

# Oregon Growth Board Meeting

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April 22, 2020

Video Conference

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## Attendance via Conference Line

**Members Present:** Sabrina Parsons, Co-Chair, Palo Alto Software; Sayer Jones, Co-Chair, Consultant; Tobias Read, Oregon State Treasurer; Wendy McGrane, US Bank; Chris Cummings, Business Oregon; Gudrun Granholm, Box One; Elmer Huh, Murdock Charitable Trust; Rep. John Lively, State Legislature; Chad Olney, Pacific Crest Federal Credit Union; Stephen Green, Pensole; Amber Schulz-Oliver, The Affiliated Tribes of NW Indians Economic Development Corp.

**Staff Present:** Kate Sinner, Ricardo Lopez, Ruth Hall.

**Guests:** Meredith Coba, Oregon State Treasury; Steve Hartt, Meketa Investment Group (MIG); Ethan Samson, MIG; Danny Chan, MIG; Steven Marlowe, Oregon Department of Justice; Jim McCreight, Oregon Technology Business Center; Ashley Henry, Business for a Better Portland; Nitin Rai, Elevate Capital; Chuck Gatchel, Nike; Jenn Lynch, Portland Seed Fund; Jacob Vandever, House Republican Office; Melissa Leoni, Legislative Policy and Research Office.

Meeting was called to order at 1:05 pm.

## Welcome, Introductions, Minute Approval

Co-Chair Sabrina Parsons welcomed everyone to the conference call. Amber Schulz-Oliver motioned to approve the previous meeting's minutes and Elmer Huh seconded. Minutes were approved unanimously.

## Public Comment

Jim McCreight from OTBC stated he has been working with Ricardo Lopez and Business Oregon on keeping rural Oregon connected to the rest of the state. OTBC currently has 27 participants in their online entrepreneur incubator, so they are still able to help during the crisis. However, they are not able to provide rural businesses the face-to-face support that is needed. He highlighted the challenges that rural communities are going through and reiterated the need to help as much as possible.

Ashley Henry from Business for a Better Portland introduced a letter she has been circulating. The purpose of the letter is to coordinate voices around the state to influence the Governor's office to heighten its focus on rural, diverse, and underrepresented communities. She stressed the need for more technical assistance and to leverage federal resources for these underserved communities. Additionally, she pointed to mission-driven lenders as conduits to help marginalized business owners who have not been able to tap into federal funding. Business for a Better Portland will continue to seek additional signatures for the letter.

## **OGF Update**

Ricardo Lopez provided a summary of the plan for the rest of the meeting. He then proceeded to update the Board on OGF activities resulting from the Board's special meeting on March 26<sup>th</sup>. Per the Board's decision, Ricardo Lopez worked with the Department of Justice and Business Oregon to forgive the OGF outstanding loans to CDFIs. As a result, MESO, CLW, and Craft3 benefitted from strengthened balance sheets that should allow them to remain solvent, operational, and leverage additional funding. Ricardo Lopez also confirmed the approved \$700,000 commitment to the new Oregon Community Foundation (OCF) Small Business Stabilization Fund had been wired.

Furthermore, Ricardo Lopez has been participating in the Fund's Steering Committee, reviewing applications and making corresponding grant recommendations. The Steering Committee has also been focused on fundraising, organizing a virtual town hall to market the Fund and answer any questions. Ricardo Lopez stressed that the Fund's Steering Committee allows for increased collaboration and communication across the state in order to deploy resources more efficiently and equitably. These CDFIs, EDDs, and mission-driven lenders should be key during and after the crisis, so he reiterated the need to support them.

Stephen Green asked Ricardo Lopez if he could give additional insights on the grants that have come out of the Fund so far and how OGF's commitment has been deployed. Ricardo Lopez explained that the Committee had been reviewing applications as they came on a weekly basis and making recommendations to approve or postpone. However, at the time OCF was still in the process of acquiring all the commitments they had pledged from donors, so the Committee had been waiting to get a better sense of the actual funds available before determining specific grant amounts. This approach should allow the Committee to spread scarce resources as equitably as possible throughout the state, and the list of grant recipients will be available on OCF's website.

Stephen Green asked if Ricardo Lopez could speak as to where those commitments would be going. Ricardo Lopez expanded on the Steering Committee's strategy, which included coordinating with other funding sources like Prosper Portland's Metro-area-specific effort, in order to make sure all regions and counties with lending capacity were represented. Regarding the purpose of each grant, Ricardo Lopez explained that the current goal was to help key CDFIs and EDDs remain solvent and operational to pass on financial aid and technical assistance to their borrowers. Depending on how the crisis unfolds, the amount of funds raised, and the demand observed, the Steering Committee might then adapt its strategy down the line.

## **COVID Impact on OGA Update**

Steve Hartt from MIG provided an update on the OGA portfolio from a COVID perspective. Sayer Jones asked if the presentation being referenced contained confidential information. Steve Hartt said MIG did a good job anonymizing any potential confidential information. Steve Hartt proceeded to explain the patterns MIG has found after communicating with OGA fund managers. Impact to portfolio companies' revenue has mostly been dependent on sector, but in general it is not a positive situation for the Account.

Ricardo Lopez asked for examples of ways in which the crisis has been hurtful and helpful for OGA portfolio companies. Ethan Samson from MIG brought up Village Family Capital (VFC) as a fund dedicated to consumer food and beverage in Oregon. Despite the Fund being in a sector devastated by the crisis, it is positioned relatively well due to its early stage and current

investments' flexible business models. Positive examples were K1 and Madrona, which invest in SaaS and critical enterprise software. MIG expects this industry to thrive this year compared to consumer-facing ones. Steve Hartt offered that private investment activity has slowed down dramatically as uncertainty has increased. He expects a slowdown in both capital calls and distributions in the OGA portfolio.

## **OGA Strategic Plan Discussion**

Ricardo Lopez reminded the Board that the Investment Policy Statement adopted recently references a two-year Strategic Plan. This plan would serve as a shorter-term framework for the Board to refine its priorities. Ricardo Lopez listed some of the factors to be considered by the Board, including a potential secondary benchmark, capital gaps, allocations to pre-institutional investments, asset class diversification, and general portfolio structure. Given the new policy, new Board members, new Staff, and a robust pipeline, Ricardo Lopez wanted to provide the Board an opportunity to discuss its approach going forward.

Steve Hartt presented an outline for the discussion. He pointed to the Board's identified objectives from their most recent strategic retreat: to generate returns, leverage other investments, grow jobs in Oregon, and fill capital gaps. More specifically, the Board had decided to target rural and underrepresented populations, as well as the consumer sector. Steve Hartt also recapped MIG's recommendation to diversify across asset classes, since the OGA's Venture Capital-dominated portfolio was subject to significant volatility over time.

Treasurer Read questioned if the COVID pandemic generally caused MIG to look differently at the gaps previously identified. Steve Hartt opined that the consumer sector is particularly challenged in the moment, and one might think that the Board could look into that sector and reassess its short-term strategy. However, he would expect valuations to rebound once there is more macroeconomic clarity so there should be opportunities going forward. Additionally, rural and underrepresented populations should remain in need of support both in the short and long term.

Ricardo Lopez asked the Board to opine on a potential move from a bottom-up to a top-down approach to manager selection by prioritizing asset class diversification over the short term. Treasurer Read asked for Representative Lively's opinion from a legislator's perspective. Rep. Lively explained that legislature will have to make budgetary adjustments given the crisis. He pointed out that since a large percentage of the income for the state's General Fund comes from individual income taxes, there will be a substantial decrease in General Funds available. Lottery revenues are also in a nosedive because of the crisis. Rep. Lively informed that legislature will have to address those issues in a special session, perhaps in June, but cautioned that the short-term budget is certainly in flux. Rep. Lively then asked for clarification as to how the new diversification efforts differ from what the Board has done historically, and what the implications would be on returns going forward. Steve Hartt offered to show Rep. Lively some analysis MIG has done to quantify the potential effects of asset class diversification on the portfolio.

Ricardo Lopez highlighted a current cap on pre-institutional investments in the OGA Investment Policy Statement, and asked the Board for their opinion on that allocation. Treasurer Read stated he would be more interested in meeting needs given the crisis as opposed to prioritizing asset

class diversification, all else being equal. Rep. Lively appreciated the Board's recent actions through the OGF, as they helped the state address urgent areas of need.

Sayer Jones also approved of Ricardo Lopez' recent efforts. He explained the OGA has a stricter mandate than the OGF. He offered that one way to adapt its strategy could be to loosen its cap on pre-institutional investments, therefore allowing more emerging managers to help the ecosystem. Sayer Jones expressed that he has long been concerned by the OGA's lack of asset class diversification, and he is now worried about having too many valid investment opportunities given OGA's limited pacing plan. Therefore, he believes the Board needs to be judicious about their actual priorities so they can systematically elect the investments that best fit their short- and long-term goals.

Elmer Huh agreed with Sayer Jones that if the Board is to benefit from additional opportunities and re-ups, the onus is then on Board members and Meketa to be selective and disciplined. Elmer Huh recommended the option to break up commitments into phases in order to alleviate some of the pacing plan issues. Elmer further expressed his desire to keep an eye on market demand and take advantage of opportunities as they arise because the Board might not find exactly what they're looking for any given year.

Sabrina Parsons asked the Board how they should ask Meketa to think of capital gaps as well as different sectors, since they are not traditional investment criteria. Ricardo Lopez elaborated on his and MIG's approach, which includes considering multiple factors. Understanding achieving high returns is the OGA's primary mandate, the main point of the discussion was to understand how the Board would like to prioritize asset class diversification, filling capital gaps, established vs emerging managers, new versus incumbent partners, etc.

Stephen Green expressed the Board should focus on fund managers that are already delivering with consumer product companies in Oregon, and as the Board works with larger fund managers, it should stick to its guns. Ricardo Lopez added that the Board should ideally be able to both support local fund managers and attract others from out-of-state to fill the capital gaps that are otherwise not being filled by the status quo.

## **Executive Session: OGA Pipeline Review**

The executive session was held to consider records relating to actual or proposed investments, including possible trade secrets. The executive session was held pursuant to ORS 192.660(2)(f), which allows a governing body to hold an executive session to consider information or records that are exempt by law from public inspection. In compliance with ORS 192.660(6), no decisions were made during this meeting. Representatives of the news media, OBDD staff and individuals specifically invited to participate were allowed to attend this executive session. Representatives of the news media were specifically directed not to report on any of the deliberations during executive session, except to state the general subject of the session as previously announced.

## **Adjourn**

Co-Chair Sayer Jones ended executive session and asked participants if there were any additional items to discuss. There were no other items raised. Treasurer Read motioned to adjourn. Sayer Jones adjourned the meeting at 3:30 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