

## **Standard Terms for Investor's Rights Agreements**

### **Purpose**

The University of Mississippi Research Foundation ("UMRF") may secure an equity interest or ownership position in a company (collectively "Equities") in partial consideration of the license of intellectual property rights by the University of Mississippi ("UM") to the company. This procedure outlines the standard terms to be reserved by UMRF in an Investor's Rights Agreement (or equivalent) to protect its equity interests and the desired corporate structure for a company in which UMRF holds Equities.

### **Background**

License Agreements executed by UM that involve licensing intellectual property rights associated with UM research to companies for commercialization may contain Equities in the company as partial consideration for the transfer of the rights. In such cases, UMRF will hold Equities in the company on behalf of UM in accordance with the Affiliation Agreement between UM and UMRF. It is the intention of UM for Equities to be granted to UMRF at the time of execution of the License Agreement. The License Agreement will typically include a clause that will set a minimum percentage of equity in the company on a fully diluted basis and a minimum capitalization. Whenever possible, an Investor's Rights Agreement (or equivalent) between UMRF and the company will be executed contemporaneously with the execution of the License Agreement between UM and the company. The Director of Technology Management at UM (the "Director") or designate with input from internal and/or external legal counsel is typically responsible for negotiating both the License Agreement and the Investor's Rights Agreement for UMRF. Equities will be accepted and maintained by UMRF in accordance with UMRF's Standard Operating Procedure entitled Acceptance and Maintenance of Equities.

### **Investor's Rights Agreement Standard Terms**

The Investor's Rights Agreement (or equivalent) should contain the standard terms summarized below. The standard terms are designed to protect UMRF's minority equity interest in the company without unduly limiting the ability of the company to raise additional capital, or for the majority shareholders to sell their interests. Implementation of these standard terms should not be rigid or inflexible, recognizing that UMRF may have to adjust the terms depending on the opportunity.

- (1) **Tag-Along Rights.** UMRF will be granted the right to sell alongside the other shareholders (at least representing a majority of the outstanding shares) on the same terms as the majority shareholders.

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- (2) **Pre-emptive Rights.** UMRF will be granted the right to participate in all future capital offerings of the company.
- (3) **Piggy-Back Rights.** UMRF will be granted the right to register its shares along with the company or other shareholders on any public offering of equities.
- (4) **Information Rights.** UMRF will be furnished financial information on at least an annual basis.
- (5) **Observation Rights.** UMRF will be granted the right to attend all Board meetings as a non-voting observer.

Deviation from the standard terms will be considered on a case-by-case basis by the Executive Committee of UMRF.

### Company Structure

It is the preference of UMRF that the company be formed as a C-corporation. Equities in other forms of incorporation will be considered on a case-by-case basis by the Executive Committee of UMRF.