

Moving Forward on the Innovation Triangle

*Recommendations from the
Governor's Innovation-to-Jobs (I2J) Working Group*



Pat McCrory
Governor of the State of
North Carolina

January 16, 2015

Innovation-to-Jobs (I2J) Initiative

5/8/2013: Governor convenes NC's venture capital and investment leaders:

- Group describes challenges in commercializing innovations
- Group identifies gap in venture capital available in NC
- Governor is encouraged to reach out to Silicon Valley venture community

4/15/2014: Governor convenes leaders of NC universities and RTI International:

- Recognizes competitive advantage of NC's academic R&D & innovations
- Shares insights from recent visit to Silicon Valley
- Hears current innovation commercialization efforts & challenges in NC
- Calls for Innovation-to-Jobs (I2J) Working Group to address challenges

6/26/2014 – 10/1/2014: Led by Thomas Stith, I2J Group holds 8 meetings:

- Conducts comprehensive, statewide assessment of I2J challenges in NC
- Collects input from more than 500 well-informed stakeholders
- Drafts package of 6 recommendations for Governor's consideration

I2J Working Group Members

University/Tech Commercialization	Investor/Business
<p>Chris Brown (Co-Chair) Vice President for Research & Graduate Education UNC General Administration</p>	<p>Clay Thorp (Co-Chair) General Partner Hatteras Venture Partners</p>
<p>Judith Cone Special Asst. to Chancellor for Innovation & Entrepreneurship UNC-Chapel Hill</p>	<p>John Cambier Founding Managing Partner IDEA Fund Partners</p>
<p>Joseph DeSimone Chancellor's Eminent Professor of Chemistry UNC-Chapel Hill</p>	<p>Igor Jablovkov Entrepreneur in Residence Blackstone Entrepreneurs Network</p>
<p>Galen Hatfield Vice President, Commercial Programs Division RTI International</p>	<p>Karen LeVert CEO and Co-Founder Southeast TechInventures, Inc.</p>
<p>Terri Lomax Vice Chancellor for Research, Innovation & Econ. Dev. NC State University</p>	<p>Robert Long Co-Founder & Partner Long Miller & Associates</p>
<p>Laura A. Schoppe President Fuentek, LLC</p>	<p>Mitch Mumma General Partner Intersouth Partners</p>
<p>Eric Tomlinson President Wake Forest Innovation Quarter</p>	<p>Steve Nelson Co-Founder EiPi Systems</p>
<p>Eric Toone Vice Provost & Director, Innovation & Entrepreneurship Duke University</p>	<p>Carlos Parajon Co-Founder Harbor Island Equity Partners</p>

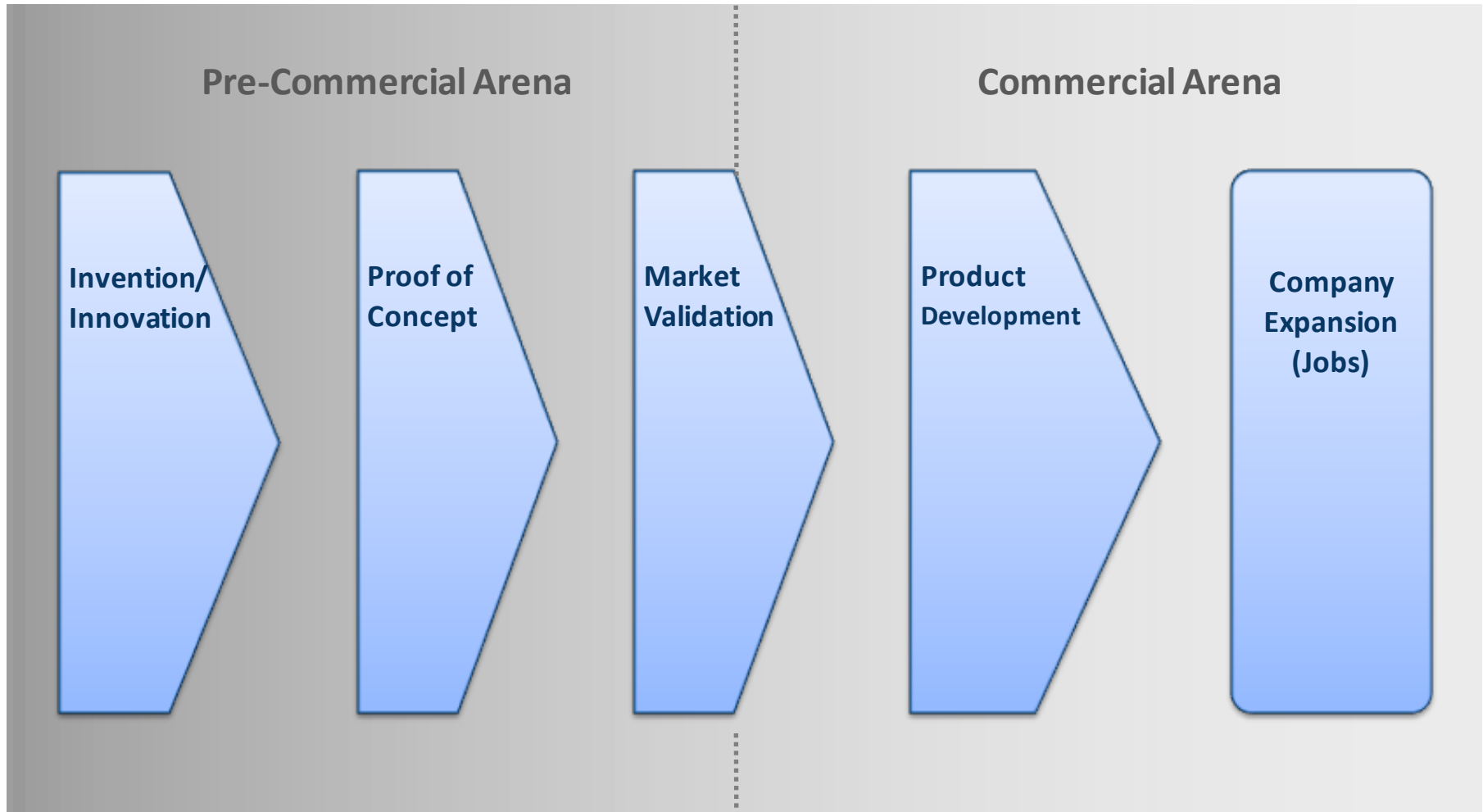
Major I2J Challenges

1. **Translation** – Insufficient development and/or dissemination of university-based structures and practices for technology commercialization
2. **Capitalization** – Insufficient funding for technology proof of concept, validation, IP protection, commercialization, early and mid-stage product development/production, and business expansion
3. **Operation** – Insufficient number and utilization of seasoned, mature, business professionals to run startups and guide companies through growth and expansion

I2J Working Group Recommendations

(Integrated Plan for I2J)

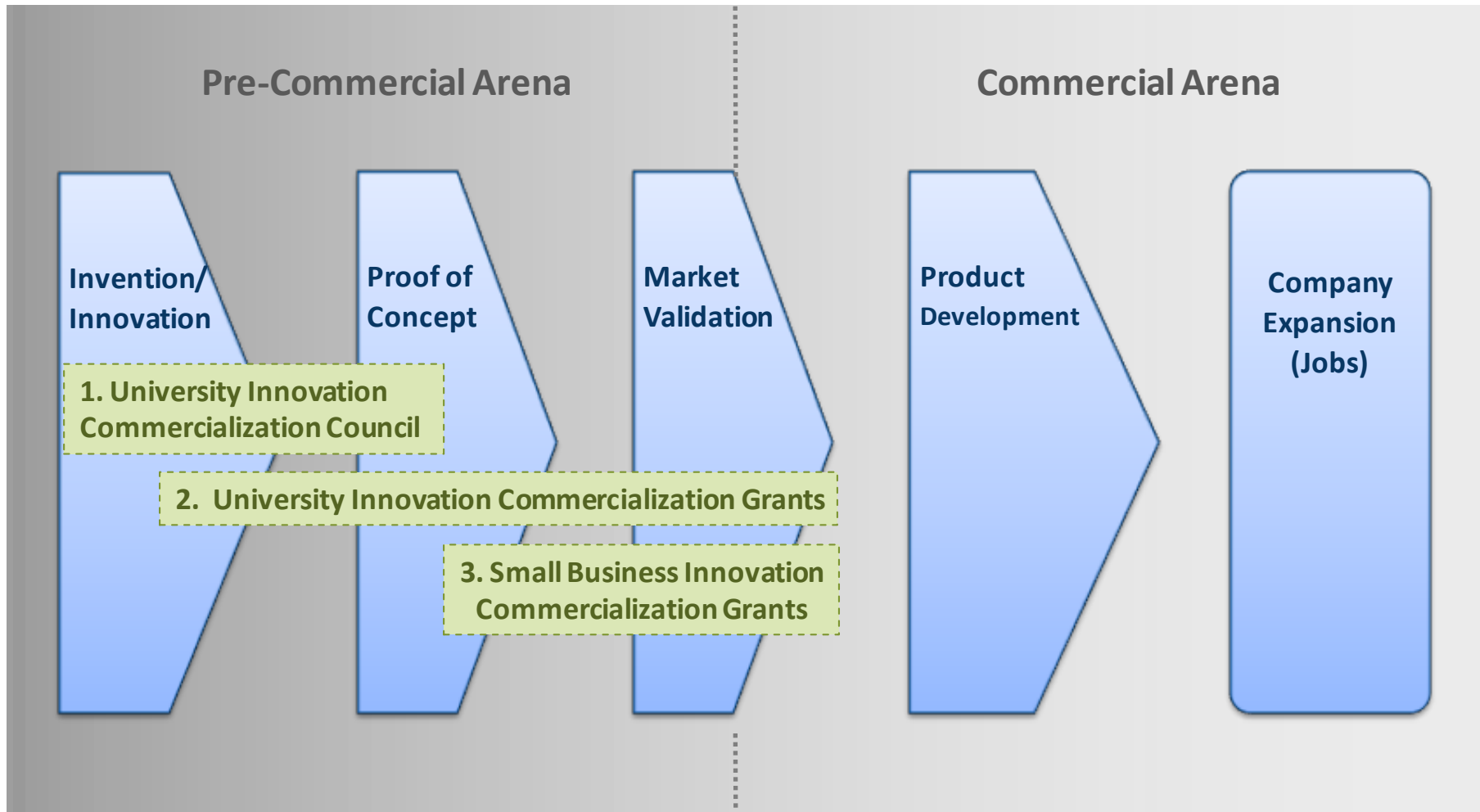
Sequential Model of Innovation Commercialization Ecosystem



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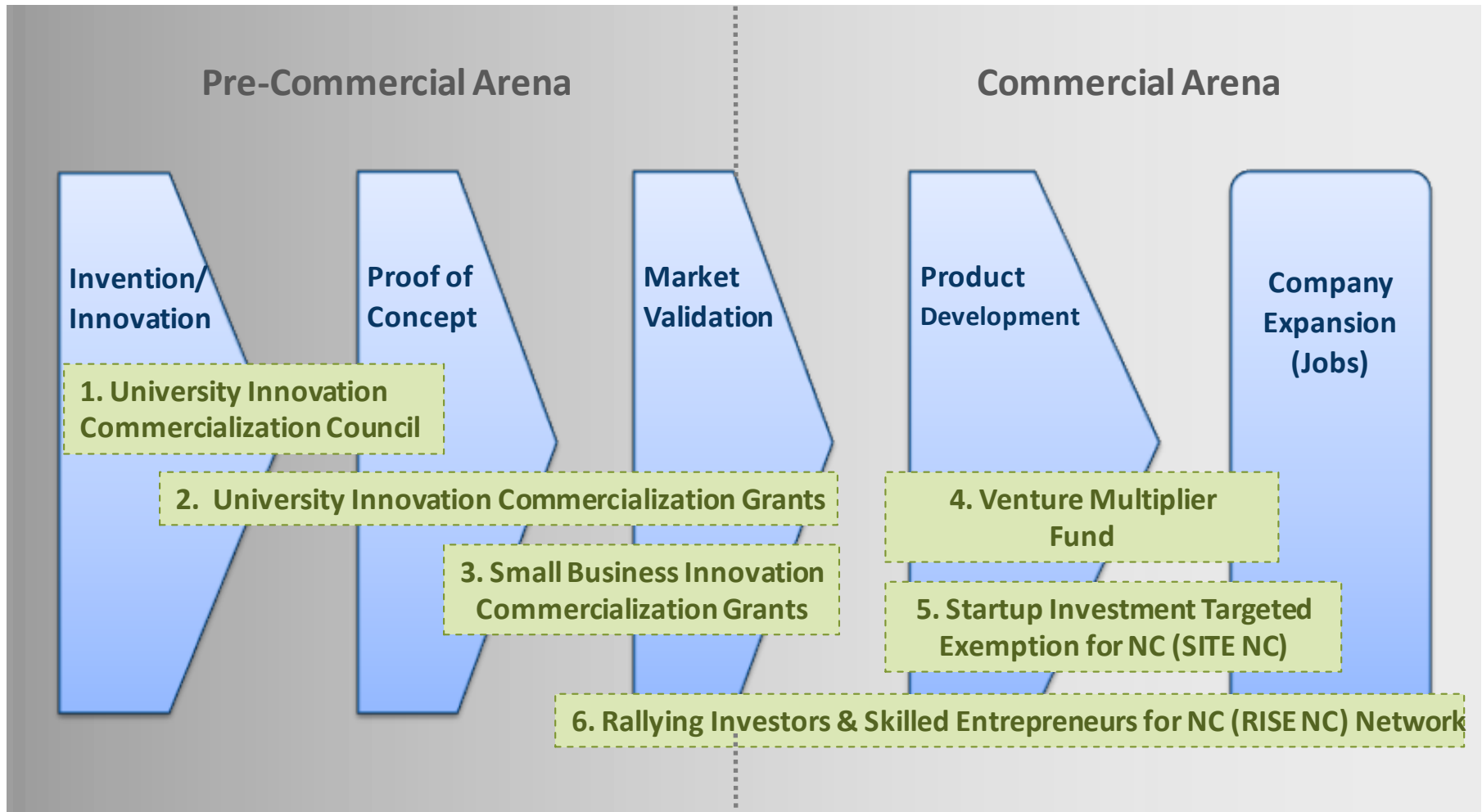
(Overview of components)

RECOMMENDATION	SUMMARY	TOTAL COST	SOURCE
<i>Developing and Positioning Pre-Commercial Innovations for the Market</i>			
1. University Innovation Commercialization Council	Defines best practices for innovation commercialization at NC universities, promotes inter-university cooperation and standardization where possible, and catalyzes transformation in culture to encourage technology commercialization	No new funding needed	Expenses minimal and absorbed by participants
2. University Innovation Commercialization Grant Program	Provides funding and process for technology proof of concept, validation, commercialization, translation, etc., for technologies developed by NC universities and research not-for-profits	\$10MM annually, phased in over four years	Expanded state appropriations
3. Small Business Innovation Commercialization Grant Program	Re-names the existing “One NC Small Business Program” the “Small Business Innovation Commercialization Grant Program,” and appropriates sufficient funding to support eligible applicants at 100% of statutory maximum	Recurring \$5MM annually, ongoing as needed. Currently \$2.5MM; was \$5MM in FY 2007	Expanded state appropriations

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(Overview of components)

RECOMMENDATION	SUMMARY	TOTAL COST	SOURCE
<i>Accelerating Growth of Commercial Innovations in the Market</i>			
4. Venture Multiplier Fund	Creates early stage investment fund, consisting of fund-of-funds and a direct-investment fund component, to invest in early stage commercial ventures	\$120 million, one time from investable funds	Long-term investible state-focused funds
5. Startup Investment Targeted Exemption for NC (SITE NC) Designation	Creates the Startup Investment Targeted Exemption for NC (SITE NC) designation, authorizing an exemption from NC capital gains taxes on investments in startup companies headquartered (i.e., sited) in NC	Capped at level determined by Governor and Legislature	Tax exemption
6. Rallying Investors & Skilled Entrepreneurs for NC (RISE NC) Network	Creates a statewide network that develops and leverages existing NC entrepreneurial management talent and recruits world-class investors, skilled entrepreneurs, and managers to NC	\$7.5MM* annually, for three years	Expanded state appropriations, leveraged 1:2 by foundation, corporate, and private sources

* Only \$2.5MM of this total cost would be provided through state appropriations; \$5MM would be provided by foundation, corporate, and private sources.

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