

# NCInnovation

## FREQUENTLY ASKED QUESTIONS

### Our Mission

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NCInnovation’s mission is to unlock the innovative potential of North Carolina’s world-class universities. We provide grant funding and support services to university applied researchers working on discoveries that have commercial promise. NCInnovation helps inventions advance towards commercialization – accelerating the transition from academia to industry – by supporting university applied research through the critical R&D phase between proof concept and readiness for the private market.

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### THE VALUE OF INNOVATION

#### What was NCInnovation created to do?

- ▶ We exist to support public university applied research that has commercial promise. Federal and state dollars already fund university applied research; NCInnovation supports the critical university R&D phase that helps new discoveries become ready to enter the private market.
- ▶ North Carolina’s public university system is rightly called our “crown jewel,” and we’re home to some of the top minds in the world. If matured properly and with commercialization as an end goal, the applied research underway in the UNC System can create jobs and growth in every corner of the state.

#### What problem does NCInnovation help address?

- ▶ North Carolina sees more than \$13 billion in annual university R&D funding, among the highest totals in the nation. But we are not developing and commercializing university research success on par with the volume of R&D activity. In fact, we’re falling behind peer states in key commercialization metrics.
- ▶ North Carolina is losing researchers, intellectual property and revenue as its commercialization opportunities flee to other states with better entrepreneurial ecosystems or die on the vine without the support needed to scale into commercial products.

#### How does NCInnovation help commercialize university research?

- ▶ Through grants, other support, and regional innovation network development, NCInnovation provides funding and coordination to advance university research breakthroughs towards commercialization, improving economic opportunities in all regions of North Carolina.
- ▶ NCInnovation focuses intensely on the middle phase of the university R&D process – after proof of concept has been achieved, but before a technology is mature enough to attract private investment. This is the so-called “valley of death” because it’s where many promising innovations die on the vine.

## Why are public funds used for this purpose?

- ▶ Large sums of state and federal dollars already fund university applied research. Last year, North Carolina lawmakers sent more than \$145 million in public research funds to regional universities, not including UNC and NC State.
- ▶ Public funds are used for university applied research, in part, to incubate research endeavors until the private sector can pick up the baton and commercialize them. This model has underpinned American innovation for many decades.
- ▶ NCInnovation supports the critical leg of the university R&D sequence after a concept has been shown to work, but before the private sector will engage. In doing so, NCInnovation helps more university research advance toward commercialization.
- ▶ NCInnovation does not spend state budget dollars in the traditional sense. Rather, NCInnovation spends the investment income and interest earned on an [NCInnovation endowment](#) established with funds sitting in state reserves.

## Why is NCInnovation doing this instead of individual universities or the UNC System?

- ▶ Public funding supports early-stage applied research at universities. This funding often diminishes as technologies progress to the intermediate phase — after proof of concept has been achieved, but before a technology is mature enough to attract private investment. NCInnovation bridges the gap between academia and industry by focusing intensely on funding projects in this intermediate phase that have commercial potential.
- ▶ NCInnovation grants can also be used for critical business and legal services that not all public universities are equipped to provide or fund, including IP protection, comprehensive business development and other support services.
- ▶ NCInnovation is developing a state-wide technology development strategy that will help orient university research to best meet market needs, and identify opportunities for collaboration across universities that can attract more federal research funding.

## How does innovation benefit North Carolina?

- ▶ Innovation – translating research into commercially viable enterprises – is a key driver of economic growth.
- ▶ University applied research portfolios are natural engines of economic growth if matured properly with commercialization as the end goal. A strong commercialization pipeline allows North Carolina to translate public investments in university research into successful businesses that generate jobs and economic prosperity across the state.
- ▶ Company formation isn't the only important output – licensing new technologies to existing companies matters, too. North Carolina is home to major corporations, and it benefits our state when those corporations turn to North Carolina university research to feed their growth.

## Do universities benefit when research breakthroughs transition from academia to industry?

- ▶ Yes, universities keep a cut of the revenue generated from applied research that happens on their campuses. That cut is, on average, about 40% at the beginning.
- ▶ On the flip side, applied research that doesn't commercialize can be seen as a missed opportunity. Every patent that gets shelved or every technology that dies in the valley of death is potential revenue the university will never see.
- ▶ In commercializing more applied research, then, NCInnovation helps universities reap the full benefits of the work that happens on their campuses.

## Where is NCInnovation based?

- ▶ NCInnovation's headquarters is in Research Triangle Park. NCInnovation also has four regional hubs based at East Carolina University, NC A&T State University, Western Carolina University, and UNC Charlotte.

## NCINNOVATION GRANTS

### Who is eligible for NCInnovation grant funding?

- ▶ Applied researchers at North Carolina public institutions are eligible for grants through NCInnovation. Private companies are not eligible. NCInnovation's grants focus intensely on the middle phase of the R&D process – after proof of concept has been achieved, but before a technology is mature enough to attract private investment.

## What are the permissible uses of NCInnovation grant funds?

- ▶ North Carolina university researchers can use NCInnovation grants to advance their research to more mature [technology readiness levels](#), with the ultimate goal of a commercial-ready application that can attract private investment.
- ▶ NCInnovation grant recipients must have detailed project plans that outline specific funding needs; are targeted to an identified commercial market; and have established milestones, metrics, and timelines for the use of grant funding.

## What is the financial scope of grants offered by NCInnovation?

- ▶ Funding will be allocated based on specific funding needs outlined in grant recipient project plans. Grant funding will be awarded in phases provided researchers meet defined milestones, rather than in one lump sum.

## How are NCInnovation grant applications reviewed?

- ▶ Grant applicants undergo a multi-phase review process that include a pre-application, a full application, and an external expert review panel. Projects that meet or exceed the established criteria will be submitted for approval by the NCInnovation Board of Directors, which is majority appointed by the North Carolina General Assembly. All reviewers will have executed non-disclosure and conflict of interest statements.

## How does NCInnovation ensure projects supported by grants remain in North Carolina and benefit the state?

- ▶ As part of its cooperative agreements, and as required by law, NCI will require any companies that emerge from research funded by NCInnovation grants to maintain its headquarters and principal place of business in North Carolina and be organized under the laws of this State for any commercialization resulting from or furthered by, in whole or part, such funds or support for a minimum of five years. NCInnovation cooperative agreement terms and conditions will include claw back provisions and/or other economic penalties for companies that do not fulfill these obligations.

# GOVERNANCE & FUNDING

## What is NCInnovation's governance model?

- ▶ NCInnovation is a 501(c)(3) not-for-profit corporation governed by a Board of Directors with centuries of combined experience in business, research, and academia.
- ▶ Money raised through private contributions fund NCInnovation staff and core operations, ensuring 100% of investment returns from the NCInnovation endowment from State funds directly support North Carolina public university applied researchers.

## How is NCInnovation funded?

- ▶ In 2023, the state budget established a \$500 million reserve – split into \$250 million allocations over two years – which, in turn, goes into an endowment to support NCInnovation's mission and accelerate the commercialization of university research.
- ▶ The endowment is managed by an independent third party to earn interest and low-risk investment income. That investment will be used to provide grant funding to eligible recipients in need of additional capital to scale their discovery for real world application.
- ▶ With this model, the initial investment (or corpus) provided by the State of North Carolina allows the interest or income earned from this investment to fund grants and support services.
- ▶ Instead of spending taxpayer dollars from the state budget each year, NCInnovation intends to preserve the corpus and fund its programs from the proceeds of the endowment. This model ensures continuous investment income that can be deployed across program activities to directly support applied researchers within the North Carolina public university system.