

**GUIDELINES FOR CERTIFICATION AS A CERTIFIED INVESTMENT FUND
UNDER THE
NMSDC INVESTMENT FUND CERTIFICATION PROGRAM**

GENERAL

The NMSDC Investment Fund Certification Program (the “IFCP”) allows certain eligible investment funds to be certified by NMSDC as a Certified Investment Fund. Certified Investment Funds are Qualified Program Investors allowed to participate in the NMSDC Growth Initiative Certification Program (the “Growth Initiative Program”).

ELIGIBLE APPLICANTS

The applicant must be an Investment Fund or Independent Sponsor Organization that is in the business of making investments, not managing businesses (an “Eligible Fund”). The following types of entities shall not be eligible for certification: angel investment groups, family offices, and holding companies. The NMSDC may for any reason, in its sole and absolute discretion, deny any applicant certification under the IFCP.

CERTIFICATION REQUIREMENTS

An Eligible Fund may be certified under the IFCP if:

- A. Ethnic-Minority Group Members own a majority of the equity, have voting and management control over the Eligible Fund’s General Partner.

- B. Ethnic-Minority Group Members either (i) have voting and management control over the Eligible Fund’s Management Company or (ii) the General Partner may unilaterally terminate the Management Company. Applicable only where an Eligible Fund has retained a Management Company.

- C. Ethnic-Minority Group Members either (i) have voting and management control over the Eligible Fund’s Investment Committee or (ii) the General Partner may unilaterally appoint, terminate, and replace members of the Investment Committee. Applicable only where an Eligible Fund has an Investment Committee.

- D. The General Partner has a minimum of 20% Carried Interest.

- E. The Eligible Fund has a minimum of \$25 million AUM.

ELIGIBLE FUNDS STRUCTURED AS INDEPENDENT SPONSOR ORGANIZATIONS

All Independent Sponsor Organizations will be required to:

- A. Provide evidence it has a minimum of \$25 million of AUM or that it has made \$25 million of investments in private companies to comply with Certification Requirement E above.
- B. Certify that no changes have been made to the Independent Sponsor Organization's structure regarding the status of Certification Requirements A, B and C above on a deal-by-deal basis if certified under the IFCP. The Independent Sponsor will supply information to NMSDC that it still meets Certification Requirements A, B and C if structure changes have been made since the date of initial certification.
- C. Show it has a minimum of 20% carried interest on a deal-by-deal basis if certified under the IFCP. and
- D. Provide information allowing NMSDC to calculate its' Certified Fund Percentage on a deal-by-deal basis if certified under the IFCP.

INVESTMENTS BY CERTIFIED INVESTMENT FUNDS IN MBEs UNDER THE GROWTH INITIATIVE PROGRAM

The following provisions shall apply when a Certified Investment Fund will be an investor in an MBE under the Growth Initiative Program:

- A. **Voting Power:** In determining the amount of voting power held by Ethnic-Minority Group Members, 100% of the votes attached to the shares owned by a Certified Investment Fund or for which such Certified Investment Fund has voting power shall be deemed votes by Ethnic-Minority Group Members.
- B. **Economic Equity:** The amount of a Certified Fund's equity ownership that will be deemed owned by Ethnic-Minority Group Members will equal the number of shares owned by the Certified Investment Fund multiplied by the Certified Fund Percentage.

DEFINITIONS

"AUM" means assets under management which shall equal the total market value of the securities that a Person owns or manages including cash.

"Carried Interest" means generally a share of the profits of a successful fund that is paid to the General Partner of an investment fund as a form of compensation.

Certified Investment Fund means an Investment Fund or Independent Sponsor Organization certified by NMSDC.

“Certified Fund Percentage” shall equal the Certified Investment Fund’s general partner’s carried interest percentage plus the Ethnic-Minority Group Members ownership percentage of the Certified Investment Fund (Certified Fund Percentage = GP Carried Interest % + EMGM ownership %).

“Economic Equity” means equity in an entity that gives the owner a residual claim on the entity’s economic assets.

“Ethnic-Minority Group Member” means an individual who is a U.S. citizen and at least 25% of the following: African American, Asian-Indian American, Asian-Pacific American, Hispanic/Latin American, and Native American, as determined by NMSDC. Documentation to support a claim of ethnicity may be required from the Eligible MBE.

“General Partner” means the partner in a limited partnership responsible for day-to-day management of the limited partnership with full decision-making authority or an equivalent entity having such authority for an Investment Fund that is not a limited partnership.

“Independent Sponsor Organization” means an entity that invests in or acquires companies and raises funds for its transactions on a deal-by-deal basis instead of a pool of committed capital that: (i) has a demonstrable track record of making and exiting investments in privately held companies, and (ii) has a minimum of \$25 million of AUM or demonstrable history \$25 million of investments in private companies.

“Investment Fund” means a pooled investment vehicle where the investment fund adviser pools together the money invested in the fund by all the investors and uses that money to make investments primarily in privately held companies on behalf of the fund.

“Management Company” means an entity performing certain management services to an investment fund that has been retained by the investment fund’s General Partner.

“Minority-Controlled Company” means an MBE certified under the Growth Initiative Program.

“Person” means a natural person or company.

APPLICATION

- A. Applications for certification and recertification under the IFCP are submitted to the NMSDC National Office. Program applications are reviewed by a national Growth Initiative Committee to determine if the applicant meets the requirements for certification under the IFCP.
- B. Applicants that are denied certification may appeal such decision upon filing a written request with the NMSDC National Office within 30 days of notice of the denial of certification. Decisions may only be appealed on the following grounds:
 1. Where there has been a Procedural Error in the review process, or
 2. Where the decision is based on a Factual Error.

Procedural Error includes any departure from NMSDC policy regarding undeclared or unawareness of conflict of interest or a failure to provide such information to the Growth Initiative Committee.

Factual Error exists where there is compelling evidence the Growth Initiative Committee based its decision not to certify on a conclusion which is contrary to information clearly stated in the application.

- C. A Certified Investment Fund must submit its application for recertification at least 60 days prior to its certification expiration date.

COMPLIANCE

NMSDC reserves the right to review the status of a Certified Investment Fund at any given time through the Growth Initiative Committee. The Growth Initiative Committee can recommend suspension, termination or revocation of the certification, for good cause, of any Certified Investment Fund at any time. NMSDC will determine the length of any suspension, and whether and under what circumstance a Certified Investment Fund or its General Partner, officers and/or affiliates can be permanently banned or can reapply for certification.

The suspension, termination or revocation of certification, for good cause, may be necessary under several circumstances including, but not limited to, when a Certified Investment Fund:

1. fails to meet any of the certification requirements as set forth in these Guidelines;
2. fails or refuses to allow NMSDC representatives access to and/or the opportunity to inspect its' place of business;
3. ceases business operations;
4. withholds or fails to provide notice to NMSDC within thirty (30) days of any change in circumstance at the Minority Controlled Company resulting in it no longer meeting certification requirements as set forth in these Guidelines;
5. submits false or misleading information to the NMSDC;
6. including any of its directors or officers is charged or convicted of involvement in illegal activity, or
7. fails to submit an application for renewal of certification along with required documentation within the designated timeframe.