 8) However, as stated in the RFA, the grant must be distributed to an entity registered to do business in the District with an office in the District (NOFA and RFA, Organizational Capacity, Eligible Organizations, 2.a.i. page 10).

Note that a larger fund than \$6m would be viewed favorably. (Applicant Criteria section 3.a, page 12)

- 2. Can you be more specific on what this means: "The District has committed seed funding of up to \$1.5 million in FY18 to catalyze the creation of the Inclusive Innovation Fund". Is that to cover start up cost or to make seed investments?**

(5/7/2018) We want at least \$6m to be committed to investing in companies, but the District's funding will be in the form of a grant that is flexible in the way it is used.

- 3. Am I correct in understanding that the Fund has to be established as a DC entity?**

(5/7/2018) The entity receiving the grant needs to be registered with DC's Department of Consumer and Regulatory Affairs.

- 4. Can you speak a bit about the selection of fund managers?**

(5/7/2018) The selection of fund managers will be guided by the Applicant Criteria described in pages 8-15 of the RFA.

- 5. Has the fund contemplated what a target management fee would be?**

(5/7/2018) Applicants should describe the fee they anticipate in the response to 1.a.i. (Project Approach, Fund Structure and Investment Criteria). We have not set a target management fee.

6. What is the scoring rubric to select a manager? Will any weight be given to minority managers that match the target demographic?

(5/7/2018) The selection of fund managers will be guided by the Applicant Criteria described in pages 8-15 of the RFA. Also please see section 2.b.v. of the Applicant Criteria (Organizational Capacity, Experience and Expertise, pp 9-11). Experience working with and investing in underrepresented entrepreneurs and early stage companies should be covered in the response.

(5/11/2018) See page 15 for the scoring rubric.

7. Is there a matching private fund strategy for those funds committed by DC?

(5/7/2018) The applicant should address his/her plan for securing private funds. See Section 3 of applicant criteria (Impact) and questions for applicants a-d.

8. Do CBEs receive additional scoring points for this opportunity? And, if so, are the points only applied if the prime is CBE?

(5/7/2018) No additional points are awarded for CBE status. Local familiarity with DC's entrepreneurial ecosystem and the needs and opportunities facing underrepresented entrepreneurs in the District are part of the scoring rubric and should be addressed in the application. See section 2.c (Organizational Capacity, Local Familiarity.)

9. The information provided refers to the \$1.5 million as a 'grant' is that really what is proposed. Would DC be an LP in the fund?

(5/7/2018) Applicants should propose the approach they believe best addresses the desired outcomes. The \$1.5 million would be provided as a grant.

10. Follow up question - so if the \$1.5 million is a grant then they would not be an LP in the fund. If they are not an LP in the fund, I'm struggling to see how this works in practice. Are you saying the Fund must be \$4.5 million and it makes investments with 25% matching from the grant? This makes a huge difference to how we proceed.

(5/7/2018) The applicant should propose a project approach that they believe most effectively achieves the desired outcomes. The applicant should be able to leverage the District's investment 3:1, for a total of \$6 million.

(5/11/2018) We have intentionally not dictated a specific approach or use of the grant funds because we believe the expertise of the investment professional partner should shape this program.

11. Is it possible to create a forum of interested entrepreneurs and startups who are interested in the fund? We'd like to network.

(5/7/2018) We will look into options for this. Please return to the webpage within the week for an update.

(5/11/2018) We have created a public Slack channel that anyone interested can join. [Here is the link](#). Note that DC government will not be responding to questions via this channel.

12. What does it mean for the fund manager to "Support" the companies invested in? Is it important to consider value-added services, like entrepreneurial education for instance, as part of the application?

(5/7/2018) Support could include anything that helps a company/entrepreneur be successful. Examples include mentorship, advising, introductions, technical assistance, capacity building support. See page 13 Entrepreneur Supports section for details.

13. Is there a page length restriction? Are there incumbent investment managers?

(5/7/2018) There is no page length restriction. There are word count restrictions on at least one question. There are no incumbent investment managers.

14. When will the selection be made?

(5/7/2018) Applicants will receive status notification on submitted applications within 30 days of the closed Request for Application (RFA).

15. Does DMPED have a framework for defining high-growth, early-stage, and innovation as terms used in the RFA?

(5/7/2018) We will add definitions of these terms and post to the website. Also see page 4.

(5/11/2018)

"High growth" means a company that is or will be scalable and seeking venture capital or angel investment to fuel its growth. It could be a tech company, tech-enabled, or non-tech. (page 4)

"Early stage" means a company that has at least a minimum viable product or other market validation. It could be early revenue or pre-revenue stage. (page 4)

"Innovation" is a new approach, method or product that provides a better solution or serves unmet market need.

16. In the RFA, it states that diversity is defined as the C-suite ownership being diverse and having 51%+ ownership on the cap table. In many cases, startup founders own less than 50% of the company, as they have taken equity funds previously, thus diluting their ownership %. Would a fund manager have discretion in this matter?

(5/7/2018) Underrepresented is described as either 51% of company owners OR c-suite identify as underrepresented. Applicants should address this as part of their project approach in their proposal. We will give this question further review and post any additional response to the website.

(5/11/2018) The RFA defines “underrepresented” as at least 51% of company owners or C-suite identify as the following: African-American, Latinx, Native American, female, LGBTQ, or disabled (page 4). We believe that majority ownership by underrepresented founders is an important consideration for investment due to its potential of entrepreneurship to reduce wealth gaps. We recognize that entrepreneurial success without majority underrepresented entrepreneur ownership can also have positive outcomes, so included majority C-suite leadership as an alternative criterion to majority ownership. We would defer to the fund manager on investment decisions.

17. Can you provide some insight as to how the District would like to see the four resources and/or programs, listed in item d on page 13, incorporated into the strategy?

(5/7/2018) It is not required to incorporate those resources into the IIF strategy, but the successful applicant will have a sound understanding of existing resources that could help achieve desired outcomes.

18. Has the District sought/received legal advice as to whether it can be a Limited Partner in an Investment Fund? If so, please advise what the advice was.

(5/11/2018) The District will not function as an LP. All documents will receive legal review, and the District's role and the awardee's obligations will be laid out in the grant agreement, in accordance with District law.

19. Under which section of the DC Code (e.g. Subchapter XI. Special Funds. §§ 1-325.01 - 1-325.381) will the fund be operated under. This is important to properly understand the legal reporting requirements.

(5/11/2018) The DC legal authority for issuing the grant falls under the § 2-1225.21. Economic Development Special Account of the D.C. Code. The procedures for reporting will be consistent with the DC Grants Manual (<https://opgs.dc.gov/book/citywide-grants-manual-and-sourcebook>) and RFA and finalized in the grant agreement.