
NCINNOVATION, INC.

Request for Proposals – Investment Management Services



DECEMBER 2023



December 8, 2023

NCInnovation, Inc. (“NCInnovation,” “NCI,” or “the Company”) is a public-private partnership to accelerate and scale commercialized innovation from North Carolina universities and colleges, create jobs and improve the economic opportunities in all 100 counties of North Carolina.

Upon the receipt of State funding, NCInnovation will have investable cash of \$250 million and another round of public funding in FY2025 of \$250 million. **The Company’s Board of Directors is thus soliciting competitive proposals from qualified service providers for Investment Management Services.**

Please submit questions or proposals (which should be in a consolidated PDF) via email to Mark Stohlman, Interim CFO (mstohlman@ncinnovation.org) by 5p.m. ET on January 12, 2024.

Note your response to this RFP and any correspondence between you and NCInnovation in connection with this RFP may constitute public records for purposes of the North Carolina Public Records Law, to which NCInnovation is subject, and may be disclosed to third parties.

Written proposal documents supersede any verbal or written prior communications between the parties. NCInnovation reserves the right to reject any or all proposals, to waive technicalities, and to make an award deemed in its best interest. NCInnovation also reserves the right to engage outside advisors or consultants to assist in evaluating submissions and providing final recommendations to the Company.

We look forward to your response and appreciate your interest in NCInnovation.

Sincerely,

Bennet Waters
President & CEO

Stan Kelly
Chair, Investment Committee

BACKGROUND

Tax-exempt under Internal Revenue Code Section 501(c)(3), NCInnovation is a public-private partnership to accelerate and scale commercialized innovation from North Carolina universities and colleges, create jobs, and improve the economic opportunities in all 100 counties of North Carolina. NCInnovation is funded primarily by the State of North Carolina through the establishment of an endowment of \$250 million in FY2024 and another \$250 million in FY2025.

An overview of NCInnovation is appended to this RFP to assist you in better understanding the Company.

SELECTION PROCESS AND MILESTONES

The Company will review all proposals based on the criteria outlined in this RFP. Those firms whose proposals are selected for further consideration may be asked to make a personal presentation and/or answer questions in advance of final decisions.

Event/Task	Due Date
Issue RFP	December 8, 2023
Intent to bid due	December 15, 2023
Questions from bidders due	December 20, 2023
Reply to bidders' questions	January 3, 2024
Proposals due by 5:00p.m. ET	January 12, 2024
Firm presentations	Week of January 22, 2024
Recommendation for award to Investment Committee	Week of February 5, 2024
Investment Committee Recommendation to Board of Directors	February 14, 2024
Notification of award to selected firm(s)	February 15, 2024
Services to begin	March 1, 2024

PROPOSAL REQUIREMENTS

To be considered, all proposals submitted in response to this RFP must include the following minimum information:

A. Firm Information

1. Provide your firm's name, main office address, phone, website and addresses of all other office locations.
2. Give brief history of your firm.
3. Provide the total dollar value of nonprofit assets under management with your firm.
4. Provide the number of nonprofit clients represented by the team assigned to this RFP.
5. Describe your investment management services. What are your competitive advantages?
6. Do you act as a fiduciary on behalf of your nonprofit clients?
7. As the Company's investment manager, how would your firm identify and address potential conflicts of interest?
8. Explain any significant organizational changes in the last three years, including details regarding employee turnover.

B. Personnel

1. Describe how your firm is structured to provide investment management services for nonprofit clients.
2. Identify the team who will be responsible for the Company's investment management and asset allocation if your firm is selected. Detail each individual's qualifications and experience.
3. Who will be the primary relationship manager or point of contact.
4. Describe your customer service/relationship philosophy.

C. Investment Process and Strategy

1. Describe your firm's investment philosophy.
2. Describe your firm's process for assisting in the development of an investment policy statement.
3. Describe your asset allocation methodology.
4. Do you make tactical asset allocation decisions on behalf of clients? Please explain your process.
5. Describe your views on active versus passive investments.
6. What type(s) of investment vehicles are available to manage a portfolio?
7. Does your firm use an open architecture product offering or proprietary investment products?
8. Given the Company's strategy to balance income with preservation of corpus, describe how your firm would approach portfolio construction by asset classification and risk profile.
9. Provide a ten (10) year history of your firm's cumulative investment performance.

D. Risk Management & Conflicts of Interest

1. Provide a detailed description of your firm's due diligence for investment managers, including search and evaluation process.
2. Describe your firm's conflicts of interest policy in selecting and monitoring managers or funds. Does your firm or any of its affiliates derive any economic benefit from any managers, mutual funds, or other investment entities that you might recommend?
3. Describe your firm's compliance and risk management processes.
4. Please describe how you monitor investment managers.

5. Disclose all potential conflicts which may arise with respect to the completion of this contract, including, without limitation, any circumstances which could create the appearance of a conflict of interest. If the firm currently represents a client whose business, in whole or in part, involves NCInnovation as either a buyer, seller, or services provider, this potential conflict must be disclosed. NCInnovation reserves the right, based on the nature of the conflicts disclosed, to disqualify potential firms, if, in NCInnovation's sole and absolute judgment, such conflicts would preclude effectively performing under the contract.

E. Performance Measurement, Presentation, and Reporting

1. Describe your firm's process of monitoring investment managers for a client.
2. Describe your firm's typical reporting process (periodicity, content, delivery method, etc.) and provide a blinded sample reporting package.
3. How many days after quarter-end are reports available?

F. Fees

1. Provide a detailed breakdown of all fees and costs expected to be incurred by the Company, to include a breakout of any initial and ongoing custodial and advisory fees as a percentage of the dollar value of assets. This breakdown shall include all submanager, advisory, or other direct or indirect fees.
2. Describe the frequency and methodology for any change in fees.

G. Non-Profit Support Services

1. Describe other banking and ancillary services customarily provided by your firm to nonprofits. If there are additional fees involved for banking and ancillary services, please provide an overview of those fees.
2. Describe how your firm's investment strategies incorporate an understanding of tax issues unique to charitable assets.
3. Does your firm provide recurring updates regarding regulatory and compliance changes that may impact our organization?
4. Please summarize any additional alternative services that your firm is capable of providing that may benefit the Company.

H. Legal

1. Provide a proposed contract of engagement with NCInnovation.
2. Is your firm registered as an investment advisor with the Securities and Exchange Commission?
3. Does your firm carry an Errors and Omissions Policy? If yes, what is the limit?
4. Has your firm, or a principal of your firm, ever been charged by the SEC or any other regulatory agency of any violation of applicable law? If yes, please explain.
5. If applicable, describe any litigation or allegations of wrongdoing connected with the services or recommendations made to any clients by your firm (or representatives thereof).
6. Has your firm, or a principal of your firm in his or her representative capacity as an officer, director, or employee of your firm, been a defendant in a civil action during the past seven years? If yes, please explain.
7. Has your firm, or a principal of your firm, ever been convicted of theft, fraud, racketeering, or any other criminal activity? If yes, please explain.

I. References and Client Base

1. Provide a minimum of three names, contact information, and length of relationship for a minimum of three (3) references from organizations similar to NCInnovation.

2. Complete Tables 1 and 2:

Table 1 - Number of Clients by Type and Assets Under Management

Client Type	\$0-250M	\$250-500M	\$500-1000M	\$1000M +	TOTAL
Foundations					
Endowments					
Public/Government					
Other Nonprofit					
Corp Pensions					
Family/HNW					
Other					
TOTAL					

Table 2 - Assets Under Management Totals by Client Type

Client Type	Assets (\$M)	% of Total
Foundations		
Endowments		
Public/Government		
Other Nonprofit		
Corp Pensions		
Family/HNW		
Other		
TOTAL		

J. **Other.** Provide any additional information you feel would be important in the Company's consideration of your firm's services.



> December 2023

> www.ncinnovation.org

NCINNOVATION AT-A-GLANCE

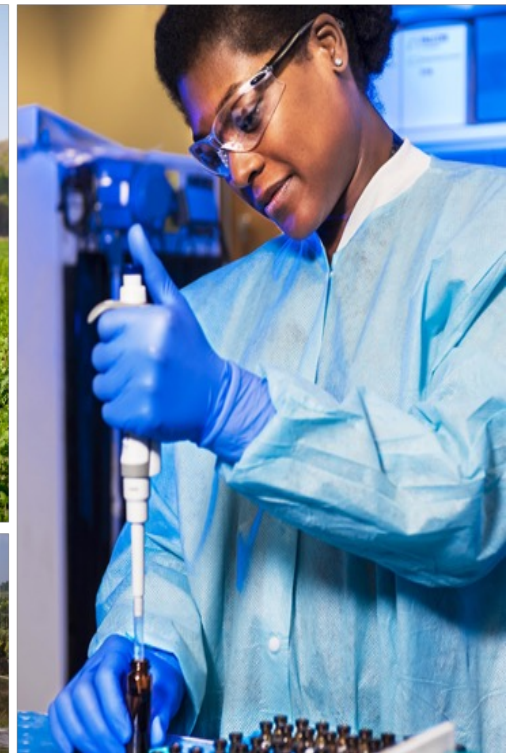
OUR VISION

North Carolina will be The Innovation State

Enabled by a public-private partnership to accelerate commercialized innovation from NC's universities

OUR MISSION

Commercialize and scale innovation to create jobs and improve economic opportunity in all 100 counties of North Carolina



OUR VALUES

Innovation

Collaboration

Accountability

Integrity

Inclusion

THE REALITY WE FACE

Applied research SHOULD yield new jobs and companies.

North Carolina is home to top research universities, but our innovation performance doesn't measure up.

North Carolina receives almost \$13B annually in academic and industry R&D. However:

- ▶ We rank **20th in total innovation***
- ▶ We **lag the national average** in commercializing our research
- ▶ Competitor states are **investing in innovation** and successfully targeting emerging NC tech companies

* North Carolina Department of Commerce Office of Science Technology & Innovation's "Tracking Innovation" report, 2021



REGIONAL DISPARITIES ARE SIGNIFICANT ACROSS NORTH CAROLINA

NCI commissioned research from TEconomy Partners, a leading independent consultancy, to quantify why NC is 20th in innovation commercialization. *Among their research outputs:*

- ▶ **Asset Mapping:** mapped North Carolina organizations involved in innovation & entrepreneurship
- ▶ **Qualitative Analysis:** interviewed 30+ senior research & commercialization leaders
- ▶ **Quantitative Analysis:** benchmarked North Carolina's commercialization indicators:

	Research Triangle	Piedmont Triad	Charlotte	Western	Wilmington	Eastern	Fayetteville	Total
Capital (Non-University)	63	13	21	6	5		1	109
Capital (University-Based)	16		2			1		19
University-Based Services	41	12	10	6	7	7	5	88
Other Technical Services	7	2	3	2				14
Other Support Services	32	21	12	8	3	4	1	81
TOTAL	159	48	48	22	15	12	7	311

NC IS LOSING GROUND ON ITS R&D GROWTH

Compared to six peer states and national averages, NC's performance is below average in eight key indicators:

	Measure per GSP		Change since 2010		Change since 2015	
University R&D	2 nd	Above	6 th	Below	5 th	Below
Industry R&D	3 rd	Below	2 nd	Above	3 rd	Below
Industry-Academic R&D	2 nd	Above	7 th	Below	7 th	Below

AN INNOVATION ARMS RACE HAS BROKEN OUT IN THE U.S.

States are increasingly recognizing new products and companies generated from applied research create deep downstream multiplier effects (*Enrico Moretti, MIT Sloan Management Review*).

Competitors are directly funding new investments and establishing new innovation clusters:



Massachusetts

- **\$1.6 B** in biotech/life sciences
- **\$250 M** manufacturing tech



Ohio

- **\$2.3 B** in Third Frontier
- **\$125 M** in aerospace



Texas

- **\$1 B** in applied research and commercialization
- **\$1.1 B** for semiconductor R+D



Georgia

- **\$694 M** to fund university research and innovation commercialization

TECONOMY PARTNERS IDENTIFIED FOUR CHALLENGES FACING NC



Uneven Success

- ▶ Researchers and entrepreneurs **outside of major cities** are struggling for resources and mentors



Underdeveloped Capital Landscape

- ▶ **Insufficient commercialization funding** for university innovation



Lack of Applied Research

- ▶ Few partnerships across universities to solve **marketplace problems**



Lack of Regional Networks

- ▶ **Little regional collaboration** between academic, industrial and capital formation networks

THESE FINDINGS HAVE REAL IMPLICATIONS FOR COMMERCIALIZATION

Technology readiness level (TRL)	Description
1 Basic principles observed and reported	Lowest level of technology readiness. Scientific research begins to be translated into applied research and development. Examples include paper studies of a technology's basic properties.
2 Technology concept and/or application formulated	Invention begins. Once basic principles are observed, practical applications can be invented. Applications are speculative, and there may be no proof or detailed analysis to support the assumptions. Examples are limited to analytic studies.
3 Analytical and experimental critical function and/or characteristic proof of concept	Active research and development is initiated. This includes analytical studies and laboratory studies to physically validate the analytical predictions of separate elements of the technology. Examples include components that are not yet integrated or representative.
4 Component and/or breadboard validation in laboratory environment	Basic technological components are integrated to establish that they will work together. This is relatively low fidelity compared with the eventual system. Examples include integration of ad hoc hardware in the laboratory.
5 Component and/or breadboard validation in relevant environment	Fidelity of breadboard technology increases significantly. The basic technological components are integrated with reasonably realistic supporting elements so they can be tested in a simulated environment. Examples include high fidelity laboratory integration of components.
6 System/subsystem model or prototype demonstration in a relevant environment	Representative model or prototype system, which is well beyond that of TRL 5, is tested in its relevant environment. Represents a major step up in a technology's demonstrated readiness. Examples include testing a prototype in a high-fidelity laboratory environment or in a simulated operational environment.
7 System prototype demonstration in an operational environment	Prototype near or at planned operational system. Represents a major step up from TRL 6 by requirement demonstration of an actual system prototype in an operational environment (e.g., in an aircraft, a vehicle, or space).
8 Actual system completed and qualified through test and demonstration	Technology has been proven to work in its final form and under expected conditions. In almost all cases, this TRL represents the end of true system development. Examples include developmental test and evaluation of the system in its intended weapon system to determine if it meets design specifications.
9 Actual system proven through successful mission operations	Actual application of the technology in its final form and under mission conditions, such as those encountered in operational test and evaluation. Examples include using the system under operational mission conditions.

Federal Funding

2nd in our national peer group

"Valley of Death"

2022 impact at NCI's 4 regional hubs

- 88 invention disclosures
- 20 patents
- Only 7 start-ups (4 in CLT)

Commercial Funding (VC)

15th nationally (Pitchbook)

THE SOLUTION: A TRUE PUBLIC-PRIVATE PARTNERSHIP



and the Barnhill Family Foundation, Kirk Bradley, Ven Poole Family Foundation, Temple Sloan

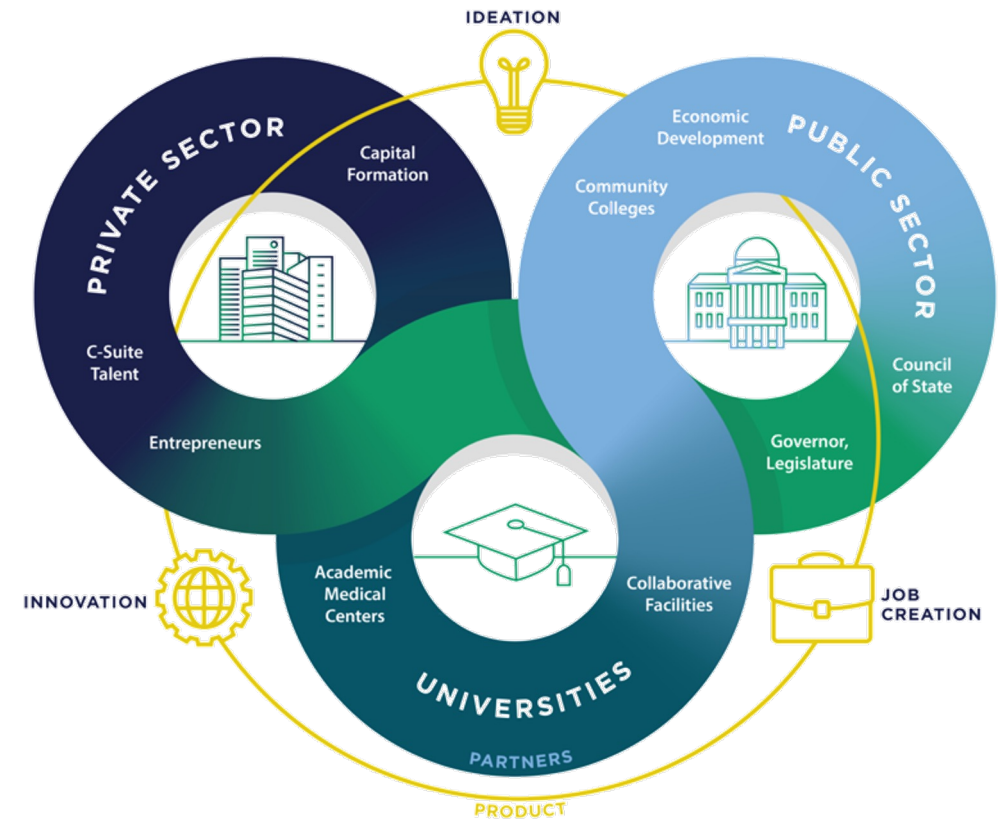
FY24-FY25 Biennium Budget

- ▶ **\$250 million** in FY24, of which *up to \$50 million* can directly support NCI programs
- ▶ **\$250 million** in FY25, of which *up to \$90 million* can directly support NCI programs
- ▶ Remaining balance funds an endowment that can be invested, with investment returns to provide future program funding
- ▶ Numerous taxpayer protections and oversight provisions to ensure direct benefit to State of North Carolina
- ▶ Private donations fund 100% of overhead and administrative costs.

THE APPROACH: REGIONAL NETWORKS & APPLIED RESEARCH SUPPORT

NCInnovation will use the investment income from an actively managed endowment to to:

- ▶ Develop and optimize **regional innovation networks** to connect industry, academia, and entrepreneurs across the state
- ▶ **Provide grant funding** to support emerging applied research technologies
- ▶ Enable **support services** to commercialize our research successes and create economic development across North Carolina



FUNDING AUTHORITIES

PERMISSIBLE ACTIVITIES

NCI may use State funds to:

- Establish regional innovation hubs and networks
- Provide non-dilutive grants for applied research “to bridge the gap between... research... and commercialization”
- Fund capacity-building grants to expand applied research federal grant scouting and project management support
- Support technology development and licensing
- Pursue IP protection
- Fund support commercialization services (to include capital formation from sources other than NCI)

RESTRICTIONS ON FUNDING

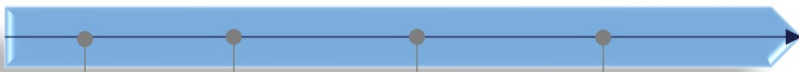
NCInnovation may not:

- Provide venture capital or other equity instrument, or receive an equity position in any organization
- Provide funding of any kind to private organizations (regardless of placement or UNC System affiliation)

PROCESS MAP: REGIONAL HUBS TO FUNDING AWARDS & COMMERCIALIZATION

NCI's designed its model as a sequence of interconnected activities that build on one another, using quantitative data to inform all funding awards.

1. Create Regional Innovation Networks



Establish 4 regional hubs and networks

Develop industry, academia partnerships

Quantitative analysis & mapping of research opportunities (RTI)

Regional & Statewide technology development strategies

2. Target & Incentivize Applied Research



ongoing

Grant guidance for priority target areas

Grant solicitations

Grant applications

BOD consideration of recommended funding proposals

Regional review

Quantitative scoring to validate requests vs target priorities by reps from:

- Academia
- Industry/Customers
- Private Sector
- NC Collaboratory
- NC IDEA
- Others as relevant

GovOps Consultation

3. Non-Dilutive Grant & Support Services Funding



Cooperative Agreement award via NC Collaboratory

Grant management & performance reporting to GovOps, others

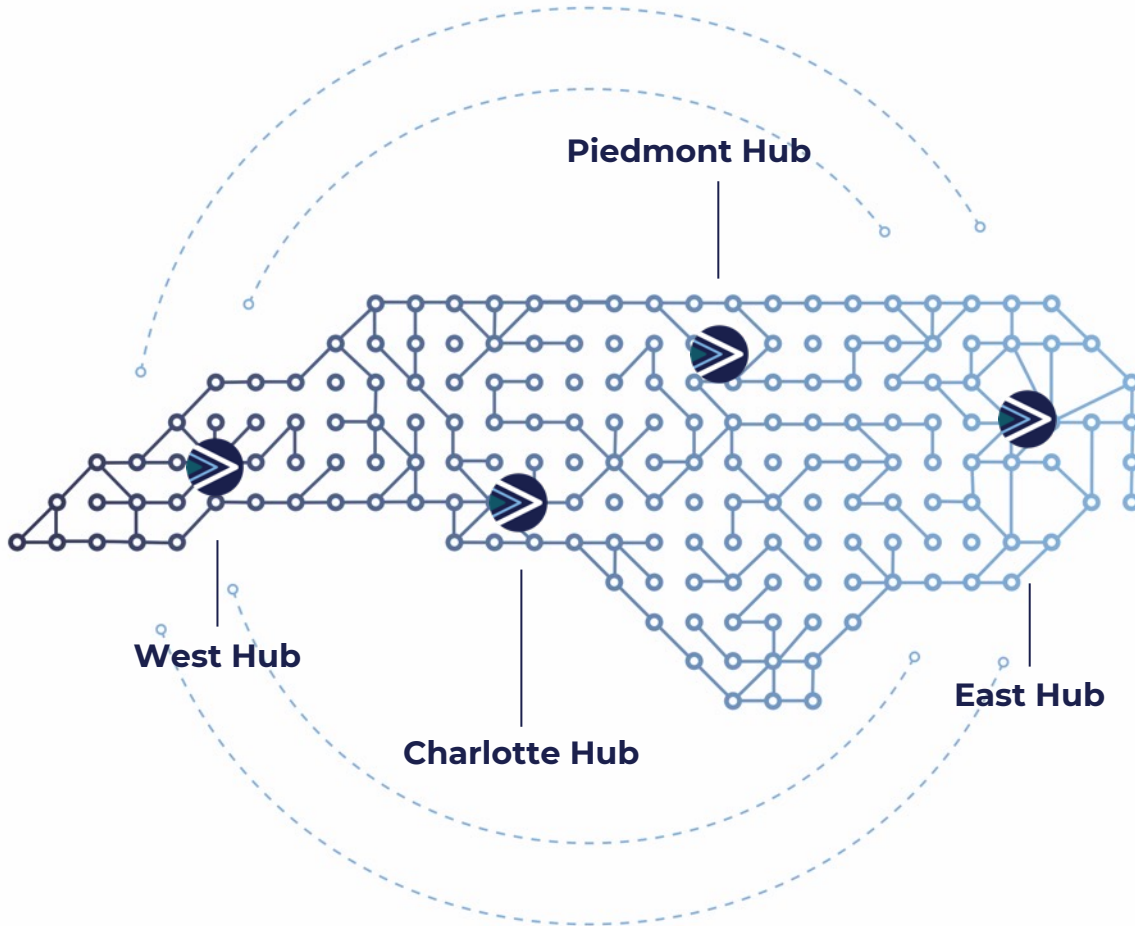
Follow-on funding based on milestones, ongoing growth

Tech Transfer & Commercialization

REGIONAL APPROACH

It is recommended that North Carolina foster regional innovation networks, especially in underserved regions, to connect academia, industry, and capital in every region of the state.

*Optimizing North Carolina's Innovation Ecosystem
TEconomy Partners, LLC | October 2022*



PIEDMONT			
WEST			
EAST			
CHARLOTTE		TBD:  	

NEAR-TERM OUTCOMES



Regional Market Analyses. NCI will fund region-specific analyses of market-based problems and commercial opportunities.

- **VALUE:** enhanced knowledge regarding regional needs



Translational Research Portfolio. Building on the regional market analyses, NCI funding will cross-reference existing university research activities and capabilities.

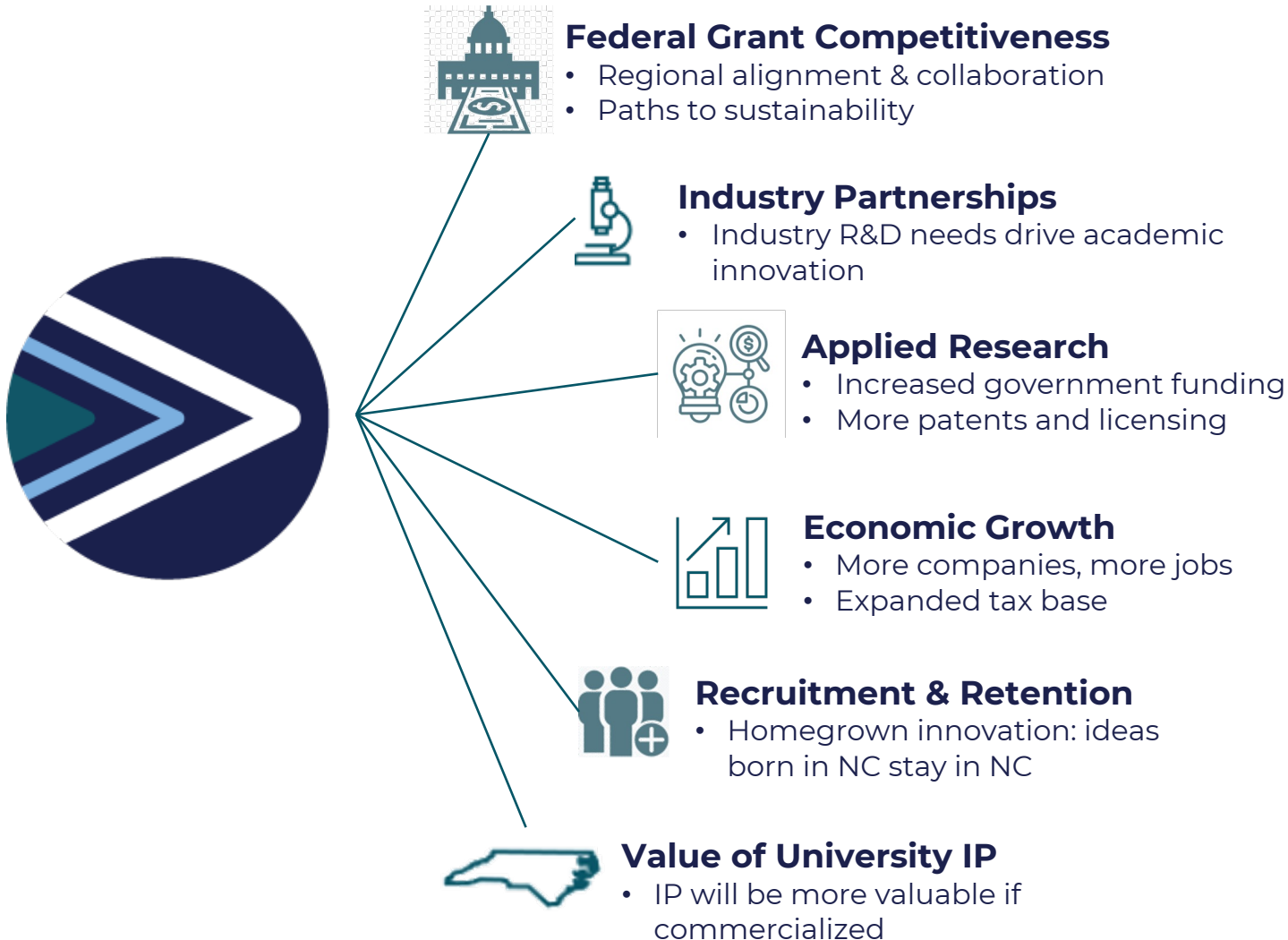
- **VALUE:** roadmap to guide investments into problem-based applied research



Identified List of “Investable Projects.” NCI will develop a list of investable projects (to include budgets, timelines, and outcomes)

- **VALUE:** detailed inventory and proposed spend plans for funding

ANTICIPATED BENEFITS TO NORTH CAROLINA



Business and public-sector investment in R&D realize economic and social spillover gains of up to **33x**.

Indiana has realized a **16.8:1** capital multiplier on its \$494 million investment into regional innovation grants.

Innovation creates **3x** more jobs than the manufacturing sector. (*Enrico Moretti, MIT Sloan Management Review*)

Each high-tech job leads to **5 additional jobs** spanning skilled and unskilled laborers. (*Moretti*)

SUMMARY

- **Seven years of research, analysis, and strategic formulation** resulted in an intentional, tactical, and data-driven model that will position North Carolina to compete nationally.
- **Independent data and competitive analysis** to identify required grant funding and support services.
- Focus on creating a **self-sustaining entity** that:
 - Protects taxpayer dollars by using investment income, not recurring spending
 - Meets the identified financial needs of our regional universities
 - Creates economic development out of research success the state already owns
 - Positions NC to compete (if not win) the national innovation arms race
 - Comes at no cost to other state priorities by using a “reserved reserve”
- **Create economic development** out of North Carolina universities’ applied research successes, and in the communities that originate those successes.