

**NON-BINDING LETTER OF INTENT**  
**for**  
**SC LAUNCH, INC. INVESTMENT**

[DATE]

[NAME OF COMPANY]

[ADDRESS]

Re: Possible Financing by SC Launch, Inc. (“SC Launch”) for [NAME OF COMPANY] (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. 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 board of directors. If you are approved for funding by the board of directors, you agree to negotiate in good faith with SC Launch for a direct investment. The board of directors directs investments with a preference for equity as represented in our terms outlined in our direct equity investment term sheet as outlined on Attachment B. In some limited circumstances, your Company may be considered for a convertible debenture investment based on the terms outlined on Attachment C.

The following confirms our mutual present understanding and intention, subject to our negotiation, preparation and execution of a definitive securities purchase agreement and 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 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 years. In the event of out-of-state relocation within the agreed five 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.

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 the 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 AFTER LOI 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 \_\_\_\_\_, 2020

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

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

# Attachment A: SC Launch, Inc.

Due Diligence Document Request Checklist / Due Date: **ASAP**

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## **A- Corporate / Organization**

1. Articles of Incorporation or Articles of Organization
2. Bylaws, Stockholder Agreements or LLC Operating Agreement
3. Stockholder Accounts Summary or Capitalization table (breakout of ownership interests)
4. Licensing agreements
5. Patent filings (provisional, utility, design, plant, PCT, etc.), include trademarks and copyrights
6. 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 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**

**[EQUITY TERM SHEET ATTACHED]**

**Attachment C**

**[CONVERTIBLE NOTE TERM SHEET ATTACHED]**