



Motley FoolTM
VENTURES

Frequently Asked Questions

Investing in the Fund

What's the minimum to invest?

The minimum capital commitment is \$100,000 for a Charter LP.

Does the capital commitment have to be made upfront?

No. The commitment is collected over time. The fund will make periodic capital calls to collect the full commitment. We anticipate 3 capital calls a year, and as a rough estimate, 5% - 10% of the commitment will be "called" with each capital call. Overall, we estimate that the majority of the commitment will be called over a period of 4-6 years. Please see the "Commitment versus Capital Call" presentation for more information.

What are the qualifications to invest in the fund?

Investors need to be BOTH an Accredited Investor AND a Qualified Purchaser. Generally speaking:

- an Accredited Investor is an individual with \$1 million net worth (excluding primary residence), or earned income of \$200,000 (single)/\$300,000 (with spouse), and
- a Qualified Purchaser is someone with \$5 million of investments, again, excluding their primary residence.

How do you check the qualifications?

We are required to VERIFY Accredited Investor status, and have contracted with a third-party service, VERIFY INVESTOR, to help us do that. In the closing documents, investors will certify their own Qualified Purchaser status.

Why is the qualification so high?

If we set the qualification bar at Accredited Investors, we would be limited (by regulation) to 99 limited partners. The result would have been a significantly higher investment minimum and a significantly different venture community vision. The Qualified Purchaser criteria allows us to have up to 1,999 limited partners, and thus supports lower investment minimums.

Who are the investors in the Fund?

We expect the vast majority of investors to be Motley Fool subscribers and/or long-time friends of The Fool.

Is The Motley Fool investing?

Yes. The Motley Fool is contributing \$5 million: \$3 million in cash and an existing portfolio with a cost basis of about \$2 million.

What types of entities can invest in the fund?

Individuals (and with spouse), partnerships, corporations, LLCs, and trusts are the most common types. LPs can also invest through retirement accounts, but 1) it requires the approval of their plan administrator/custodian and 2) there are regulatory limits to the amount of retirement funds we can have in the venture fund.

Where can I get more information about the fund?

The one-page Fact Sheet and Investor Presentation are good ways to get overviews of the fund. The Private Placement Memorandum and Limited Partnership Agreement are the formal descriptions of the fund and contain the terms and conditions of an investment in the fund.

Capital Raising

What size are you targeting? Our target is \$100 million in capital and 1,000 limited partners (or “LPs”), and we would like to achieve BOTH. It’s more likely that we may exceed \$100M as we pursue sufficient numbers to have a vibrant community. In general, we believe our strategy can be executed with capital between \$50 million and \$200 million.

Where are you after the first close? We raised \$42 million and accepted ~150 LPs into the fund.

How many closes will there be? We are now inviting people to apply for the 2nd (and what we plan to be the final) closing.

What happens if you raise more than \$200 million We are reaching out to potential limited partners in stages, and are using a reservation system. We will likely reduce our outreach as we approach \$150 million and eventually stop accepting reservations before we reach \$200M.

Fund Strategy

How many total companies do you expect to have in the portfolio? Based on a \$100 million fund, we intend to have somewhere between 30-40 companies in the fund.

What is the time horizon for investors in the venture fund? The life of the fund is 10 years, with provisions for extension. The goal of the VC fund is to have all investments liquidated by the end of the 10 year period, but typically there will be a small number of companies that need a little more time. In the broadest and most general terms, the majority of the exits occur in the latter half of the fund life.

Will you have a sector focus? We’re focused on startup companies that use technology to create a competitive advantage in their space. There are some initial sectors that are most familiar and interesting to us, such as financial tech (Fintech), workplace culture (People Tech), and companies disrupting their industries. We will be Motley, however, and be open to a range of other sectors as well.

Will you have a stage focus? We are early-stage investors. Using VC language, that puts us in the range of seed to Series B. At the earliest end of the spectrum, our companies will generally have viable products with an initial base of customers and revenue.

From a valuation perspective, our first investment will generally be into companies with valuations between \$5 million and \$50 million.

How can I find out about the Motley Fool Ventures Team?	The team is led by Ollen Douglass, former CFO of The Motley Fool, and includes seasoned former and current Motley Fool employees. Bios of the team are included in the Investment Summary and Private Placement Memorandum.
How will TMF publishing investors/analysts be involved?	The venture team will perform its own research and make independent decisions, but we know The Motley Fool's investors very well, and have sought their input during the development of the fund. The Motley Fool's employees, analysts, founders and their networks are great and unique sources of potential leads, as well.
Have you done this before?	Yes, members of our team have invested in private companies on behalf of The Motley Fool during the past 5 years. The Fool has made investments in ten companies and helped support their founders as they've expanded their businesses.
Which companies have you invested in?	You can see the list of companies that The Motley Fool is contributing to the fund by clicking to the "Portfolio" section of our web site (insert link)

Investment Performance

Do you have a target for your annual return?	We are targeting a 2.5X-3X return over the fund life, or 20%+ annualized internal rate of return (IRR), net of fees. Of course, performance may fall short of, or exceed, such targets.
What is your performance with the existing portfolios?	The companies being contributed to the fund have a cost basis of \$2 million and a current market value, based on recent transactions, of \$3.7 million as of May 31, 2018, of course not including any fees, because we haven't been charging ourselves). TMF will be contributing the companies to the portfolio at cost.

Minimums/Fees

What are the fees?	Founding LPs are charged a 1.5% annual management fee and Charter LPs are charged an annual 2.0% management fee. Both are based on the original commitment. All investors pay their pro-rata share of fund expenses (accountants, lawyers, fund administrators, etc) out of the fund's assets.
	Fees are collected as part of the capital calls. The fees come out of the investors' commitment and are not "in addition to" the commitment.

How do the management

fee, carried interest and distributions relate to one another?	<p>Management fees are calculated based on the commitment and are collected through capital calls. When there are distributions (from a liquidation of an investment), the first priority is the pro rata return of capital (including fees).</p> <p>Once all capital and fees are returned, the additional distributions, representing gains, are split 80% to the investors and 20% to the GP. That 20% is the “carried interest.”</p>
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Tax Implications

What is the tax treatment?	We expect that gains will be mostly long-term capital gains for US tax purposes. In addition, initial returns will likely be returns of invested capital and may be non-taxable. Please consult with your personal tax advisor, who should have a better answer based on knowledge of your complete financial picture.
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Will there be a delay in filing my taxes?	Our goal is to have K-1’s distributed by March 31 of each year. However, we cannot guarantee that there will never be a delay in distributing K-1’s or that March 31 will be sufficient time for LPs to file their taxes before the filing deadline.
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Other

Why should I invest with the in the Motley Fool Ventures fund?	<p>We’re excited and confident about our first venture fund. Our team has over 130 years of Motley Fool operating experience, virtually all of it as a VC-backed company.</p> <p>Our purpose - Educate, Amuse and Enrich...Together - reflects our vision of a large, strong and collaborative community of investors, entrepreneurs and partners, all with a common Motley Fool bond.</p> <p>The goal is to create an unparalleled investing and business community that generates experiences and outcomes, financial and beyond, that will clearly separate us from the crowd while serving all stakeholders.</p> <p>We believe our experience; The Motley Fool brand, and our investing community are strategic advantages that position us well to outperform many venture funds. Of course, any investment comes with risk.</p>
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How can I refer other investors?	If you have completed your paperwork or have a reservation, please introduce us via email.
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**I don't
qualify for
the \$5 million
threshold. Is
there
another way
I can
participate?**

This first fund is limited to qualified purchasers, which is a federal requirement based on the number of investors we hope to bring into the fund. We are continually looking at ways for other Fools to participate in future funds.
