

## SC Launch Records: Start-up Companies Failed to Repay Millions in Financial Aid

Published: Monday, 19 October 2020 08:10

By Rick Brundrett - The Nerve

From December 2015 through April of this year, 16 start-up companies funded by SC Launch Inc., an affiliate of the state-created South Carolina Research Authority, did not repay nearly \$5 million owed to the nonprofit, according to organization records.

SC Launch Inc. was repaid a total of \$19,152, which represented less than 1% of the collective \$4.9 million write-off amount over the period, records show. The records recently were provided by the Research Authority (SCRA) to The Nerve under the state Freedom of Information Act.

The total amount owed included \$2.8 million in loan principal and interest, plus approximately \$2.1 million in a category listed as “equity.” SC Launch Inc. enters into financing or stock-purchase agreements with approved start-up companies, with “potential for returns on investment based on the companies’ future financial success,” according to its most recently available federal income-tax return.

The businesses that defaulted included medical and technology companies, according to records. Total owed amounts for each listed company ranged from \$113,578 to \$964,456, with an average amount of \$306,393.

From March 2019 to July of this year, SC Launch Inc. and SCRA provided a total of nearly \$5.9 million in grants, loans or equity funding to 59 start-ups statewide, records show.

The SCRA awards grants, while SC Launch Inc. provides loans and equity funding, according to SCRA spokeswoman Adrian Grimes. The single-largest grant during the period was \$50,000; the maximum loan or equity investment for an approved company was \$300,000.

The Nerve sought records on loan defaults by start-up companies after the S.C. Court of Appeals in July ordered a manufacturer of an “alternatively powered multi-purpose maintenance vehicle” for “use in the government sector” to pay a \$200,000 “relocation” fee to SC Launch Inc. after the company decided to move out of state.

The SCRA, which provides staffing for the SC Launch program, denied The Nerve’s request to identify the total number of employees at each company that received financial assistance or defaulted, contending those records can be kept secret under the Freedom of Information Act.

From fiscal years 2016 through 2019, start-up companies collectively created 3,395 full-time jobs, SCRA records show.

The purpose of SC Launch Inc., which SCRA formed in 2006, is to “facilitate applied research, product development and commercialization programs and strengthen South Carolina’s knowledge economy to create high paying jobs,” SCRA’s website says. The nonprofit makes

## SC Launch Records: Start-up Companies Failed to Repay Millions in Financial Aid

“seed investments, which anticipate financial returns,” according to the website.

By Rick Brundrett - The Nerve  
Hits: 352  
SC Launch Inc. is governed by a board of directors having at least seven members, three of whom are appointed by SCRA’s Executive Committee, with the board of directors of the University of South Carolina, Clemson University and Medical University of South Carolina research foundations each appointing one member. Another member is appointed by a majority of the collective foundation boards, according to the organization’s federal income-tax return.

State law required that the SCRA establish three “Research Innovation Centers” – one each associated with USC, Clemson and MUSC – to, among other things, “promote the development of high technology industries and applied research facilities in South Carolina.”

The SCRA, a nonprofit corporation chartered by the Legislature in 1983, “fuels South Carolina’s Innovation Economy by supporting entrepreneurs, enabling academic research and its commercialization, and connecting industry to innovators,” according to its website.

By law, the SCRA is governed by a 24-member board of trustees that includes the presidents of state universities, including USC, Clemson and MUSC; the governor or his designee; the chairmen of the budget-writing House Ways and Means and Senate Finance committees, or their designees; and the head of the S.C. Department of Commerce or his designee. The governor names the board chairman.

The SCRA currently doesn’t receive direct state appropriations, but when it was created, lawmakers gave the organization \$500,000 and about 1,400 acres of undeveloped land, worth an estimated \$10.7 million then.

The organization relies heavily on the “Industry Partnership Fund (IPF),” which offers a dollar-for-dollar state tax credit to contributors. The Nerve [reported](#) last year that several of the state’s highest-paid lobbyists were working for SCRA on legislation to increase the tax credit; the annual cap this year for total IPF contributions is \$8 million, an increase of \$1 million from 2019, according to SCRA’s website.

For the tax year that ended June 30, 2019, SCRA had nearly \$12.3 million in total revenues, though it ended the year about \$2.2 million in the red. Still, the organization had \$68.3 million in net assets for that year, with executive director Bob Quinn receiving \$277,552 in total compensation, according to the organization’s federal income-tax return.

In comparison, SC Launch Inc. reported \$2.3 million in total revenues as of June 30, 2019, and ended the tax year \$70,164 in the red, with net assets of about \$10.4 million, according to its federal income-tax return. Then-executive director Jill Sorensen’s total compensation that year was \$184,548.

Last month, the SCRA announced that Russell Cook was selected as the new executive director of

## SC Launch Records: Start-up Companies Failed to Repay Millions in Financial Aid

SC Launch News  
Published Monday, 19 October 2020 08:10

By Rick Brundrett - The Nerve

-----  
Hits: 352

***Brundrett is the news editor of The Nerve ([www.thenerve.org](http://www.thenerve.org)). Contact him at 803-254-4411 or [rick@thenerve.org](mailto:rick@thenerve.org). Follow him on Twitter @RickBrundrett. Follow The Nerve on Facebook and Twitter @thenervesc.***