OFFICE OF THE DEPUTY MAYOR FOR PLANNING & ECONOMIC DEVELOPMENT

DC Venture Capital Program
Fund Manager Request for Applications

Published: February 17, 2025

BACKGROUND:

K Street Capital ("KSC") and the Office of the Deputy Mayor for Planning and Economic Development ("DMPED") are excited to release this Request for Applications ("RFA"). KSC, in partnership with DMPED, are seeking Applications from both established and first-time venture capital funds ("Fund" or "Funds") managed by qualified Venture Capital Firms ("Firms"), and their related Fund Managers ("Managers", "Fund Managers", or "General Partners"), to invest in Washington D.C. based early-stage companies ("Portfolio Companies").

KSC is managing the DC SSBCI Venture Capital Program as part of the Washington D.C. State Small Business Credit Initiative ("SSBCI") funded under The American Rescue Plan Act of 2021 ("ARPA") and administered by the U.S. Department of the Treasury ("Treasury"), with a specific focus on funding for socially and economically disadvantaged individual ("SEDI")- owned businesses, as well as businesses in defined priority sectors.

More information on the current program may be found at: https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci

SSBCI Program Goals:

- Invest for return, impact, and full engagement of the D.C. ecosystem
- Maximize SSBCI Program contribution as measured in new company investment and job creation
- Meet and exceed all deployment goals and SEDI objectives as prescribed by the U.S. Treasury

DMPED & K STREET CAPITAL

Washington D.C. received an allocation of $62 million from the Treasury as part of The American Rescue Plan Act of 2021. DMPED, applied to amend the allocation agreement to allow for $26 million of the total allocation to be used to deploy a Venture Capital Program. Through a competitive process, K Street Capital was selected to act as the Program Administrator for the fund of funds. KSC, acting as program administrator, will:

- Oversee the day-to-day administration of the SSBCI fund of funds program
- Source and identify qualified fund managers
- Contract with and manage chosen fund managers
- Provide guidance and support to chosen fund managers
- Measure deployment progress and fund manager onboarding
- Report on fund managers investments and KPIs to DMPED

Success Metrics:

- Full deployment of the program funding into DC tech companies through 5-7 fund managers
- 50-100 DC tech companies funded by the program

- Positive investment returns over a 10-year period with a goal of recycling the capital into a permanent program
- 33% of funds deployed to SEDI companies
- 7,000 new tech jobs in alignment with Mayor Bowser's objectives

PROGRAM REQUIREMENTS:

Treasury imposes rigorous requirements on jurisdictions for matching Funds, Leverage Cash and Compliance and Reporting. KSC as manager of Washington D.C.'s SSBCI Venture Capital Program, flows down these same requirements to partner Fund Managers.

Matching Funds: Fund Managers seeking an LP investment from KSC with SSBCI funds, must have a minimum 1:1 match from other LPs that the Fund will commit to invest in D.C. This means that D.C. cannot invest in a Fund unless the Fund can show that an amount equal to or greater than the SSBCI Fund investment will come in from private LPs and for investment in the District. KSC plans to issue a Letter of Intent to selected Fund Managers once KSC has finished diligence and decided to invest in a Fund. Additionally, The District wants to ensure the Funds are self-sustaining without the SSBCI investment, and therefore recommends the SSBCI allocation account for no more than 20% of the total fund size. This means that a Fund that requests a $5 million allocation from KSC: (1) must secure a match of at least $5 million from other LPs;(2) anticipate investing $10 million in the District; and (3) plan on closing at least a $25 million Fund.

Leverage Cash: Treasury expects all jurisdictions to realize 10X "leverage" cash on all SSBCI funds provided to the District across both credit support and venture capital programs. In this case, "leverage" means the amount of private capital deployed as a result of federal dollars invested. KSC anticipates that the D.C. SSBCI Venture Capital Program will drive the preponderance of that leverage and so will target funds capable of driving at least 10:1 private cash to SSBCI funds. Toward that goal, Fund Managers will track and report on all Leverage Cash attained through the life of the Fund. This will include match funds realized at close and additional funds deployed by all private investors both concurrent with the Fund's investment in portfolio companies and downstream of the Fund's investments for as long as those companies remain in the Fund's portfolio.

Compliance: KSC and DMPED require Funds to comply with all SSBCI requirements and Fund Managers will be required to ensure their invested Portfolio Companies comply with all SSBCI guidelines.

Examples of some, but not all, of the data collection, compliance, certification and reporting requirements that are mandatory for the program are as follows:

- Certifications by companies at the time of investment that:
    - The funds received will only be used for an approved purpose
    - The investment will not create a conflict of interest ("COI")

• No principal of the investor or investee has been convicted of a sex offense against a minor
• If the business is a type of business impacted by climate, in a CDFI area, a Socially or Economically Disadvantaged ("SEDI")-owned or controlled business

- Quarterly and annual reporting is also required

Investment Tranches: SSBCI funds are disbursed from Treasury to states in three (3) tranches. A state is eligible to receive its subsequent tranche of funding once eighty percent (80%) of the prior tranche is "expended, transferred or obligated." Additionally, States are eligible to receive additional SSBCI investment capital in Tranches 2 and 3 as a function of their ability to meet the Treasury Department's objectives for investment in Socially and Economically Disadvantaged (SEDI) owned businesses in Tranche 1 and 2 (see below). For these reasons, Managers must be prepared to contribute to SEDI investment goals and must be prepared to make timely and accurate report of all investments placed.

All Fund Managers who apply for SSBCI monies should familiarize themselves with the regulations to ensure they can and are willing to comply with all required regulations

SEDI Goals and Incentives: SEDI-owned businesses are business enterprises that certify they are owned and controlled by individuals who have had access to capital on reasonable terms diminished compared to others in similar economic circumstances, due to their: (a) membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society; (b) gender; (c) veteran status; (d) limited English proficiency; (e) physical handicap; (f) long-term residence in an environment isolated from the mainstream of American society; (g) membership of a federally or state-recognized Indian Tribe; (h) long-term residence in a rural community; (i) residence in a U.S. territory; (j) residence in a community undergoing economic transitions (including communities impacted by the shift towards a net-zero economy or deindustrialization); or (k) membership of another "underserved" community as defined in Executive Order 13985.

The SSBCI program has established targets to increase SEDI-owned business participation and to provide additional funding awards to states if SEDI targets are met. If DC meets the SEDI objective of thirty-three percent (33%) investments made in SEDI qualifying companies, up to an additional $2 million can be made available to the District for SSBCI investment.

DMPED and K Street Capital are dedicated to the alignment of targeted, intelligently deployed capital with a scalable and sustainable entrepreneurial ecosystem fully inclusive of SEDI-owned businesses. K Street Capital seeks to ensure that all founders and owners of qualifying businesses throughout Washington D.C. have equitable access to early-stage capital.

***Follow-On Commitments and New Commitments in Tranches 2 and 3*:**
Subject to a Fund Managers' performance and availability of funds, KSC may provide follow-on investments to the initially selected Fund Managers who demonstrate performance and who are fully

compliant with all regulations. Follow-on investments would take place in subsequent Funds managed by the same Fund Manager. However, selection of a Fund Manager for an allocation in the first tranche, does not guarantee future funding from the program. KSC reserves the right to allocate funds to new Fund Managers throughout the SSBCI program.

PROGRAM GUIDELINES:

Awarded Funds shall comply with the following program criteria and all Federal U.S. Treasury policy guidelines, which is a requirement as a recipient of funding from the SSBCI program. **It is expected that all Fund Managers familiarize themselves with the required Treasury guidelines, provided at the reference links, and as a condition of a funding award ensures compliance with all requirements outlined in this document.** Non-compliance by a Fund Manager will effectively be considered a breach of contract and subject to immediate termination and potential claw back provisions of invested funds.

***Use of Funds*:** Funds allocated by KSC to a Fund may only be used to support eligible small businesses in Washington D.C. Fund applicant/awardees will be required to ensure investments comply with all U.S. Treasury requirements, including but not limited to:

- Funds may be used to provide investment capital to Small Businesses located in Washington D.C. for the purposes of growing those companies in Washington D.C.
- A Fund shall invest funds in a portfolio company on the same terms as other investors in the financing. The Fund must also invest its own private capital at least a proportionate amount as defined in the investment agreements but at a minimum at a 1:1 proportion.
- **Under no circumstances will an Investment Entity invest funds in any single round of equity financing that is a total of more than $20M. However, Treasury asks funds to target support towards investments with investment rounds that average $3M or less.**
- Funds may be used for follow-on investments in portfolio companies, subject to the investment round size, conflict of interest, and other SSBCI exceptions
- Investments in Portfolio Companies may take the form of equity or hybrid Investments, including convertible debt and Simple Agreement for Future Equity (SAFEs)
- Funds will make individual investment decisions
- Funds and portfolio companies are subject to the terms and conditions set forth in all U.S. Treasury guidelines and requirements
- Funding provided by other Federal sources shall not be counted toward satisfying the matching requirements for a Fund. Other public sources of funding may be considered on a case-by-case basis, pursuant to the terms and conditions set forth in the SSBCI Capital Policy Guidelines.

***Management Fees*:** Venture capital funds offer a variety of services to their portfolio companies. These services can include, for example, financial management, operational guidance, transaction consulting, and connecting portfolio companies to potential customers, investors, board members, and officers. These are services that the portfolio companies need to grow their businesses and vary depending on the portfolio company's stage in the venture capital ecosystem.

Funds may request reimbursement for defined and documented services provided to SSBCI portfolio companies up to 1.71% of the allocated amount. This is the 'management fee' as Treasury has envisioned it. The Fund will be required to identify the services that will or have been provided and certify annually that such services have in fact been performed.

The agreement between the Fund and the Portfolio Companies should include disclosure of these services offered by the Fund Manager. Consistent with industry standards on management fees, the fund should reimburse KSC for payments of such fees before returns on investment are paid to the general or limited partners ("LP").

The "annual average" is calculated based on the average amount of the federal contribution that is used to cover services to portfolio companies over each year of the life of the venture capital fund, up to a maximum of ten years. Because the 1.71 percent allowance is an average, the fund may in some years use an amount of the federal contribution greater than 1.71 percent to cover services to portfolio companies, so long as in other years the amount used is less than 1.71 percent. Because the annual average is calculated over a period of up to ten years, the maximum expenditure on services to portfolio companies is 17.1 percent of the federal contribution (i.e., 1.71 percent x 10 years).

If, however, a fund's life is less than ten years, the annual average for such fund must be calculated based only on the life of that fund. For example, if the life of a fund is only five years, the maximum allowance for such fund is 8.55 percent (i.e., 1.71 percent x 5 years). KSC and DMPED will entertain variable approaches to management fee recovery to best align with a given fund's formation strategy.

Carried Interest: Participating Fund Managers are allowed to receive a carried interest pursuant to their limited partnership agreement. KSC and DMPED will consider the waterfall distribution method chosen and the amount of carried interest as part of its investment consideration.

***Operational Expenses*:** KSC does not contemplate reimbursement of additional fund operating expenses. It is important for a Fund Manager to understand that all operational expenses – including those amounts necessary to perform reporting requirements – are not covered by this program and cannot be charged to KSC.

Definition of Eligible Businesses:

Fund Managers shall only invest in eligible businesses. "Eligible Businesses" shall mean companies who meet all of the following criteria:

- **Private company:** Non-public company registered in DC and subject to taxation in DC (e.g. a corporation, partnership, joint venture, cooperative, sole proprietorship).
- **Small business**: Have fewer than 500 existing employees, including subsidiaries and affiliates.

- **DC-based business**: Have at closing, or sign an agreement pledging that it will have within six (6) months after funding:
  - Headquarters within DC (principal business operations conducted from a physical location in DC); and
  - At least 50% of employees must work in and provide services in DC OR at least 25% of employees must be residents of DC.
  - In rare circumstances, companies who do not meet these requirements but are willing to open an additional office location in DC may be eligible for funding if the company is likely to provide substantial economic impact to DC in terms of job growth, capital investment and contributions to DC's economy. These deals must be approved by DMPED prior to investment and no more than 10% of total investable funds should be spent on out of jurisdiction companies.
- **Technology-based business**: Business who creates proprietary technology or who leverage technology to offer a good or service.
- **Early Stage:** All companies must have started operations within five years from the date of the investment.

Businesses who meet the following criteria shall receive additional preference in consideration for investment:

- Businesses owned by economically disadvantaged individuals;
- Businesses owned by individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities; and
- Businesses that otherwise meet the definition of, or are eligible for certification as, an Equity Impact Enterprise, as that term is defined by section 2042(b) of the District of Columbia Small, Local, and Disadvantaged Business Enterprise Development and Assistance Act of 2005, effective December 3, 2020 (D.C. law 23-149; D.C. Official Code § 2-218.02(8A)).

REPORTING REQUIREMENTS:

Any selected Funds must commit to providing information to satisfy KSC and DMPED's reporting compliance requirements for the SSBCI program on a quarterly and annual basis for the life of the Fund.

In compliance with the U.S. Treasury SSBCI Capital Reporting Guidance, Managers shall collect and furnish, on a timely basis and as required under Treasury timelines, to KSC certain information, tracked data specific information and points, and report on such items both at the Fund level and at the portfolio company level.

Managers shall submit quarterly reports, including capital account statements documenting the Fund investments, KSC's balance of committed capital, and Fund distributions and company exits, as well as company employment figures.

Annual reports will document syndicated and follow-on investments to portfolio companies. Funds must submit audited financial statements annually.

Each Portfolio Company (not Fund) is required to self-certify the following items:

- To remain a D.C based company for at least three (3) years
- That they are a small company as defined by the SBA
- There are no insiders as described under Treasury guidelines
- They are not a business that: engages in speculative activities, earns more than half its annual net revenue from lending activities, is engaged in pyramid sales, engages in activities prohibited by federal law, or is engaged in gambling.
- None of the principals have been convicted of sex offenses against a minor
- They will comply with Civil Rights Requirements
- The funds received will only be used for an eligible business purpose
- The funds will not be used to: finance passive real estate investment, refinance existing debt, repay delinquent federal or state income taxes, repay taxes held in escrow, reimburse Funds to an owner, purchase any portion of the ownership interest of any owner, purchase goodwill, or finance any portion of SBA- or other federally guaranteed loans
- That it will comply with document review, retention and reporting requirements required by Treasury. This includes reporting on the following items: yearly revenue and net income, number of full-time employees, number of jobs created and retained, and other information all as described in the Treasury guidelines.

Additionally, Fund Managers must be prepared to collect the following information on portfolio companies invested in with SSBCI dollars:

- EIN
- NAICS Code
- If the company is located in a CDFI Investment Area (and if an owner resides in a CDFI Investment Area)
- If the business is located in an Energy or Climate Impacted Community (as defined under SSBCI)
- The primary and secondary business activity for which the investment Funds will be used

Companies will also be asked if they are minority-, woman- or veteran-owned or controlled and if the owner(s) are a part of a SEDI designated group. Further, they will be asked to respond to a Supplemental Questionnaire that includes additional demographic information or other designations of SEDI categories. Response to these questions is voluntary.

Further, Treasury asks for impact data for each portfolio company, including but not limited to:

- Total subsequent capital raised
- Jobs created
- Revenue generated

At the time of a capital call, Managers shall submit compliant documentation required under the SSBCI program. While KSC will continue to refine precise reporting requirements and cadence, subject to change over time, the format and nature of the information currently required from Treasury may be seen in the References section below.

Managers shall be responsible for gathering and accurately reporting its own information in a timely manner

APPLICATION OVERVIEW:

Applications for the D.C. Venture Capital Fund will consist of four rounds. Each round will be evaluated and scored according to the guidelines below. KSC and DMPED anticipate a high number of competitive applications and expect that the full application process will take between 16-20 weeks in total. Applicants will be communicated with throughout the process and will be notified when they have moved from one step to another.

Timeline:
Applications will be accepted on a rolling basis and should expect to hear back within 30 days of the initial application screening. Once the applicant is invited to proceed to step 2, the due diligence period may take up to 6 to 8 weeks to review. During this time the team may follow up for additional information. In Step 3, scheduling of the interview will take place to meet in person or over a video call to clarify information in the due diligence process and terms for potential investment. The committee will review the application for a final decision within 6-8 weeks preceding the final execution of the agreement.

***Awards*:**
Estimated Number of SSBCI Tranche 1 Awards: 2-3
Estimated Award Size per Fund Manager Selected: $2-4M

STEP 1: INITIAL APPLICANT SCREENING

To be considered, interested Funds **must** fill out an initial screening application. The application, available on both the KSC and DMPED websites, will gather baseline information from the applicant regarding the Fund interested in receiving SSBCI dollars. Direct outreach via email or phone call to either KSC or DMPED will not constitute an expression of interest nor will direct outreach be considered an official application for funding. All fields in the initial application are required. Applicants who leave fields blank will not be considered for funding.

In reviewing initial applications, KSC will evaluate applicants on the following criteria:

- Fund manager has the resources and ability to manage SSBCI compliance and reporting and has certified their understanding of the compliance and reporting requirements

- Fund will commit to investing SSBCI dollars into DC based start-ups and either has a pipeline of companies developed or has outlined how it intends to create a pipeline of investible companies
- Fund thesis is aligned with investing in early-stage technology/technology-based companies and SEDI owned companies
- Applicant has fund and check sizes that align with the requirements for SSBCI funding to be no more than 20% of a fund and for checks to be between $500,000 - $2,000,000

If an Applicant is deemed to have met the pre-qualifications, they will be invited by KSC to move to Step 2. An Applicant not invited to move forward will not be excluded from submitting future applications should additional rounds become available. Applicants may request a meeting with KSC and DMPED to discuss the decision further.

STEP 2: DUE DILIGENCE QUESTIONNAIRE & DOCUMENTATION COLLECTION

If selected after review of the screening application, Applicants will be invited to complete the K Street Capital Due Diligence Questionnaire ("KSC DDQ"). This document is an in-depth review of the Applicant and will require supporting documentation. Supporting documentation will be detailed in the DDQ. KSC reserves the right to ask follow up questions or make additional requests as a part of the second step in the application process prior to deciding whether or not to move a candidate to step 3.

Applicants must successfully complete Step 1 and Step 2 in order to receive an invitation to Step 3. KSC will evaluate and score first-time funds against first-time funds, emerging funds against emerging funds, and more experienced funds against more experienced funds. First-time funds are funds where the Managing Director of Managing Partner is a first-time venture capital fund manager who has not previously been a GP in a venture capital fund. Emerging Funds are Funds run by GPs or Managers who have raised and run one (1) or two (2) Funds previously. Experienced Funds are Funds run by GPs who have raised and run three (3) or more funds.

STEP 3: FUND MANAGER INTERVIEWS

After reviewing the KSC DDQ, applicants will be invited to interview with members of the K Street Capital team. This is a key component of the application process as it gives the team the opportunity to get to know the fund managers on a personal level and understand how the partnership might look moving forward. Applicants should be prepared to discuss an overview of manager background, fund thesis, track record and any warehoused deals, and general clarification of other DD information and terms. Applicants may also be asked to participate in follow up interviews if there are additional questions that the committee has about particular portions of the DDQ.

STEP 4: COMMITTEE REVIEW

The K Street Capital diligence team will compile a summary memo of the application for consideration by the internal K Street Capital Executive Committee. This memo ensures that all applicants are considered along the same criteria listed here:

1. **Team Dynamics**
2. **Performance Track Record**
3. **Investment Thesis**
4. **DC Deal Sourcing Strategy**
5. **Due Diligence Process & Risk Management**
6. **Diversity, Equity & Inclusion (DEI) Standards**
7. **Fundraising & Leverage Capability**
8. **Fund Model**
9. **Fund Terms & Structure**
10. **Ethical Standards**
11. **Diverse Financing Capabilities**
12. **Financing Structures**
13. **Financial Sustainability**
14. **Value Add & Growth Support**
15. **Strategic Alignment**
16. **Innovation & Adaptability**
17. **Network & Industry Relationships**
18. **Transparency & Communication**

A unanimous vote by the committee will move the application forward to the final step of the process. The K Street Capital Executive Committee meets on a monthly basis.

STEP 5: EXECUTION AND DISTRIBUTION:

Upon selection, the applicant will be sent a side letter agreement which will flow down all SSBCI program requirements and terms and conditions. The selected Fund will also have to agree to and sign required SSBCI certifications as well as undergo a background check. Fund Managers will also be required to create an "SSBCI Insider List" which details the investments held by any member of the Fund directly responsible for the oversight of SSBCI funds. The first capital call will be distributed only after the completion of these documents. Throughout the lifetime of the fund, the K Street Capital team will manage adherence to these requirements and applicants must commit to responding in a timely manner.

EVALUATION:

Evaluation Rubric for Initial Screening (Step 1)

Criteria	Weight	Evaluation Standards
Compliance & Reporting Capability	30%	- Fund manager demonstrates resources and ability to meet SSBCI compliance and reporting requirements. - Certification of understanding of program guidelines is provided

		- Fund or key staff members have experience managing public dollars including an understanding of public reporting standards
Commitment to DC Startups	25%	- Fund commits to invest SSBCI dollars into DC-based startups - Evidence of an existing pipeline of investible companies or a robust strategy to build one - Fund has previous investment experience in DC-based companies
Alignment with Fund Thesis & Timeline	20%	- Focus on early-stage technology/technology-based companies and SEDI-owned companies is clearly articulated and supported by fund strategy - Fund timeline matches program's internal timeline to make qualified investments by end of FY25 - Fund exhibits a commitment to the program's goal of dispersing 33% of funding to SEDI companies
Fund and Check Sizes	15%	- Fund meets SSBCI requirements that dictate federal funding be no more than 20% of the total fund size. - Fund anticipates making investments in amounts between $500,000 and $2,000,000
Completeness of Application	10%	- All fields in the application are completed - No missing or unclear responses

Evaluation Rubric for Final Decision (Step 4: Committee Review)
The committee will evaluate the responses from steps 2 & 3 to create a score using the following criteria.

Criteria	Weight	Evaluation Standards
Team Dynamics	15%	- Fund exhibits strong team cohesion and complementary skills that align themselves with overall success - Experienced leadership with a track record of successful fund management or investing
Performance Track Record	15%	- Clear evidence of achieving returns or measurable impact in prior funds and investments - Strong historical performance aligned with the proposed strategy
Investment Thesis	15%	- Alignment with early-stage technology and SEDI company focus. - Strategic rationale for target investments - Investment thesis demonstrates the ability to assist the program meet its overall goals
DC Deal Sourcing Strategy	20%	- Demonstrates a feasible and effective approach to sourcing deals within DC - Firm has existing pipelines within DC or has a well thought out plan to establish a new pipeline - Prioritizes inclusive growth by supporting a diverse range of local small and medium size businesses.

Fundraising & Leverage Capability	10%	- Fund provides evidence of their ability to meet matching requirements and leveraging private capital effectively (10:1 ratio)
Risk Management & Due Diligence	10%	- Fund has a comprehensive process for assessing and mitigating investment risks - Fund demonstrates an ability to maintain compliance with any and all SSBCI program requirements
Ethical Standards & Transparency	5%	- Fund demonstrates a commitment to ethical investing and open communication with stakeholders
Value Add & Growth Support	5%	- Fund shows a clear strategy for adding value to portfolio companies beyond capital
Innovation & Adaptability	5%	- Fund demonstrates the ability to adapt to market changes and foster innovative solutions

INFORMATIONAL SESSIONS:

DMPED and K Street Capital will hold two informational sessions where interested fund managers can meet with the program administrator, DMPED representatives, and Treasury representatives, to ask questions about the application process, clarify fund goals, and learn about SSBCI program requirements. All interested fund managers are encouraged to attend.

March 18, 2025
1015 Half St SE, Suite 675, Washington, DC 20003
1:00pm

May 13, 2025
1015 Half St SE, Suite 675, Washington, DC 20003
1:00pm

REFERENCES:

1. **SSBCI Capital Program Policy Guidelines**
2. **SSBCI Capital Program Reporting Guidance**
3. **SSBCI National Compliance Standards**
4. **DC CDFI Map**