

# Oregon Growth Board Meeting

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February 26, 2020

Portland

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## **Attendance**

**Members Present At Meeting:** Sayer Jones, Co-Chair, Consultant; Gudrun Granholm, Oregon Venture Fund; Stephen Green, Pensole; Elmer Huh, Murdock Charitable Trust; Chad Olney, Pacific Crest Federal Credit Union; Amber Schulz-Oliver, The Affiliated Tribes of NW Indians Economic Development Corp; Chris Cummings, Business Oregon.

**Members on the Phone:** Sabrina Parsons, Palo Alto Software; Tobias Read, Oregon State Treasurer; Wendy McGrane, US Bank.

**Staff Present:** Jordana Barclay, Ricardo Lopez, Brian Plinski, Kate Sinner, Jenny Wilfong.

**Guests:** Steve Hartt, Meketa Investment Group (MIG); Danny Chan, MIG; Ethan Samson, MIG; Steven Marlowe, Oregon Department of Justice; Jim McCreight, Oregon Technology Business Center.

Meeting was called to order at 1:00 pm.

## **Welcome, Introductions, Minute Approval**

Co-Chair Sayer Jones welcomed everyone to the meeting and asked for introductions around the room and on the phone. Co-Chair Jones requested the minutes distinguish between attendants on the phone and in person going forward, then asked if anyone wanted to discuss the minutes. Chad Jones moved to pass the minutes and Elmer Huh seconded the motion. Minutes passed unanimously.

## **Public Comment**

Co-Chair Jones asked if there was any public comment. Jim McCreight from the Oregon Technology Business Center briefly expressed his support for the Board.

## **Finance Update**

Jenny Wilfong, Business Oregon CFO, provided an update on the funding mechanism for the Oregon Growth Account (OGA). The OGA receives 10% of the funding of the Education Stability Fund (ESF) every quarter, which itself received 18% of Oregon Lottery profits. However, the balance of the ESF is capped at 5% of the General Fund's revenue from the previous biennium. Given the most recent projections by the Legislative Fiscal Office (LFO), the ESF is poised to reach that 5% cap at some point during the next biennium. Where that to happen, the 18% of Oregon Lottery profits that typically funds the ESF would instead go to a Capital Matching Subaccount. As such, the OGA would no longer receive its 10% of those profits until the ESF balance falls back down below 5% of the previous biennium's General Fund revenue.

The Board discussed the ramifications of a potential lack of revenue from Oregon Lottery. Staff and MIG reinforced the notion that the OGA is relatively well positioned to withstand the projected cap, as long as the Account's uncommitted cap remains available going forward. If that is the case, the OGA should continue to execute its current pacing plan despite a lack of revenue from Oregon Lottery next biennium, per MIG. Members of the Board expressed their desire to remain updated on the projections, so as not to be surprised when and if the OGA stops receiving funding from Oregon Lottery.

## **Pipeline Review**

MIG presented a summary of their pipeline for the OGA, which aims to commit between \$25 and \$30 million per year. Co-Chair Jones asked for a more detailed strategic review of the pipeline at the March meeting to make sure the Board is not caught off-guard by liquidity issues or even new opportunities. Gudrun Granholm requested additional statistics to be included in MIG's pipeline document to track commitments more easily.

## **Village Family Capital Recommendation**

Jake Kindrachuk, Sean Edwards, and Mary Hart from Village Family Capital (VFC) pitched their Burnside Fund to the Board. Jake Kindrachuk explained the original inspiration for the strategy was born out of the results of the first Oregon Capital Scan, which exposed the capital gaps in the state. The Fund will focus on consumer brands with an emphasis on food and beverage. They are seeking profitable Pacific Northwest companies in the growth stage, with intentions to supplement the financial capital with a network of human capital.

The VFC team fielded questions from Board members regarding company ownership percentage, exit strategies, retail and distribution expertise, and valuations.

After the VFC presentation, the team exited the room and MIG presented their recommendation. MIG was pleased by how quickly VFC was able to secure another institutional limited partner once the inquiry was made the previous year. MIG explained that their vetting process gave them confidence the founders would be well positioned to thrive in this sector and region. They also highlighted the value add in reducing their supply chains' carbon footprint. Overall, the MIG team liked the Burnside Fund as a pre-institutional opportunity given the Board's strategic targets.

Gudrun Granholm expressed her concern regarding the consumer goods industry. She noted the team faced an uphill battle given the state of retail. Elmer Huh started a discussion of the Fund's terms. Eventually, Chad Olney moved a motion to invest 10% of the Fund up to \$3 million by 12/31/2020. Stephen Green seconded and the motion carried unanimously. The Board later considered the Fund's accounting and liquidity during 2020, which led to an amendment to the original motion. Chad Olney moved to amend the motion to specify a commitment of 10% of the overall commitments at the time of the meeting (2/26/2020), with a subsequent commitment of 10% of the Fund's commitments by 12/31/2020. The overall commitment is capped at \$3 million. Stephen Green seconded the amended motion and it carried unanimously.

## **OGA Performance Review**

MIG walked the Board through the Q3 2019 OGA performance report. The MIG team noted the new formatting and highlighted the most noteworthy events during the third quarter.

## **HB 4033, Access to Capital**

Kate Sinner, Innovation and Entrepreneurship Manager at Business Oregon, provided an update on the HB 4033, Access to Capital bill. Considering the lack of a legislative quorum at the time, the fate of the bill was unpredictable.

## **OGF RFP Update**

Ricardo Lopez, Capital Strategist at Business Oregon, provided an update on the strategy for the Oregon Growth Fund (OGF). After discussing internally and with Board members, staff recommended to forego an official RFP process in favor of a broader evergreen outreach program. In preparation for a possible RFP, Business Oregon staff have already reached out to dozens of organizations across Oregon in order to expand the Fund's investable universe. The Board's focus for the 2019-2021 biennium is on investing at least \$300,000 in rural funds and \$300,000 in funds targeting underrepresented populations. However, there was concern about an RFP as an optimal vehicle going forward. The potential stringency and lack of flexibility that can come with an RFP could become an unnecessary obstacle for the communities the Board is hoping to reach in the first place. Additionally, the Board's longer-term strategy and focus on consistent opportunities would be hampered by an RFP's strict deadlines. Moreover, the OGF has unpredictable biannual budgets, which lend themselves better to an evergreen campaign to evaluate opportunities as they become available.

Therefore the new plan is to simplify the initial application process as much as possible to reduce barriers of entry; post said Letter of Interest/application online encouraging the community to apply; leverage Business Oregon Staff and the Board's own networks to market the OGF across the state; and have Staff work with applicants to help them through the process and potentially redirect to other Business Oregon programs and resources. The Board agreed with the recommendation and Co-Chair Jones asked for an update at the March meeting.

Ricardo Lopez also provided an update on Backstage Capital, a potential opportunity for the OGF. Staff received marketing materials for their tour, but were still waiting for Backstage Capital staff to fill out Business Oregon's application form with the data required to perform due diligence.

## **Insourcing**

Co-Chair Jones proposed a new approach for Board members. Instead of focusing mainly on fund managers currently in the Oregon ecosystem, he recommended the Board should look into interesting fund managers out of state and try to open their investable market in Oregon. Co-Chair Jones further explained how Staff and the Board can play the role of match-makers between local entrepreneurs/institutions and out-of-state fund managers. Stephen Green expressed his opinion that Oregon can be a closed ecosystem, so it is worth purposefully incentivizing people to come. Elmer Huh shared his insights into identifying smaller regional private equity funds throughout the country. Steve Hartt recommended we should be able to answer the question: why should out-of-state fund managers chose Oregon over other states?

## **Adjourn**

Co-Chair Jones adjourned the meeting at 4:00 pm.

**Approved by:**

Signature on file

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Sayer Jones, Co-Chair  
Oregon Growth Board

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Date

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Ricardo Lopez, Capital Strategist  
Business Oregon

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Date