

**LETTER OF INTENT for
SC LAUNCH, INC. DIRECT INVESTMENT**

DATE

COMPANY NAME

ADDRESS

Re: Possible Financing by SC Launch, Inc. (“SC Launch”) for COMPANY NAME (the “Company”)

Dear _____,

This Letter of Intent (“LOI”) concerns the possibility of SC Launch providing financing to your Company. The first step in this process is to commence due diligence, the reason for this LOI. You agree to allow us to conduct due diligence on your Company and leadership as outlined on Attachment A to this LOI. Completion of due diligence is prerequisite to you presenting your request for financing to the SC Launch, Inc. investment Board. If you are approved for funding by the SC Launch, Inc. Board, you agree to negotiate in good faith with SC Launch for a direct investment. The SCL, Inc. Board directs investments with preference for equity as represented in our terms outlined in our direct equity investment term sheet (Attachment B), and preferred stock purchase agreement, (Attachment C). In some limited circumstances, your company may be considered for a convertible debenture investment based on the terms [linked here](#). These documents, and other reasonably required agreements and instruments, are referred to collectively as the Definitive Agreements. Including the direct equity investment term sheet.

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 Terms. SC Launch provides financing to qualified companies generally under terms and conditions as set forth in separate nonbinding term sheets that have or, as applicable, will be provided to you. For any financing, those terms will include that the Company will agree not to relocate its business or certain employees outside of the State of South Carolina for a period of five (5) years. In the event of out-of-state relocation within the agreed five (5) year period, the Company will be obligated to pay SC Launch a relocation fee equal to the aggregate amount of all advances made by SC Launch to the Company. In cases of debt financing where the company is sold prior to equity conversion, the Company will also agree to pay SC Launch an annual fee equal to an additional 15.00% per annum of the outstanding principal balance from time to time upon a sale of the company while the note is outstanding and for a year after repayment.

3. Pre-Conditions. 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.

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

5. 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.

6. 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) SIX MONTHS FROM DATE.

7. Effect of LOI. The execution of this LOI and any terms sheet by the Company and SC Launch will constitute our best mutual understanding to proceed under the general terms hereof and thereof. Neither of us intends to be bound, and neither of us shall be bound, by this LOI or any term sheet 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 or any term sheet, notwithstanding any other provision herein or therein. 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.

8. Notice. SC Launch is a non-profit entity affiliated with SCRA and established to support economic development for South Carolina through start-up company investment. SCRA may not pledge the credit and taxing power of the State and, therefore, may not invest directly in start-up companies. SC Launch is authorized to provide start-up investments.

[Signature page follows]

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, INC.

By: _____

Its: _____

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

Dated _____, 2019

By: _____

Its: _____

SAMPLE

Attachment A: SC Launch, Inc.

Due Diligence Document Request Checklist / Due Date: **T-13 Weeks from the Board Meeting**

A- Corporate / Organization

1. Articles of Incorporation or LLC Operating Agreement
2. Stockholder Accounts Summary or Capitalization table (breakout of ownership interests)
3. Licensing agreements
4. Patent filings (provisional, utility, design, plant, PCT, etc.), include trademarks and copyrights
5. Contract list – name and phone (customer, vendor, employee, etc.)

B- Company and Financial

1. Executive Summary of Company
2. Current business plan, including detailed sales plan, marketing plan and product development plan
3. YTD and historic financials (past three years) – Profit/Loss, Cash Flow and Balance Sheet. Note: your current balance sheet is required to be included in your final SC Launch board presentation.
4. Six year pro forma financials in attached format. Note: this pro forma is required to be included in your final SC Launch board presentation.
5. Raw financial model including assumptions
6. Corporate investor pitch (PowerPoint)
7. Six, twelve and eighteen month company milestones
8. Current budget AND Current financing needs
9. Detailed description of founders / principals cash investment and use of funds. Investment descriptions must be broken out by individual.
10. Debt owed to founders / principals. Note: this information is required to be included in your final SC Launch board presentation.
11. Equity agreements AND/OR Loan agreements
12. Leasing agreements
13. Outstanding tax liabilities
14. Press releases / articles
15. Competitive business review (competitive landscape)
16. Key contracts, SBIRs, STTRs, etc.
17. Legal Matters (threatened or pending litigation or arbitration; litigation settlements)
18. Exit strategy

C- Management

1. Contact list of management including address, phone and email
2. Resumes or detailed bios of management team
3. Salaries of management / principals. Note: this information is required to be included in your final SC Launch board presentation.
4. Organizational chart
5. Hiring (staffing) plan
6. Employment Agreements (non-competes, confidentiality, assignment of inventions, severance, etc.)
7. Reference list for the company (customers, strategic partners, industry veterans, advisors, etc.)
8. Reference lists for management team (some may be duplicated in requested approve)

D- Other

1. External market research efforts completed
2. Details of concurrent investment(s) underway
3. Investor strategy near term and discussion of potential for long-term funding

E- (Current SCL Portfolio Company)

1. List SC Launch funding milestones - discuss achievements, missed milestones, reason for change in plan
2. Describe benefit of SC Launch funding to SC to-date and anticipated on-going benefit to SC
3. Compare revenue projections to-date from SC Launch funding, describe rationale for major variance
4. Compare employment projections from SC Launch funding to-date, discuss significant deviation

Attachment B
SC LAUNCH, INC. DIRECT EQUITY INVESTMENT TERM SHEET

The following is a summary of the principal terms with respect to the proposed equity financing investment of _____, a _____ corporation or limited liability company (the "Company") by SC Launch, Inc. (the "Investor"). Except for the section entitled "General Terms," no legally binding obligations will be created until definitive agreements are negotiated, prepared, executed and delivered by all parties, and neither party will have any obligation to negotiate further with the other, execute or deliver any agreements, or consummate any transaction. This Memorandum is not a commitment to invest, and is conditioned on the completion of due diligence, legal review and documentation that is satisfactory to Investor.

I. Investment

Investor: SC LAUNCH, INC.

Investment: \$ _____

Securities to Issue;
Price Per Share/Unit: To-be-authorized shares of _____ ownership (common or preferred stock if corporation, membership units if LLC) at a purchase price of \$ _____ per share/unit, totaling _____ shares/unit.

Pre-Money Valuation: \$ _____

Capitalization Table: (to be attached)

Targeted Closing Date: _____

Use of Proceeds: Proceeds will be used for _____.

Relocation Fee: The Company will agree not to move or relocate the Company's principal office or principal place of business outside the State of South Carolina, and not to have more than one-half, based on payroll expenses, of the Company's total employees, or senior management employees, or employees engaged principally in professional research and development, employed at locations outside of the State of South Carolina for a period of five (5) years without having first paid Investor a relocation fee equal to the amount of SC Launch's investment. Payment of the relocation fee will not affect Investor's equity interest.

Information Rights:

The Company will deliver to Investor at least thirty (30) days prior to the beginning of each fiscal year, copies of its annual budget and business plan for the upcoming fiscal year and, within one hundred twenty (120) days following the end of each fiscal year, audited financial reports commencing with the fiscal year ended December 31, 2019, prepared in accordance with U.S. generally accepted accounting principles. During each fiscal year, the Company will submit unaudited quarterly financial reports no later than forty-five (45) days after the end of each of the first three (3) fiscal quarters. The Company will allow Investors reasonable access, during normal business hours, to the Company's premises and records and reasonable opportunity to discuss the Company's affairs, finances and accounts with the Company's officers.

Participation Rights:

Investor shall have the right, in the event the Company proposes to offer equity securities to any person, to purchase up to its pro rata portion of such securities (calculated based on the fully diluted outstanding shares of the Company).

Registration Rights:

Standard "piggyback" registration rights

Right of First Refusal and Co-Sale Rights:

The Investor shall be given a right of first refusal to purchase any Company stock that a founder or a member of a founder's family intend to sell to a third party, and an opportunity to participate in sales of the Company's stock by any founder or a founder's family member.

Related Party Transactions:

Without the approval of a majority of the disinterested directors, the Company shall not enter into any agreement or transaction with any of its shareholders, officers or directors, or any individual related by blood or marriage to any such person or any entity in which any such person owns a beneficial interest (other than a non-controlling interest in a public company).

Purchase Agreement:

The investment shall be made pursuant to a Stock Purchase Agreement acceptable to the Company and the purchasers, which agreement shall contain, among other things, appropriate representations and warranties of the Company and covenants of the Company reflecting the provisions set forth herein.

Conditions to Closing:

Standard conditions to closing, which shall include, among other things, satisfactory completion of financial and legal due diligence, and preparation, approval and execution of closing documents.

II. General Terms

Fees and Expenses:

Each party will pay for its own attorney's fees and other expenses incurred for this transaction together with other reasonable due diligence and out of pocket expenses.

Governing Law:

This Memorandum of Terms and all disputes and claims arising out of or in connection with it (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the laws of the state of South Carolina, notwithstanding any conflict of law provisions which would require the application of laws of any other state.

Expiration:

This Memorandum of Terms shall expire and be deemed null and void if not mutually signed by the parties within seven (7) days of first delivery to the Company.

Acknowledged and Agreed to by:

By: _____

Name: _____

Title: _____

Date: _____

SC LAUNCH, INC.

By: _____

Name: _____

Title: _____

Date: _____

Capitalization Table

[To Be Attached]

SAMPLE