



SC LAUNCH PROGRAM: TERMS OF PARTICIPATION

SCRA and SC Launch, Inc., provide this document in the interest of transparency and in order to convey useful information to companies that may be interested in taking advantage of the SC Launch Program.

This document is provided to SC Launch Program applicants prior to qualification in order to assist their understanding of the specifics of becoming a Client Company. After the SC Launch Program staff has completed a defined review process and determined that a company is potentially qualified for acceptance into the SC Launch Program, that company will be required to execute this document to indicate its understanding of, and agreement to, the terms set forth herein.

1. Background

SCRA is a public, non-profit organization enabled by South Carolina Code of Laws Title 13, chapter 17, which provides comprehensive guidance regarding its purpose, how it operates and how it is governed. SCRA provides assistance through its SC Launch Program to early-stage companies that conduct business within one or more of the following three industries of focus:

- Advanced Materials/Manufacturing
- Life Sciences
- Information Technology

For Information Technology companies, preference will be given to those companies possessing products and/or services that complement or reinforce one or more of the other two focus industries.

SC Launch, Inc. is a South Carolina non-profit corporation that supports the SCRA and the SC Launch Program. SCRA and SC Launch, Inc. provide support through the SC Launch Program at different stages of a company's development, as described below.

SCRA provides grants and mentoring, while SC Launch, Inc. focuses on loans and investments.

2. Goals and Benefits of the Program

The overarching goal of the SC Launch Program is to promote the innovation economy and the creation of sustainable, technology-based jobs in the State of South Carolina. To this end, SC Launch supports entrepreneurs of early-stage, technology-based companies through investments, grants and mentoring.

3. Rules, Roles and Expectations

A. New Applicants

The Applicant must submit a complete, online application for consideration. New applications will be reviewed monthly, within 30 days after submission. A determination of potential fit and state of readiness will be made at that review and communicated back to the Applicant within one week. The Applicant will receive a verbal or written summary of findings and conclusions from a Regional Manager.

If the Applicant is deemed to have the potential to become eligible for the SC Launch Program, a Regional Manager will be assigned to assist the Applicant in assembling a concise and compelling presentation to be given during one of the SC Launch Program staff's monthly company review meetings. After this presentation, if the Applicant is invited to become a Client Company, they will be required to execute this document. Regardless of the decision, the Regional Manager will share the SC Launch team's findings with the Applicant relative to the various selection criteria, including;

- 1) the strength of the management team,
- 2) technology,
- 3) value proposition and commercial market potential.

Applicants not initially selected due to these factors will be encouraged to continue to work with the Regional Manager to become ready for a future review.

Information provided by the Applicant will be treated by SCRA as business sensitive, and SCRA will make reasonable efforts to protect this information when disclosure does not appear to be legally required. However, SCRA is subject to the South Carolina Freedom of Information Act, and the Applicant should not disclose to SCRA any information that would negatively impact the Applicant's ability to obtain intellectual property protection or undermine its ability to enter into or compete in any market. This applies to all verbal or written information.

B. Client Companies; Grants; Research Partners

SC Launch Client Companies have the opportunity to apply for direct grants and grant matching, subject to each program's specific terms and conditions. Those programs are described in the document titled "*Grant Programs – Qualification and Processing Procedures*" found at www.scra.org. Eligibility and decisions for all grants are determined only by the SC Launch Program management team.

It is the Regional Manager's responsibility to assist the Client Company as an advocate and mentor. The Regional Manager offers business experience, networks and specialized resources to the Client Company in accordance with their needs. SC Launch Client Companies are expected to make discernable progress against meaningful milestones as they develop. Examples of milestones include:

- Completion of realistic business plan
- Filing of bona fide patent applications
- Development of working prototypes
- Meeting of regulatory requirements

- Receipt of customer verification of value proposition
- Achievement of financial projections

Client Companies also gain access to SCRA's Resource Partner network that provides business support services in specialty areas such as legal, accounting, insurance/risk management, sales & marketing, etc. There is no obligation for a Client Company to use any of these Resource Partners unless otherwise directed as a condition of certain grants.

Client Companies are expected to provide pro forma financial projections to the SC Launch team in a standard format. The intent is to demonstrate that the Client Company is understanding, managing and ultimately achieving their revenue potential, hiring needs, capital requirements and potential profitability profile.

4. Maturation of Client Companies; SC Launch, Inc.; Loans/Investments

Client Companies that are advancing in their development and achieving milestones may be eligible for seed capital investment, which is either in the form of convertible loans (if the company is a C-Corp) or promissory notes (if the company is an LLC). Traditionally investments are funded in an amount of up to \$200,000 in a first funding event. A maximum total, life of the company investment from SC Launch, Inc. is \$600,000 accruing through a series of investments. Companies receiving an investment typically exhibit the following characteristics:

- a) Building a credible, strong management team
- b) Demonstrating a deep knowledge of a compelling value proposition
- c) Making solid progress in attaining competitive defensibility of that value proposition
- d) Identifying the initial target market and demonstrating compelling evidence why customers will or have bought the company's products and/or services
- e) Developing and implementing a scalable go-to-market plan
- f) Defining a realistic perspective of revenue projections and capital needed to reach them
- g) Showing a strong potential for high-wage job creation in South Carolina

If the SC Launch review team determines that the Client Company is at, or imminently near, a stage of consideration for an investment, SC Launch, Inc. will provide a Letter of Intent that will initiate a period of due diligence. The Letter of Intent will lay out the terms and conditions of the contemplated investment and will be non-binding. Sample legal documents are available at www.scra.org.

5. SC Launch, Inc. Due Diligence and Loan/Investment Process

Upon execution of the Letter of Intent, a 13-week due diligence process will begin. Included with the Letter of Intent will be a comprehensive due diligence checklist with a firm timeline for document submission. In addition to helping the SC Launch, Inc. team with its investment decisions, the due diligence process will help the Client Company prepare for raising capital from additional outside investors. As documents are submitted and reviewed, a presentation to at least one SC Launch, Inc.

Board Member will be conducted to assist the company in refining their future presentation to the SC Launch, Inc. Board.

The SC Launch, Inc. Board of Directors will make the investment decision via a resolution. All Board resolutions require a simple majority vote for approval. The Board may attach any term or condition they deem reasonable or prudent. The Client Company will be notified within one week of the investment decision. The Client Company will have no obligation to accept these terms or conditions. If the resolution fails to pass, the Regional Manager will provide a summary to the Client Company of the rationale behind this decision.

If approved for an investment, the Client Company will be expected to execute SC Launch, Inc.'s standard form of financing agreement and associated promissory note (if the company is an LLC) or convertible note (if the company is a C-Corp). The terms of these agreements have evolved over SC Launch, Inc.'s 10+-year history and are not heavily negotiated to avoid legal expenses on both sides.

6. SC Launch, Inc. Portfolio Companies

After the loan/investment closes, the Client Company will then become a Portfolio Company. The Portfolio Company will be expected to keep the Regional Manager and SC Launch team informed of its progress and will be required to submit quarterly financial statements, participate in SC Launch's annual survey and forward copies of all materials or communications provided to directors and shareholders. The Portfolio Company will be required to obtain SC Launch's consent prior to entering into any merger, sale, reorganization or recapitalization and making any changes to the company's governance documents and legal-name changes (articles of incorporation, if C-Corp, or operating agreement, if LLC).

By executing this document, the signatory hereby acknowledges and agrees to the terms set forth herein.

Name:

Title:

Company:

Date:

Please initial and date all pages.