Bush Foundation Impact Investing Fund Manager RFI
Frequently Asked Questions and Responses to Submitted Questions
As of January 22, 2020

NOTE: New or updated FAQ’s from those sent on January 9 are shown below in red.

You can download the RFI on the Bush Foundation website. Responses must be emailed to investments@bushfoundation.org on or before 5 p.m. on January 31, 2020.

Overall questions

1. Who is leading this effort at the Bush Foundation?
   a. Led by Greg Keane, CFO, this is a cross-foundation team of program, finance and investment staff collaborating together.

2. How does the Bush Foundation define impact investing?
   a. We define impact investing as investments we make with an expected payback and return with the intention of doing social good that is measurable. It is not grantmaking because we expect a financial return on investment.

3. What program goals has the Bush Foundation set for diversity?
   a. Policy, procedure, and practices are all important (and we request these from all our investment managers across the endowment). For impact investments, specifically, we give preference to strategies that ensure capital goes to underrepresented communities, as well.

4. What will the Bush Foundation and its partners do with the information submitted? Will it be shared publicly and/or with other foundations?
   a. Information will be kept confidential among the Bush Foundation and its advisors for this project, Cambridge Associates and Cogent Consulting, PBC.

5. What is the timeline?
   a. As noted in slide 19 from our webinar December 19, 2019:
6. Can we speak with anyone at Bush Foundation or your advisors to discuss our ideas/responses to the RFI before we submit it?
   a. We understand our typical practice with grant-making is to provide some level of collaboration on applications and potential partnerships. In this case, we are following a somewhat different process. In order to ensure that all applicants receive the same information and access to us and our advisors, we request that you submit your questions via email. We will collect the questions in batches and provide a single, comprehensive set of answers to all applicants and invitees through this FAQ document. With our commitment to diversity, equity and inclusion, we want to err on the side of transparency to all.

7. Who will decide who is selected for the next round of exploration and for the final round?
   a. The Bush Foundation staff and Board will be making the selection decisions. Cambridge Associates and Cogent Consulting, PBC will be helping us with process and diligence, and will be informing us along the way. For the most part, Cambridge will lead due diligence on market rate investments (MRIs), while Cogent will lead due diligence on other types of investments including program related investments (PRIs).

8. Will this be an ongoing opportunity or a one-time request for funding?
   a. We are not sure yet; we want to see applicants’ ideas and decide from there. At the moment it is structured as a one time opportunity (although we hope to make it an ongoing initiative). With that in mind, the January 31st deadline is important to highlight; if applicants miss that, they will be at a disadvantage.

9. What sorts of investments does the Bush Foundation intend to make?
   a. We expect our below market Program Related Investments (PRIs) to be primarily through loans to intermediaries and our market rate Mission Related Investments (MRIs) through equity into funds. We will also consider guarantees (we have completed a lease guarantee among our current portfolio) and some capacity-building grants alongside the investments.

10. How much funding has Bush Foundation set aside for this work, and for how many investments?
    a. We want to see the opportunity set and possibly adjust our thinking based on what we receive. That said, we will divide submissions into two groups:
       i. For our below market program related investments (PRIs), our initial thinking is to set aside at least $5 million. We’re thinking the minimum investment size for us is $500,000 plus or minus, so that means we are looking for about 10 investments. But we’re flexible depending on what we receive.
       ii. For our market rate Mission Related Investments (MRIs) coming from our endowment, we haven’t set a dollar target but we would like to initially invest in at least two ideas. Our endowment currently has approximately
40% allocated to private investments including early stage venture capital, late stage venture capital, private equity, and private real estate.

11. What is the desired time frame for the return on these investments? Are slow money strategies a possibility, for example?
   a. Timelines will vary from investment to investment.

12. What are the financial return expectations for these investments?
   a. For our below market program related investments (PRIs) we anticipate pursuing very low interest rate loans.
   b. For our market rate Mission Related Investments (MRIs), the return expectations will be comparable to non-impact peers pursuing similar strategies in the same asset class.

Eligibility requirements questions

1. What sort of funds and intermediaries are eligible?
   a. A broad range of funds and intermediaries are eligible, including but not limited to venture capital funds, private equity funds, private real estate funds, private lending and debt funds, as well as pooled lending vehicles offered by Community Development Financial Institutions, banks, and other intermediaries.
   b. We won’t be making investments directly in a specific business or nonprofit where our funds are consumed by that organization only. We will be providing funds to fund managers and intermediaries who make investments in other entities. We want to rely on their knowledge and expertise to make the on-the-ground investment decision.

2. What are the expectations that the Bush Foundation has of fund manager and intermediary partners that are chosen for investment?
   a. Fund managers and intermediaries are expected to: source investment opportunities in individual companies and projects, then perform due diligence, select, service, and report on those investments.

3. Does the Bush Foundation intend to hire a single, larger investment manager or intermediary to run the program?
   a. There are no size restrictions (large or small) on potential intermediary or fund manager partners. Bush Foundation intends to invest with multiple intermediaries and fund managers, not through a single master account managed by a third party consultant, intermediary, or fund manager.

4. Do applicants need to have particular investment terms or legal structures, beyond gathering funds for the purposes of investing in multiple underlying entities?
   a. For below market rate investments, we are open to a broad range of investment terms, fee arrangements, and legal structures including but not limited to forprofit,
LLCs, partnerships, benefit corporations, Community Development Financial Institutions, and nonprofits.

b. For market rate investments, we are looking for terms, fees, and structures that meet the requirements and feature attributes typical of the industry in which they operate.

5. Do applicants need to guarantee full and timely repayment?
   a. Our expectation is a full and timely repayment, but we do not anticipate requiring a formal guarantee from funds or intermediaries, depending on the structure of their offering.

6. Are funds targeting taxable investors of interest?
   a. As long as a fund meets our eligibility criteria, the make-up of the investors it targets does not exclude it from consideration.

7. Do applicants need to secure matching funds (as sometimes required of grantees) to be eligible?
   a. No. That said, we do encourage all applicants to seek investment from other organizations, as well, so that they are not reliant solely on the Bush Foundation for investment capital.

8. How long of a track record is necessary to be considered?
   a. There is no hard rule. Each investment opportunity’s merits will be weighed against those of its peers.

9. The eligibility criteria say “we would consider promising new models with a clear intent to invest in our region”. If it is a new, untested model, will the Bush Foundation consider that?
   a. No.

10. What if we are a new investment business without a track record but with seasoned staff?
    a. Investment experience as a team is more attractive than that of individuals separately, and that is more attractive than new teams without applicable experience. We will weigh each investment opportunity’s merits against those of its peers.

11. Are there minimums or maximums that have been set for the size of the fund or intermediary to be considered?
    a. No

12. We manage a fund that is being invested in the upper Midwest. Some of our investments meet the expanded access criteria while others don’t. Does the Bush
Foundation have an expectation of the percentage of a particular fund that should be reaching underrepresented or excluded people or places?
   a. Our preference is for funds and intermediaries that hit our target criteria exactly, but we are open to those that do not. We will weigh each investment opportunity’s merits against those of its peers.

Selection criteria questions

1. Are there any other issue/impact filters besides the two given (place and DEI). It seems like Bush welcomes hearing about anything... as varied as affordable housing funds, climate change funds, social business funds, concessionary PRI student loan funds, university technology transfer funds, artist housing, etc. Is there some threshold, such as touching at least one of the two main objectives?
   a. Our request is for funds and intermediaries that hit our target criteria, which we intentionally defined broadly. We will weigh each investment opportunity’s merits against those of its peers.

2. Are there impact themes or geographies within those laid out in the RFI that will have a higher priority?
   a. No, we are open to all ideas within our two impact eligibility requirements.

3. The selection criteria indicate that the Bush Foundation will give priority to those whose investments have a significant positive impact on the Bush Foundation Region. Our investments are in earlier stage businesses that have potential for positive impact, but the realization of that impact will take some number of years to demonstrate. How much proof will be required that an impact is happening?
   a. Impact measurement will be informed by industry best practices. The Bush Foundation is particularly interested in measurement and assessment of impacts that have a direct relationship with those outcomes through things like key performance indicators, but we have not identified any specific metrics we will require from all applicants. We look forward to seeing your approaches to impact measurement.

4. In the last selection criteria bullet on page 2, the Bush Foundation seems to be balancing a desire for history and track record with a desire for impact, understanding that new approaches by their nature do not have track records. Please explain more about what this means?
   a. The Bush Foundation will prioritize established firms in our learning year of 2020, understanding that may limit the range of investment firms and intermediaries initially. We encourage emerging and newly formed firms to apply to expand this list; if no established opportunities are available in a particular aspect of our impact priorities, we may engage with emerging and new forms to “fill that gap”.

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Application questions

1. We have a variety of ways that investors can engage. Should we describe all of those? Or does Bush Foundation prefer to see the information about only one with the most track record?
   a. Please include information about all of your offerings. We will decide which ones to pursue from among them.

2. We plan on launching a new fund in the middle of 2021. Should a description of this be included?
   a. Our focus is on fund offerings available in 2020.

3. Much of the information sought in the RFI is already on our website. Can we just point to those web pages or would the Bush Foundation rather have that content copied and on the document submitted?
   a. It would be helpful to have the content copied in your response but if that poses a burden, please point us to the web pages.

4. We are in the early stages of creating some new strategies for investing, should we describe those?
   a. Yes, understanding that our priority in 2020 is for more established opportunities.

5. Can we be creative in the submission and send a link to one or more videos of those we have invested in?
   a. Of course, we are open to your creative submissions.

6. What is meant by “investment thesis”?
   a. We’d like to understand what your investment strategy will be. This can be an adaptation of your theory of change to understand both how it will generate financial returns and social impact.

7. How will the process work?
   Now that we’ve shared the RFI publicly, our next steps include the following (please see FAQ 2 on page 1 above for a graphic representation of the steps and timeline):
   a. We will aggregate the RFI responses, conduct an initial assessment and prioritize submissions for further conversations.
   b. Communicate with you about next steps, as applicable.
   c. Perform Due Diligence.
   d. Make investments.
   e. Share ongoing feedback and new investment engagement loops.