MISSISSIPPI STATE UNIVERSITY

SIDECAR INVESTMENT FUND OPERATING GUIDELINES AND PROCEDURE

PURPOSE

This document establishes the MSU Sidecar Investment Fund ("the Fund") and guidelines and procedures for investment in companies who have a relationship with the Center for Entrepreneurship and Outreach ("E-Center").

The goal of the Fund is to grow economic development through entrepreneurship in Mississippi by providing more early-stage capital for MSU student or faculty startups, both directly and through magnifying interest of outside private investors.

POLICY/PROCEDURE

1. *Establishment and Governance of the Fund*

   The MSU Research and Technology Corporation (RTC) and the E-Center will jointly manage the day-to-day activities of the Fund, while the RTC will maintain ultimate oversight and control of the Fund.

   a. A subcommittee of the RTC Board of Directors will (1) provide general policy and strategic guidance for the Fund and (2) provide final approval of each investment of Fund assets. The subcommittee will consist of the President of RTC, the Vice President for Finance, the Provost and Executive Vice President, the Director of RTC, and the General Counsel. The Assistant Vice President for Corporate Engagement and Economic Development, Dean of the College of Business, the Director of the E-Center, and the Vice President for Development and Alumni will serve as ex officio members of the subcommittee.

   b. RTC will manage the accounting, legal, and tax matters of the Fund.

      i. RTC will establish a designated account for the Fund. RTC will provide annual financial statements of the account's activity and ensure legal, tax, and regulatory compliance.

      ii. With the recommendation of the E-Center, RTC will purchase equity interests in private, eligible companies.

      iii. In all legal or tax matters, RTC will have the final decision authority. The E-Center will be responsible for legal and tax costs incurred by RTC directly related to activity of the Fund.

iv. RTC will be paid 5% of gross receipts after any appropriate taxes have been paid, and the remaining balance will be transferred back to the Thad Cochran Endowment Fund.

c. The E-Center will manage the portfolio and deal flow for the Fund.

i. The Fund will be established with unrestricted endowment earnings from the Thad Cochran Endowment Fund only at an initial balance of $25,000. The target fund size is $150,000. Public funds shall not be used for the Fund.

ii. The E-Center will be responsible for managing current and prospective holdings of the fund.

2. *Fund Overview and Mechanics*

a. The Fund may only "sidecar" or co-invest in an existing fundraising round with at least two other accredited, qualified angel investors.

b. The Fund will invest under the same terms, class of ownership, and other benefits negotiated as the other qualified investors.

c. The Fund will commit to invest no more than the greater of: $5,000 or 10% of the total investment round for a particular venture, with a maximum individual investment of $10,000. The final individual investment amount may be less in the event the opportunity is oversubscribed.

d. No MSU employee or RTC Board member can serve on the board of, or have a material financial interest in, any holdings in which the Fund invests.

3. *Eligibility*

a. The Fund will only be used to invest in for-profit entities that have at least one enrolled MSU student and/or qualifying current MSU employee who individually or collectively hold at least 25% of the equity of the target entity prior to investment. Alumni who began working with the CEO prior to graduation qualify. To qualify, an MSU employee must have MURA Authority approval for the target entity.

b. Under no circumstances will the Fund be used to provide financial support to any business that is (or otherwise perceived to be): (a) based in a foreign country; (b) engaging in any activity that is illegal under federal and/or state law; (c) lewd or sexual in nature; (d) promoting violence or drug use; (e) gambling; or (f) multi-level marketing.

4. *Investment Process*

a. Qualified opportunities will first be reviewed by the E-Center staff to ensure the opportunity meets established guidelines, and once satisfactory, and the E-Center will draft a memo indicating a preliminary, non-binding amount the Fund intends to invest should the deal proceed. The amount will be based upon above guidelines and available balance in the Fund account.

b. The E-Center will perform due diligence. The E-Center may collaborate with other potential investors as part of conducting such due diligence.

c. After performing necessary due diligence, the E-Center Director will draft a formal recommendation to the E-Center Advisory Board (ECAB). The recommendation will be voted upon by a quorum of the ECAB and approved with a 2/3 majority of the Board. If an ECAB member is part of the investment round as an individual investor or has a material financial interest in the target entity, he or she must recuse him/herself from participating in the ECAB's discussion of the investment and voting.

d. If approved by the ECAB, the E-Center Director will submit a memo, along with a copy of the subscription agreement, company operating agreement, and any other requested documents to the Office of General Counsel and Director of RTC for review and approval.

e. Upon approval of General Counsel and the RTC Director, the memo and other requested documents will be submitted to the RTC Sidecar Fund subcommittee. Upon approval by the subcommittee, the Director or President of RTC will execute the subscription agreement and payment directly with the target entity.

5. *Exit Event*

a. The Fund will seek "drag-along" and "tag-along" rights in all investments, which will trigger a sale when either the target entity makes the decision to sell, or a majority shareholder/member sells his/her interest in the target entity.

b. In the event "drag-along" and "tag-along" rights are not secured, the E-Center Director may draft a recommendation to the ECAB. The recommendation will be voted upon by a quorum of the ECAB and approved with 2/3 majority. If an ECAB member is part of the investment round as an individual investor or has a material financial interest in the target entity, he or she must abstain from voting.

c. Proceeds of the Fund, less applicable taxes and fees as established in Section 1, shall be used at the discretion of the E-Center in the following priority: (i) Replenishment of the investment fund to the determined minimum level; (ii) Growth of the Fund to target size; and (iii) Disbursement of remaining earnings to the E-Center.

6. *Other Provisions*

   a. Any revisions to these guidelines and procedures must be approved in writing by the RTC President and Dean of the College of Business.

Approved: _____ Date: 5-29-19
President, MSU Research and Technology Corporation

Approved: _____ Date: 6-6-19
Dean, MSU College of Business