



**SC Launch, Inc.**  
**Letter of Intent for Convertible Debenture**

**TODAY'S DATE**

**COMPANY, INC.**

**COMPANY ADDRESS**

**COMPANY ADDRESS**

Re: Possible Financing by SC Launch!, Inc. ("SC Launch") for **CLIENT, INC.** (the "Company")

Dear **COMPANY POC**:

This Letter of Intent ("LOI") concerns the possibility of SC Launch providing financing to the Company. The following confirms our mutual present understanding and intent, subject to our negotiation, preparation and execution of a definitive financing agreement and/or other reasonably required agreements and instruments ("Definitive Agreements"), satisfactory in form and substance to each party, and containing such warranties, representations, covenants, conditions and other terms as are normal and usual to such agreements and other approvals and conditions as stated below.

1. Background. SC Launch has been incorporated exclusively for scientific, educational, charitable and other public purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and to support the mission of the South Carolina Research Authority under South Carolina Code §13-17-87 to establish research innovation centers and provide financing to qualified companies. The Company has need of capital financing to sustain and expand its business and has been admitted as a qualified company to the SC Launch program.

2. Financing. SC Launch provides financing to qualified companies generally as set forth in the attached Schedule I. The amount and terms and conditions of any financing for the Company will be set forth in the Definitive Agreements. Execution of the Definitive Agreements and consummation of the transactions contemplated by the Definitive Agreements (the "Transactions") shall be subject to, among other things, receipt of all necessary or appropriate approvals or consents of the management and governing board of SC Launch and the absence of any material adverse change in the assets or business of the Company.

3. Costs. Each party shall be responsible for its own costs, fees, and expenses incurred with this transaction, including, without limitation, legal and accounting fees, except as may be provided in the Definitive Agreements.

4. Information. The Company will provide to SC Launch and its representatives full access during normal business hours to all of the Company's property, books and records, and shall permit SC Launch and its representatives to interview such personnel of the Company as SC Launch shall deem appropriate. SC Launch agrees that any nonpublic information about the Company that

SC Launch obtains while this LOI is in effect shall be used solely for due diligence and to evaluate the Transactions to the extent allowed by law.

5. Termination. This LOI shall continue in effect until the earlier of (i) the execution of the Definitive Agreements, (ii) our mutual abandonment of the Transactions, (iii) written notice of termination by either party to the other, or (iv) **INSERT TERMINATION DATE- SIX MONTHS AFTER DAY LOI IS SENT OUT**.

6. Effect of LOI. The execution of this LOI by the Company and SC Launch will constitute our best mutual understanding to proceed under the general terms hereof. Neither of us intends to be bound, and neither of us shall be bound, by this LOI unless and until Definitive Agreements have been executed and delivered by all parties; and neither of us shall be obligated to negotiate with respect to the subject matter hereof or to execute or deliver Definitive Agreements. In consideration of the mutual promises contained in this paragraph, the Company and SC Launch agree that they will never institute any action or suit at law or in equity against one another nor institute, prosecute or in any way aid in the institution or prosecution of any claim, demand, action or cause of action for damages, costs or expenses for or on account of any damage, loss or injury, known or unknown, past, present or future, arising out of or that may in any way result from this LOI, notwithstanding any other provision herein. Without limitation on the foregoing, we agree that we will never institute any action or suit at law or in equity against one another by reason of any claim relating to the refusal of any party hereto to negotiate or execute Definitive Agreements or by reason of any claim relating to the refusal of the management or board of directors of any party to approve the Definitive Agreements for any reason. All remedies available at law or in equity, including specific performance, shall be available to the parties for the purpose of enforcing this covenant not to sue.

A copy of this letter signed on behalf of the Company will be your agreement for SC Launch and the Company to proceed under the general terms of this LOI.

Yours truly,

SC LAUNCH

By: \_\_\_\_\_

Its: \_\_\_\_\_

The terms and conditions set out in the above Letter of Intent are acceptable to the Company.

Dated \_\_\_\_\_, 2017.

By: \_\_\_\_\_

Its: \_\_\_\_\_

Schedule I

**SC Launch Financing for Qualified Corporations**

1. The corporation will enter into a financing agreement with SC Launch and issue SC Launch a convertible promissory note. The interest rate on this note shall be an adjustable rate between 5.00% and 10.00% per annum, compounded monthly. Advances under the note will be in amounts and for purposes within the sole discretion of SC Launch.

2. The corporation will make representations and warranties in the financing agreement to SC Launch and agree for SC Launch to have broad rights to financial and business information about the corporation. While the note is outstanding, the corporation will agree not to enter into certain capital transactions, amend certain of its organizational documents, issue options in excess of a pre-approved employee option pool or engage in certain related party transactions without the prior approval of SC Launch.

3. The corporation will agree not to relocate its business or certain employees outside of the State of South Carolina without having first paid SC Launch a relocation fee equal to the aggregate amount of all principal advances made by SC Launch to the company under the note. The corporation will also agree to pay SC Launch an annual fee equal to 15.00% per annum of the outstanding principal balance of the note from time to time upon a sale of the company.

4. SC Launch will make certain investment representations to the corporation and agree not to sell securities of the corporation to a third party without first offering the securities to the corporation.

5. The note will initially have a maturity date that is 36 months after the date of issuance. SC Launch will have the discretion to demand payment of the note prior to the maturity date upon a default by the corporation or for other reasons, including if SC Launch deems itself insecure or that prospects for repayment of the note are impaired. SC Launch will also have the discretion to extend the maturity date and to require payments of interest and all principal outstanding under the note.

6. The note will be convertible into preferred stock. If the corporation completes a qualified sale of preferred stock with \$1 million or more of proceeds, the note will convert automatically into the stock sold in the qualified stock sale. If the corporation sells stock but does not complete a qualified stock sale, SC Launch has the option to convert the note into the stock issued by the corporation or, upon maturity, the note will automatically convert into shares of a special series of preferred stock, or other stock issued by the corporation since the date of the note. The corporation will be required to authorize the amendment of its articles of incorporation to provide for the special series of preferred stock prior to entering into the financing agreement.

7. The amount of the principal and accrued interest due under the note will be increased by a conversion premium depending on the time of conversion as follows:

<u>Number of Days Since Issue Date</u>	<u>Conversion Premium</u>
90 or fewer	1.00 (no premium)
91-180	1.05

181-270	1.10
271 or more	1.15

9. For an optional conversion by SC Launch, the conversion price will be based on the price per share at which the corporation sold stock that triggered the right to convert. For an automatic conversion, the conversion price will be based on the weighted average price per share at which the corporation has sold stock while the note was outstanding if the cumulative cash consideration for all such sales equals or exceeds the principal amount of the note. If the corporation has not sold that much stock, the conversion price will be determined by an appraisal process.

10. If the corporation sells stock within a year after conversion of the note for less than the conversion price used for the conversion, SC Launch will receive additional shares of preferred stock based on an adjusted weighted average price per share calculation.

11. The corporation can redeem the note at any time prior to conversion at a price of 115% of the principal amount of the note, together with accrued interest to the date of redemption.

12. If the corporation issues shares of the special series of preferred stock provided for in the financing agreement, the holders of the preferred stock will have the same voting and distribution rights as holders of common stock, and a preferred right to receive in a liquidation an amount equal to the consideration originally received by the corporation for the preferred stock plus an additional amount per share that is the same as the amount received per share by holders of common stock.

13. The special series of preferred stock will be convertible into common stock at any time at the option of the holder or automatically upon the consummation of a qualified public offering of the corporation's common stock.

14. Holders of two-thirds of the outstanding shares of the special series of preferred stock will have the right to consent to certain capital transactions, amendments to certain of the corporation's organizational documents and certain related party transactions.

**THIS TERM SHEET IS INTENDED TO BE ATTACHED TO AND SUBJECT TO THE TERMS OF A LETTER OF INTENT WITH SCLAUNCH!. IT IS FOR DISCUSSION PURPOSES ONLY AND IS NOT AN OFFER OR ACCEPTANCE BY ANY PARTY AND IS NOT INTENDED BY ANY PARTY TO BE BINDING ON ITSELF OR ANY OTHER PARTY.**