

INDIANA ECONOMIC DEVELOPMENT CORPORATION

RETURN FUND INVESTMENT POLICY

June 15, 2021

Amended March 28, 2024

PURPOSE

This Investment Policy specifically applies to the Return Fund, which has been established to invest, hold, and account for funds collected as distributions from all direct investments made by the State of Indiana through the Indiana Twenty-First Century Research and Technology Fund (“21 Fund”), which serves as Indiana’s statutory authority for the creation and operations of the Return Fund.

The purpose of the Return Fund, currently managed by Elevate Ventures, Inc. (“Elevate Ventures”) through its subsidiary Elevate Advisors LLC (“Elevate Advisors”) and pursuant to its contract with the Indiana Economic Development Corporation (the “IEDC”), is to foster and promote the development of entrepreneurs and emerging companies within the State of Indiana in support of the Indiana economy and its creation and retention of jobs. Elevate Ventures, an Indiana-based nonprofit venture development organization, has also been tasked with deploying a network of vice presidents who support entrepreneurs and to administer other entrepreneurship-focused programs and services.

In conjunction with other State-supported funds and programs, the Return Fund aims to stimulate statewide technology-based economic development by spearheading the building of a vibrant entrepreneurial ecosystem at the community level and by actively inducing participation of angel and institutional investors through sharing of deal flow, due diligence, and co-investment. Elevate Ventures will link partnering organizations, entities, and groups to both new resources and better access to existing resources.

The purpose of this Return Fund Investment Policy is to provide a framework around common metrics to qualify or disqualify potential investments, to seek venture market comparable returns based on market and/or peer benchmarks, and to protect taxpayers. The policy fosters and promotes the development of high-growth companies within the State of Indiana as a means of stimulating high-rate commercial growth trajectories, compounding investment capital, and producing high-paying jobs in the private sector.

TYPE OF INVESTMENT

Upon completion of its review and approval process and with the ultimate approval for compliance by IEDC staff, Elevate Advisors, may make Return Fund investments, pursuant to substantially the same structure and on substantially the same terms as private, co-investment capital when applicable in the form of convertible debt instruments, equity, or loans made to individual companies via direct investment or to funds under management by Elevate Advisors (or such other entity affiliated with Elevate Ventures, as applicable) that invest exclusively in companies meeting the criteria set forth herein. Funding made available to Elevate Ventures through the Return Fund shall only be used for investment capital and may not be assessed or allocated against management fees or expenses, including but not limited to administration costs.

DEFINITIONS

Headquarters – means having the North American Principal Office Address located in Indiana per the Indiana Secretary of State Business Registration Filing and at least one C-Suite position residing in Indiana.

Significant Presence – means at least one (1) physical office and one (1) full-time employee within the geographic borders of the State of Indiana and conducting a significant portion of its operations within the State of Indiana as determined by Elevate Advisors; or at the time of initial investment, have a clear plan to use the IANF II investment to create a significant presence in the State of Indiana as a result of the investment.

INVESTMENT CRITERIA

The terms of any investments made by the Return Fund and the businesses in which such investments are to be made (each such business, an “Investee”) shall be made pursuant to the following Investment Criteria:

Business Terms

1. Total investment by the Return Fund in any one Investee shall not exceed eight million dollars (\$8,000,000) or twenty percent (20%) of the Fund, whichever is less, excluding any and all prior CIF, SBIR/STTR, SRF, HPSG, EPPF/Nexus/Pre-Seed Fund, MEF and/or Innovation Voucher investments, or any other source of capital provided by, or investment made with funds sourced from, the IEDC unless lawfully waived pursuant to this Investment Policy.
2. The initial investment commitment from the Return Fund to invest exclusively in companies meeting the criteria set forth herein shall not exceed twenty-five million dollars (\$25,000,000) unless special approval is received by Elevate Advisors from the IEDC Board of Directors. Individual investment commitments to any given Investee may be made above and beyond the initial investment commitment maximum as the Return Fund continues to increase in size with approval of the IEDC.
3. Each Return Fund investment shall be made on substantially similar terms as the qualified private co-investment defined as investment made by professional institutional investors or an investor group consisting of accredited individual investors if such group can demonstrate investment experience with pre-existing connections with the venture capital community and is likely to help entice institutional investment.
4. Each Return Fund investment must substantially meet general capital, performance benchmarks, and goals set forth by Elevate Advisors.
5. Each Return Fund portfolio company investee shall be required to provide proof the investment performance metrics, data, and goals set forth by Elevate Advisors have been met.
6. The Return Fund may have a preference for considering portfolio companies of other IEDC funds managed by Elevate Ventures.

Indiana Link

7. Each Return Fund investment shall be made into a qualified business as set forth below that:
 - (a) is determined by Elevate Advisors to have:

- (i) its Headquarters in the State of Indiana; or
- (ii) committed to, or be in the process of, initiating, or expanding its operations to have a Significant Presence in the State of Indiana;
- (b) is primarily focused on:
 - (i) a high-growth business model where venture funding is likely to benefit that growth and is striving to successfully compete for federal or private research and development funding, including the pursuit of private venture funding;
 - (ii) the commercialization, transfer, and/or application of research and technology into marketable products; or
 - (iii) a business plan that is determined by Elevate Advisors to have significant potential to:
 1. bring substantial capital into Indiana;
 2. create jobs; or
 3. diversify the business base of Indiana.
- (c) is an innovation-driven enterprise with a total addressable market of at least Five Hundred Million Dollars (\$500,000,000);
- (d) is not primarily engaged in a business involving: real estate; real estate development; insurance; professional services provided by an accountant, a lawyer, or a physician; or oil and gas exploration.
- (e) The Investee's investment criteria may not prohibit investments in Indiana's distressed regions, as defined by the United States Economic Development Administration guidelines.

Investment Merit

8. The investment has been evaluated by Elevate Advisors and the IEDC to meet or exceed the following qualitative and quantitative criteria:
 - Team – strong team with complementary skills or prior startup venture experiences, demonstrated coachability, and commitment to high-growth venture;
 - Market - addressable market size over \$500 million; clear and sustainable competitive advantages such as technical superiority, speed of execution, partnerships, and a business and revenue model that is realistic, repeatable, and scalable;
 - Product – well articulated and accepted value proposition, demonstrated technical scalability, and development product roadmap based on customer feedback. While no technology invention is required, application of technology is usually desired as part of product or solution offering;
 - Customer – identified target customers and decision-makers with desirable attributes based on sales cycle, stickiness and upsell potential, through either direct or indirect sales approaches, with revenue generating companies demonstrating compelling customer references
 - Return – reasonable market-driven investment terms with a capital structure appropriate for institutional investment with no significant business or financial liabilities and value-added strategic or financial co-investment partners strongly preferred. The investment has the potential to generate venture-like financial returns to the Return Fund commensurate with the investment risk.

Leverage Ratio

- (f) Each Return Fund investment is required to be syndicated with other capital sources on a minimum 1:1 basis.
- (g) The investment may start with a ratio of private investment to Return Fund investment of no more than 0.50:1 and has a reasonable expectation, when considering follow-on investments, to result in a higher ratio of awarded funds to new private, non-governmental capital from the time of the investment.

Limitations

- (h) No Return Fund investment will finance, in whole or in part, any business activities prohibited by regulations promulgated by the State of Indiana.
- (i) Each Return Fund investment shall meet any other criteria and follow program best practices adopted by the Entrepreneurship Committee of the Board of Directors of the Indiana Economic Development Corporation (the "Entrepreneurship Committee") from time to time.

PROHIBITED USE OF FUNDS

Return Fund is prohibited from making investments to:

- (i) finance a non-business purpose;
- (ii) refinance existing debt where the lender is in a position to sustain a loss and the investment would take over that loss through financing;
- (iii) effect a change that will not benefit the business;
- (iv) To repay delinquent state or federal withholding taxes or other funds that should be held in trust or escrow;
- (v) To fund employee stock options (ESOPs).

Further, as applicable, all investments will comply with any and all rules, regulations, and procedures required by Indiana law.

INELIGIBLE RECIPIENTS

The following are NOT eligible for investments: educational institutions, nonprofit organizations principally affiliated with educational institutions, units of local government, other state agencies, commercial lenders, utilities, industries, Native American tribes or public entities.

The Return Fund is prohibited from investing in or lending to the following businesses:

- Real estate investment firms, when the real property will be held for investment purposes, as opposed to loans to otherwise eligible small business concerns for the purpose of occupying the real estate being acquired
- Firms involved in speculative activities that develop profits from fluctuations in price rather than through normal course of trade, such as wildcatting for oil and dealing in commodities futures, when not part of the regular activities of the business

- Firms involved in lending activities, such as banks, finance companies, factors, leasing companies, insurance companies (but excluding agents of insurance companies), and any other firm whose stock in trade is money
- Pyramid sales plans, where a participant’s primary incentive is based on the sales made by an ever-increasing number of participants
- Firms engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted (included in these activities is the production, servicing, or distribution of otherwise legal products that are to be used in connection with an illegal activity, such as selling drug paraphernalia or operating a motel that knowingly permits illegal prostitution)
- Gambling activities, including any business whose principal activity is gambling. While this precludes loans to racetracks, casinos, and similar enterprises, the rule does not restrict loans to otherwise eligible businesses which obtain less than one-third of their annual gross income from either the sale of official state lottery tickets under a state license, or legal gambling activities licensed and supervised by a state authority
- Charitable, religious, or other nonprofit or eleemosynary institutions, government-owned corporations, consumer and marketing cooperatives, and churches and organizations promoting religious objectives

The Return Fund is also prohibited from utilizing allocated funding to: (i) unduly influence or attempt to influence any agency, elected official, officer or employee of a state or local government in connection with the making, awarding, extension, continuation, renewal, amendment, or modification of any state or local government contract, grant, loan or cooperative agreement as such terms are defined in 31 U.S.C. Section 1352;; or (ii) pay any costs incurred in connection with any defense against any claim or appeal of the United States Government, any agency or instrumentality thereof (including Treasury), or the State of Indiana.

CONFLICT OF INTEREST RULES AND LIMITATIONS

Elevate Ventures, as part of its professional services contract with the IEDC and as a matter of law when investing the State of Indiana’s funds, shall provide a conflict-of-interest review and be alert for situations where those involved in or with control over its investment decisions have a personal financial interest in companies that receive capital from 21 Fund. These “conflict of interest” situations must be avoided to comply with state laws and to maintain the 21 Fund’s integrity, both real and perceived.

For Elevate Ventures to meet its expectations with respect to conflicts of interest to the satisfaction of the IEDC, the following requirements and limitations apply to Elevate Ventures’ directors, executive officers, and employees with respect to the utilization of 21 Fund dollars:

- In accordance with the Confidentiality and Conflict of Interest Policy of Elevate Ventures, as amended and currently in effect, and as may be further amended subsequent hereto with the written consent of the IEDC (the “Policy”), in no event shall Elevate Ventures recommend, negotiate and/or complete any transaction or arrangement in which an “Interested Person” (or his or her “Immediate Family” or an “Interested Business”) has any “Financial Interest” with the foregoing defined terms have the meanings assigned to them in the Policy.

- Disclosure and/or recusal of the conflicted Elevate Ventures personnel is not a sufficient action to resolve any actual or potential conflict of interest in connection with consideration of, or a vote on, entering into a transaction or arrangement using funds provided by the IANF II in instances where there is a conflict of interest identified under the Policy unless lawfully waived pursuant to this Investment Policy.
- Accepting a role as a director, executive officer, or employee of Elevate Ventures does not require any such person to divest financial interests in a company resulting from previous employment or personal investment activity, however, once a person becomes a director, executive officer, or employee, any company in which the individual has a “Financial Interest” is prohibited from receiving an investment from the IANF II unless lawfully waived pursuant to this Investment Policy.
- Elevate Ventures identifies potential conflicts of interest by having all of its directors, executive officers, and employees make self-disclosures of their “Financial Interests”, “Immediate Family”, and their “Interested Businesses”, and additionally, during due diligence, Elevate Ventures will review the capitalization table of potential investment targets to determine the existence of any conflicts of interest.
- Elevate Ventures must also be sensitive to perceived conflicts of interest in addition to the requirements and limitations applicable to actual or potential conflicts of interest as described above.
- The Elevate Ventures Chief Compliance Officer is responsible for determining the existence of any conflicts of interest and for managing any such conflicts per the Policy, with the Elevate Ventures Board of Directors and the IEDC.
- The IEDC conducts a similar disclosure and review process for its senior management team and Board of Directors and the process for disclosure, recusal, and/or elimination from investment consideration of the conflicted IEDC personnel, IEDC Board Members, or investment pursuant to the Indiana Code of Ethics.
- Any potential changes to the Elevate Ventures Confidentiality and Conflict of Interest Policy will be reviewed and approved by the IEDC.

Further, as applicable, all investments will comply with the conflict-of-interest policy requirements of the Indiana Code of Ethics.

WAIVER OF INVESTMENT CRITERIA

Upon a recommendation made by Elevate Advisors, and upon review and ultimate approval of IEDC staff and the IEDC’s Entrepreneurship Committee, provisions of this Investment Policy Statement, may be waived so long as the waiver and the resulting investment remains in compliance with all applicable state laws, specifically including but not necessarily limited to the requirements of the Indiana Code of Ethics.