

Oregon Growth Board Meeting

May 27, 2020

Video Conference

Attendance via Video & 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; 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, Chris Cummings, Business Oregon.

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

Guests: Steve Hartt, Meketa Investment Group (MIG); Ethan Samson, MIG; Danny Chan, MIG; Steven Marlowe, Oregon Department of Justice; Bill Berg, City of Beaverton Economic Development; Christopher Stanvick, Minnow Software Technologies; Allie Magyar, HUBB; Judith Hutchison, Good Things Grants; Nita Shah, MESO; Jody McNannay, Curadite; Jenn Lynch, Portland Seed Fund; Meredith Coba, Oregon State Treasury; Gabe Paez, The Wild; Ana Chaud, Garden Bar; Rita Hansen, Onboard Dynamics.

Presenters: Jenny Abramson and Chelsea Morris, Rethink Impact; Ray Whiteman and Michael Stewart, Stellex Capital; Nitin Rai, Jill Nelson, Raghu Raghavan, Kumar Sripadam, Ben Nahir, and Brandon Ross, Elevate Capital.

Welcome, Introductions, Minute Approval

Co-Chair Sabrina Parsons called the meeting to order at 1:03 pm. Sabrina Parsons welcomed everyone to the meeting and called to approve the minutes from the previous meeting. Treasurer Read moved to approve, seconded by Elmer Huh. Minutes were approved unanimously.

Public Comment

Co-Chair Sabrina Parsons opened the meeting to public comment. Bill Berg, Allie Magyar, Jody McNannay, and Nita Shah expressed their support for Elevate Capital. Bill Berg praised Elevate Capital's strong track record investing in Beaverton and its underserved communities. Bill Berg also highlighted the need for ongoing funding towards underrepresented business owners, and expressed his confidence in Elevate Capital's role as an investor. Allie Magyar and Jody McNannay talked about their positive experiences as Elevate Capital portfolio company founders. Both stressed Elevate Capital's ability to be available, supportive, and encouraging before and after raising capital. Finally, Nita Shah expressed 100% confidence in Nitin Rai and his team.

Rethink Impact Fund II – Introduction

Ethan Samson from MIG introduced Jenny Abramson as Rethink Impact's Managing Partner and co-founder. Jenny and her team are finishing fundraising for their second Fund, which is the largest single-gender-focused Venture Capital Fund in the country.

Rethink Impact Fund II – Presentation / Q&A

Jenny Abramson presented to the Board. Rethink Impact Fund II seeks to invest in companies led by women in four specific sectors of the economy. The Fund will focus on companies with sustainable impact intrinsic in their business model. Tobias Read asked Jenny Abramson if she could expand on her definition of impact investing. Jenny Abramson explained that there are different levels of impact investing and walked the Board through their history. Instead of ESG (Environmental, Social, and Governance) filters that might lead to relative underperformance, or even charitable practices, Rethink Impact focuses on companies whose underlying business model is intrinsically impactful. That way, as companies mature their impact on stakeholders cannot easily be stripped off. Jenny Abramson also stressed impact should be proactive and seen at every step of the process. She finished by reiterating that the Fund will be return-driven, and they do not see their impact focus as a performance deterrent in any way.

Gudrun Granholm opined that the biggest obstacle for underrepresented entrepreneurs is the initial scaling, and asked how that matched with the Fund's post-seed stage strategy. Jenny Abramson acknowledged the significant challenge to seed-stage startups, but added that her team noticed a "valley of death" between seed stage and Series A rounds. According to their research, once women-led companies secure Series A financing, they are as likely to secure subsequent series as their male counterparts. Overall, the fact that most investors focus on long track records becomes an overwhelming obstacle for newer, diverse business owners.

Tobias Read asked how Rethink's team would start investing in Oregon. Jenny Abramson answered that their regular deal flow is improved by their active relationships with limited partners. Partnering with OGB and Business Oregon should allow them to develop and expand a pipeline in the state. Additionally, they hold office hours to speak with female entrepreneurs nationwide and that they are actually working on an unannounced deal in Oregon. Ricardo Lopez added that the Board has shown interest in bringing out-of-state fund managers to Oregon in order to grow the small business ecosystem. After no further questions were raised, the Rethink Impact team left the conference call.

Rethink Impact Fund II - Board Discussion

Ethan Samson provided MIG's perceived strengths and weaknesses for the Fund. Elmer Huh appreciated the presentation, as it answered most of his questions coming into the meeting. He did bring up a concern about their capacity to help that number of companies with such a small team going forward. Ethan Samson stated they have been able to lead rounds half the time and have a strong presence in their companies. Furthermore, their reference calls were stellar and highlighted their unique value add at each level.

Co-Chair Sabrina Parsons asked if there were any more questions. Board members expressed their satisfaction with the opportunity. Co-Chair Sabrina Parsons asked for recommendations from MIG and Staff. Tobias Read made a motion to commit \$5 million to Rethink Impact Fund II. Chad Onley seconded the motion. Motion passed unanimously.

Stellex Capital Partners II – Introduction

Steve Hartt introduced Ray Whiteman and Michael Stewart, Stellex Capital's Managing Partners and co-founders. Steve Hartt explained to the Board that Stellex Capital's Fund would add

diversification to the OGA, since it is heavily invested in early-stage tech Venture Capital. Stellex Capital, on the other hand, targets overlooked and out-of-favor companies and invests across the capital structure on operational improvements or strategic repositioning. Steve Hartt added that MIG had performed extensive due diligence to make recommendations to clients firm wide.

Stellex Capital Partners II - Presentation / Q&A

Ray Whiteman and Michael Stewart proceeded to present to the Board. Sabrina Parsons asked about the firm's diversity focus. Ray Whiteman answered that they apply an ESG lens throughout their investment process and focus on hiring a diverse team, but admitted it can be challenging to do so in the heavy industrial manufacturing industry. Stephen Green asked about their expansion plans. Ray Whiteman said they are constantly growing and investing in Oregon is distinctly within their plans. Ray Whiteman clarified that their short-term priority is the rust belt, but having done a significant deal in Portland recently, they are well positioned to invest in the area during the investment period.

Steve Hartt asked to expand on how Stellex focused on adding value and growing companies as opposed to relying on downsizing. Michael Stewart explained that given the stage and situations of the companies in which they have expertise, the solution predominantly involves growing their workforce. Co-Chair Sabrina Parsons asked if there are any further questions from the Board. After no further questions were raised, the Stellex Capital team left the conference call.

Stellex Capital Partners II - Board Discussion

Steve Hartt assured that MIG has been following this firm for a long time, since their spin-off from Carlyle Partners. The Board has agreed that the OGA is too reliant on tech Venture Capital, and this fund would add diversification. Steve Hartt added that Fund I has had stellar performance so far. Their fund size is increasing along with their team, which allows them to make more investments. He added that while their commitment to Oregon specifically is lighter than local funds, the impact to the State through a single investment would be substantial. Elmer Huh showed concern about their European office's performance, but noted it was not a significant allocation. Co-Chair Sayer Jones and Tobias Read asked the Board to consider the potential headline risk associated with the overall industry. Steve Hartt acknowledged that other firms within the space have resorted to layoffs in the past, but Stellex Capital's strategy relies on workforce growth instead. Chad Olney added that while the strategy is indeed different than early-stage Venture Capital, the OGA's top mandate is achieving high returns for education funds, and the expected performance and diversification from Stellex Capital helps them achieve just that. Chad Olney moved to commit \$5 million to the Stellex Capital Fund II and Amber Schulz-Oliver seconded. The motion was approved unanimously.

Elevate Capital Fund II - Introduction

Ethan Samson introduced Nitin Rai, Managing Partner and founder of Elevate Capital, as well as his team. Ethan Samson highlighted Elevate Capital's investments in underrepresented startups across Oregon, and how the Fund is well positioned to continue supporting these entrepreneurs going forward.

Elevate Capital Fund II - Presentation / Q&A

Nitin Rai proceeded to present Elevate Capital Fund II to the Board. Tobias Read asked Nitin Rai what he would change about his first fund, in hindsight. Nitin Rai replied that he would not change anything, except for having more money. Tobias Read followed up by asking what he would change going forward as the Fund grows. Nitin Rai responded that he is adding three new General Partners as he is expecting Fund II to be four times the size of Fund I. Nitin Rai then asked Jill Nelson to speak. Jill Nelson talked about her positive experience working with the team and assured that they have the expertise and capacity to handle the additional workload.

Gudrun Granholm asked how the crisis caused by COVID19 impacts the fund. Nitin Rai responded that the sectors in which they will focus are the ones that are actually benefiting from the market dislocations. Kumar Sripadam added that the companies he has seen recently value dry powder and flexibility now. Raghu Raghavan offered that he sees this climate as a fantastic opportunity to invest. Co-Chair Sabrina Parsons asked if there are any further questions from the Board. After no further questions were raised, the Elevate Capital team left the conference call.

Elevate Capital Fund II - Board Discussion

Co-Chair Sabrina Parsons disclosed that her company, Palo Alto Software, invested in a previous Elevate Capital fund. She is also on the Oregon Community Foundation's Board, which invested in Elevate Capital in the past. Steven Marlowe reiterated that there was no potential financial conflict of interest. Gudrun Granholm said that she invested in some of the same deals as Elevate Capital's other Funds through the Oregon Venture Fund. Steven Marlowe stated that investing in Fund II would be not be a conflict of interest either. Co-Chair Sayer Jones said that he is an Ex Officio member on advisory Boards for Elevate Fund I and Elevate Inclusive Fund. Steven Marlowe said that does not constitute a conflict of interest for Fund II.

Ethan Samson led the discussion by addressing MIG's perceived strengths and weaknesses. Elmer Huh brought up concerns about the Fund's ability to fundraise and scale successfully while maintaining operational efficiency. Elmer Huh also asked about cross-fund cash flow transparency, since Elevate Capital has been fundraising for at least four different funds in recent years. Ethan Samson agreed that the contract would have to align incentives appropriately to avoid any negative optics from that standpoint. Co-Chair Sayer Jones stated that, from his experience as an ex officio member in their advisory Boards, Elevate Capital should have a structure in place to handle cross-fund investing decisions appropriately. Elmer Huh then stated his concerns surrounding the fee structure. Elmer Huh found frontloaded management fees to be a disadvantage to investors like OGA. In addition, given the Fund's early stage and capital raising uncertainty at the moment, the fee structure should be tailored to the eventual team size and operating expenses. The Board agreed the proposed fee structure would have to be negotiated prior to a final commitment.

Stephen Green said he was planning on voting no and voiced his concerns surrounding Elevate Capital. Stephen Green said he failed to see what the team's "secret sauce" is, that they are too reliant on TIE for future deal flow, and that given the COVID crisis, it was too early for OGA to make a commitment. In addition, Stephen Green aired his concerns about Nitin Rai not following adequate protocols while raising funds. Furthermore, Stephen Green described Nitin Rai's personality as abrupt, and that he knew of female founders with negative impressions of him.

The Board proceeded to discuss the specific mechanics of the impending motion to make a commitment, given the uncertainty of fundraising timing. Tobias Read motioned the following: subject to satisfactory negotiation with Oregon DOJ of revised fund terms and documents, OGA will commit \$2 million once Elevate Capital has raised and secured \$18 million from other investors. In addition, OGA will commit enough to represent 10% of the Fund at its final close. The overall commitment is to be capped at \$4 million invested in Fund II. Gudrun Granholm seconded the motion. Stephen Green opposed the motion of funding Elevate Capital due to the timing of the COVID crisis and the limited amount of funds raised to date. Every other Board member approved. The motion passed.

Adjourn

After asking if anyone had any outstanding items to address, Co-Chair Sabrina Parsons adjourned the meeting at 4:21 pm.

Approved by:

Signature on file

Sayer Jones, Co-Chair
Oregon Growth Board

Date

Ricardo Lopez, Capital Strategist
Business Oregon

Date