

**Oregon Growth Account Board
Minutes
November 5, 2002**

The meeting of the Oregon Growth Account Board was called to order at 10:43am by Chair, Randall Edwards.

OGA Board Members Present: Keith Barnes, Randall Edwards, James Johnson and Stan Timmermann.

OGA Board Member Absent: John Castles and Russ Dale.

Staff Members Present: Linda Haglund, Norma Harvey and Mike Mueller.

Legal Counsel: David Elott, Oregon Department of Justice

Consultants Present: Bill Armitage, CTC Consulting Inc.
Tom Bernhardt, CTC Consulting Inc.

Randall Edwards announced that Keith Barnes had called and would be late for the meeting, thus not having a quorum, the approval of minutes would be postponed until the arrival of Mr. Barnes.

I. Investment Manager Update - Northwest Technology Ventures

Bill Newman and Gordon Hoffman presented a fund organizational update and provided investment environment information for Northwest Technology Ventures (NVT) via slide presentation. Effective June 1, 2002, \$14 million was committed to NTV, of which lottery funding of \$4 million is due from the OGA. The 17 existing ORTDS portfolio companies are in the process of being transferred to NTV with three completed to date: Puriponics, CRT and Ora Innovations.

David Elott updated the Board on the progress of the transfers of the 17 existing ORTDS portfolio companies.

Mr. Newman discussed five potential investments, currently in the due diligence phase. The fund structure and advisory board was outlined and discussed

The technology transfer process from research to startups was discussed as well as the sources in research universities, medical centers, labs and commercial businesses. Mr. Hoffman noted that NVT is only venture capital firm focused on technology commercialization in Oregon. He

further noted that NTV would possibly be hosting technology transfer workshops in the future.

Keith Barnes arrived at 11:10am.

Jim Johnson made a request to see a financial model from NTV at the next meeting including expectations of financial return over time periods and benchmarks.

II. Approval of Minutes 8/6/2002 & 9/6/2002

Jim Johnson moved approval of the 8/6/2002 and 9/6/2002 OGA Board minutes. The motion was seconded by Keith Barnes and passed unanimously by the Board.

III. SmartForest Ventures – Additional Investment Opportunity

High Mackworth and Debi Coleman presented a proposal to the Board for consideration of an increase in commitment of an additional \$500,000 to SmartForest Ventures (SFV) to pick up defaulting limited partnership interests in the seven existing portfolio companies: Techtracker, Finatus, Teseda, Upright, MyHealthBank, NMI, and iMove.

Ms. Coleman and Mr. Mackworth noted that they personally sit on the Boards of their portfolio companies. Discussion followed regarding SFV progress to date, commitment to date, investment status and the proposal for the Board to participate in the buyout of defaulting LP interests thus increasing ownership from \$6 million to \$6.5 million.

Ms. Coleman and Mr. Mackworth answered questions from the Board and discussed their SBA pre-approval for this option.

Randall Edwards suggested reviewing the OGA cash flow and pacing prior to considering an additional commitment with SFV. He thanked Ms. Coleman and Mr. Mackworth for their proposal and invited Bill Armitage to present the CTC quarterly update on SmartForest as well as the other portfolio managers.

IV. OGA Quarterly Account Update – CTC Consulting, Inc.

Bill Armitage distributed presentations with asset allocation between mezzanine, leveraged buyout, and venture capital. He noted that the current asset allocation as of 10/31/2002 is based upon estimated values as of 10/31/2002.

The current business environment in Oregon was discussed and the desire of the Board to look ahead two or three years and canvas the opportunities forthcoming. Mr. Armitage was requested to present a projection of potential future fundraising at the February meeting.

Mr. Armitage and the Board discussed the progress of the Timberline Annex Fund, noting that the OGA may be their only commitment.

James Johnson noted that he is a Limited Partner in SFV's partnership, thus constituting a potential conflict of interest and abstention from voting.

Keith Barnes noted that he will be attending SFV's annual meeting and expressed confidence in Ms. Coleman and Mr. Mackworth as well as his favor of the requested additional commitment.

David Elott noted that since Jim Johnson has declared a potential conflict of interest and abstention from voting on the SmartForest issue, it will be necessary to have another Board member vote on the issue (due to the absences of Russ Dale and John Castles).

It was determined by the Board that the best course of action would be to schedule a conference call meeting to vote on the SFV issue. Randall Edwards indicated that he would call the two absent board members, bring them up to speed on the request and have a conference call meeting arranged to vote on this action item.

Mr. Armitage updated the OGA regarding Endeavour Capital Fund III, which makes value-oriented investments in established middle-market companies with enterprise values ranging from \$15 to \$100 million. The fund anticipates making between six and ten buyout, recapitalization, or growth equity investments in middle market companies located primarily in the Pacific Northwest. During the 3rd quarter of 2002, Endeavour made its sixth investment in Market Transport, an Oregon based transportation service company, that provides inter-modal and logistic support for companies like Fred Meyer and Sam Adams Brewery. Mr. Armitage reviewed the other investments in the Endeavour portfolios well.

Tamarack Capital Partners is an SBIC fund that provides mezzanine capital to small businesses in the form of intermediate-term loans that include equity "kickers" in the form of equity securities or warrants to purchase equity securities of the company. Their investment update included information regarding their portfolio companies transactions in the third quarter. Mr. Armitage noted that Tamarack is investing at the

pace expected even though the portfolio has experienced a high level of credit deterioration.

After discussion it was agreed that the board meetings be moved towards the end of the month for quarterly reporting purposes.

Mr. Armitage reported on the OGA sub-account (ORTDS) and the need for them to focus on follow-on fund financing as well as deal-flow.

V. Discussion of “Declared Earnings” Policy – David Elott

David Elott distributed an Economic Development Fund Chart. He addressed the question of the distribution of interest earned on the money in the account. He noted that currently 100% of declared earnings are going into the Higher Education Technology Transfer Fund and that the disbursement of declared earnings are within the discretion of the State Treasurer for purposes of the OGA. He further noted that the Treasurer has broad discretion to determine when and how earnings are declared.

Mr. Elott noted that in 2000, a policy was adopted for declaration of earnings with respect to OGA’s limited partners in that 100% of declared earnings of the OGA must go from the OGA to the Higher Education Technology Transfer Fund. However it is not broad enough to encompass interest earnings. The Department of Administrative Services, by default, has been stripping those earnings out and distributing them.

Mike Mueller suggested keeping the interest as part of the underlying funds (OGA or Sub-Account), and leave it to Treasurer Edward’s discretion, with input from the Board, when they want to transfer money to the Higher Education Technology Transfer Fund. It was suggested that this could be addressed on an annual basis.

It was the consensus of the Board to give Treasurer Edwards discretion to adopt an earnings distribution policy.

VII. Public Comment

There were no comments from the public.

Randall Edwards announced that the newest prospective Board appointee, Tom Costible, had to decline the appointment due to his acceptance of employment in New York and that he would have more nominations by the next meeting.

Keith Barnes suggested inviting a representative from the Entrepreneurs Foundation of Oregon to the next Board meeting.

Randall Edwards spoke about the next legislative session and how the Board could assist and testify on the issue of higher education.

The meeting adjourned at 1:05pm.

Respectfully submitted,

Norma Harvey
Investment Analyst