

Audit Committee Meeting

March 19, 2019

Portland, Oregon

Attendance

Members Present: David Almodovar, GSM; Bill Berg, City of Beaverton; Sue Ball, Prosper Portland; Andrea Klaas, Port of The Dalles

Staff Present: Mark Brady and Ruth Hall, Business Oregon

Guests: Jo Brickman, VertueLab; David Kenney, VertueLab

Meeting was called to order at 1:06

Welcome and Introductions

Introduction were done. There was no one on the conference call. The meeting minutes from the Jan. 15, 2019, meeting were reviewed, David moved to approve, Andrea seconded the motion, the meeting minutes were approved unanimously.

Performance Reviews

ONAMI Performance Review

Mark walked the group through ONAMI's dashboard for the quarter as well as its summary budget tables. ONAMI was in good shape for its performance in the current biennium. They have either reached or will reach the targets for all of their performance measures. The budget for ONAMI looks as if they are behind schedule on using their funds, but this is because of how long it took to get this biennium's agreement in place so they did not spend much of their funds at first. They have a plan to use all of this biennium's money in the time allowed, which is one or two quarters after the end of the fiscal year. This carry over will also help them make it until we have next biennium's money actually in our hands, which happens around September.

ONAMI wanted to alert the committee that even though their current reports say that ONAMI and staff have not taken equity in any companies, they expect to do that soon with one of the new companies they have started this biennium. ONAMI will receive stock as will one of their entrepreneurs-in-residence (EIRs) who will serve as the company's start-up CEO. The committee discussed any conflicts of interest that might arise from this type of situation and requested that we develop a policy for how we will handle these situations across all of the signature research centers (SRCs). Mark agreed to develop a draft.

OTRADI Performance Review

The group then focused on OTRADI's dashboard and budget tables. As with ONAMI, OTRADI has met or is on track to meet all of its targets for this biennium's performance measures, except for the jobs numbers. Mark explained that that was because Business Oregon had made an internal decision not to count OR InC jobs anymore. The methodology and timing were different than how

jobs are counted for all other agency programs. Plus, the effort required of the companies, SRC staff, and Business Oregon staff was not justified given the numbers of jobs being counted. The board discussed how long the state was thinking funding would be provided to SRCs. There was discussion of how long is appropriate and whether they should be considered long-term investments that require the state funding to cover their operational costs. Mark pointed out that this would be a topic of discussion at the Council level during the upcoming biennium and that he would keep the committee apprised of the discussions.

VertueLab Performance Review

The group then looked at the final set of dashboard and budget tables. VertueLab's situation was pretty much the same as it has been at the last couple of meetings. They had completed or were on track to achieve most targets for their performance measures. Mark reminded the group that there were the two that VertueLab was very unlikely to achieve. One was the revenue metric that had a much too high target set for it. The other was the number of SBIR applications supported. VertueLab continues to maintain that the reason that number is so low is because companies do not have a reason to find VertueLab and ask for help when VertueLab doesn't have the gap grant funds to award to companies. Mark reminded the committee that VertueLab would be coming to the meeting soon to discuss their plans for next biennium so the group could ask questions about these measures at that time if they desired.

2019–21 Proposals

VertueLab 19-21 Proposal

David Kenney & Jo Brickman entered the meeting to talk about VertueLab's current vision and plans as well as answer questions about their proposal for next biennium's scope and budget. At the beginning of the presentation, David said that it is hard for them to achieve a couple of their metrics because of the fact that they do not have commercialization gap funding under their control anymore.

David then presented some background on the importance of the cleantech industry from a jobs perspective as well as looking at exports. He also presented it as an industry that will need to produce the innovations to help deal with climate change. He presented a few examples of companies that VertueLab has assisted in the past and their current performance and jobs numbers. David reiterated that the decision by Oregon InC to take back funding from VertueLab is the sole reason they have not met their stated goals for SBIR/STTR.

David and Jo also discussed VertueLab's plans to raise capital for a new investment fund to support cleantech companies in Oregon and throughout the Northwest. David maintained that the organization must look more broadly than Oregon to find a sufficient number of companies to make the fund successful. That said, David is looking for very patient capital for the fund since financial returns will not be as high as traditional investment funds since they would be investing at a very early and very risky stage of a company's development. They will look for funders who realize that there are benefits beyond financial returns if the companies can contribute to managing climate change.

After the presentation, the board had several questions, such as:

- What do we want to get out of investing in VertueLab, now and in the future? What does success look like now and into the future?
- Why should the state of Oregon support the fundraising and operation of a fund that will invest in other states' companies?
- How much of the fund would be invested in Oregon companies versus other states?
- What is the timeline for fundraising or deciding that the fund development just isn't going to happen and what's the backup plan if it doesn't?

David could not say exactly how much of the fund's investments would be made in Oregon, but he did claim that "most" of the funding would go to Oregon companies because that is where most of their people and connections are. David said their board had discussed at the last three meetings how long they would take to see if the fundraising was going to work and what they would do if it didn't. They are about to hire a Development Director and have been advised that it takes 18 months to see results from their fundraising efforts or if it is time to regroup if it is not working.

David & Jo left the meeting, and the committee continued discussing VertueLab's proposal. The committee raised concerns that the funding is not all going to be used in Oregon. The committee's position is that Oregon InC funding should be used in Oregon to the benefit of Oregon businesses. The committee was also unsure that VertueLab had the expertise and capabilities to raise and manage the fund. The committee also discussed the poor past performance of most funds that had focused exclusively on cleantech companies.

OTRADI & ONAMI 19-21 Proposals

Mark reminded the group that we need to approve OTRADI's and ONAMI's plans for the 19–21 biennium as well. The committee was much more comfortable with their proposals than VertueLab's so that's why so much time was spent on that group. Mark sent the questions the committee had to both groups but has not gotten responses yet. Mark said that he would get the responses to the committee as soon as he got them, then the group could decide if they could proceed as is or wanted to set up a conference call to go through either or both proposals.

HIOP Reviews

Mark directed the group's attention to the quarterly reports that were recently submitted by two of the HIOP projects that fall in the committee's purview. Mark asked the group how they would prefer to do the reviews of the projects since he assumed they didn't want to read all of the reports. The committee asked Mark to put together something similar to the dashboard and budget tables used for the SRCs that would show key activities & results, performance measures in the grant agreement and progress toward achieving those measures. They also asked for a summary budget table that shows what was specified for each line-item in the grant agreement, how much had been spent and how much remaining with some information on the % completion of the project.

Public Comment

David Almodovar asked if there were any public comments. There were no comments.

Other Business

There was no other business.

Chair Almodovar adjourned the meeting at 3:27.

Approved by:

Signature on file

David Almodovar, Chair
Oregon Innovation Council Audit Committee

7/18/19

Date

Signature on file

Mark Brady
Business Oregon

7/18/19

Date