

**Oregon Growth Account Board  
Minutes  
August 26, 2003**

The meeting of the Oregon Growth Account Board was called to order at 10:35 am by Chair, Randall Edwards.

**OGA Board Members Present:** Keith Barnes, John Castles, Katy Durant, Randall Edwards, Jim Johnson, Stan Timmermann and Steve Vincent.

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

**Legal Counsel:** Dee Carlson, Oregon Department of Justice

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

Randall Edwards welcomed the new board member, Steve Vincent, an economic development manager for Avista Corporation in Medford, Oregon.

**I. Approval of Minutes - 5/27/2003 & 6/20/2003**

**MOTION:** Keith Barnes moved approval of the 5/27/2003 (as corrected by John Castles) and the 6/20/2003 OGA Board minutes. The motion was seconded by John Castles and passed unanimously by the Board.

**II. Federal Investment Tax Credit Program**

Keith Barnes addressed the Board regarding his recent communication with Norris Lozano of the Portland Development Commission (PDC). The PDC has established a formal "fund-of-funds" as a separate group from the PDC, working with Mr. Lozano and his team to access investment tax credits from the federal government and team them up with Oregon investments. Mr. Barnes noted that Mr. Norris will outline how the OGA Board can encourage some of the funds to access this additional capital available to Oregon companies.

Norris Lozano, Resource Development Director for the Portland Development Commission, spoke to the Board regarding the federal investment tax credit program. The PDC is a regional economic development and urban redevelopment agency for the region. He distributed materials regarding the

Portland Family of Funds (PFF), as a venture capital opportunity to enhance venture capital investment opportunities through new markets tax credits. He outlined the history of the PFF established in 2002 and discussed current deal flow. He noted the expected job creation possibilities, expansion of existing businesses and building of community assets without displacing existing resources. The PFF investment strategy and new markets tax credit investment structure was reviewed. Mr. Lozano answered questions from the Board.

### **III. OGA Quarterly Account Update**

#### **a. Cash Flow Analysis**

Mike Mueller presented the OGA cash flow chart indicating distributions, committed capital and available capital as of 8/8/03.

Bill Armitage presented the current asset allocation based upon commitments as of 8/8/2003 for the OGA Funds and the OGA Sub-Account, Northwest Technology Ventures (NTV). Charts indicating commitments, contributions market values and distributions were presented for discussion. The asset class mix of, buyouts, venture capital and mezzanine investments were outlined and an illiquid alternative investment summary as of June 30, 2003 was discussed.

#### **b. Portfolio Updates**

**SmartForest Ventures, L.P.** – As of June 30, 2003, SmartForest had called approximately \$10.0 million, or 40% of its total committed capital of \$25 million, while the SBA had contributed \$12 million of its \$25 million. Capital calls during the second quarter of 2003 included almost \$2.5 million from limited partners and \$1 million from the SBA.

There were no major organizational or personnel changes made during the second quarter of 2003.

**Tamarack Mezzanine Partners, L.P.** – As of June 30, 2003, Tamarack held investments in three companies at an aggregate cost of \$2.27 million, which were valued at cost. Since inception, the fund has experienced two write-offs as a result of investments in BBox and the Moore Company. During the first quarter, BBox responded to Tamarack's lawsuit alleging that the complaint was without merit.

Tamarack has re-opened credit lines with the SBA and is investing at the pace expected, however, the portfolio has experienced a high level of credit deterioration resulting in losses in the two largest investments.

**Northwest Technology Ventures, L.P.** - As of June 30, 2003 the capital account balance was below the amount of contributed capital due to the Sub Account's management fees and partnership expenses. The OGA has committed \$14 million to the fund, of which \$5 million was recycled capital from prior ORTDA/ORTDS investments, \$5 million was appropriated by the Legislature, and \$4 million was contributed by the OGA. As of June 30, 2003, NTV had called \$600,000 for management fees, \$34,621 for fund formation expenses, \$23,301 for partnership expenses and \$550,000 for investments.

NTV has begun its investment period with its initial investments, which are too early in their life for a meaningful assessment as to their survivability.

### **c. HB 3613 Impacts**

Dee Carlson of the Oregon Department of Justice addressed the Board regarding House Bill 3613. The Oregon Legislative Assembly recently enacted House Bill 3613 which, among other things, amends the Oregon Growth Account statutes to authorize accelerated crediting of lottery funds to the OGA. If this new authority is exercised, the OGA lottery funds allocation for an entire fiscal year could be credited to the OGA, and made available for investment, in the first quarter of that fiscal year.

Mr. Carlson noted that the bill does not increase the total allocation of lottery funds to the OGA, but provides authority for the Department of Administrative Services (DAS) to make funds available to the OGA earlier in the fiscal year.

Discussion followed regarding the implementation of this bill and Mr. Edwards lead a discussion regarding future commitments.

## **IV. Current Investment Manager Updates**

### **a. Timberline Venture Partners, L.P.**

As of June 30, 2003 Timberline had invested approximately \$51 million in 18 portfolio companies. Cumulative distributions of \$5 million relate to one investment realized in 2000. The remaining active portfolio of ten companies

exhibits a cost basis and estimated fair value of \$23 million and \$14 million, respectively.

Bill Kallman and Jeff Tung distributed presentation booklets and gave an overview of Timberline's investment program, focusing on IT sectors in the Northwest. They discussed current deal flow, gave portfolio company overviews and reported on current Oregon investment activity. The Timberline Annex Fund was discussed as well as the DFJ META Fund.

Mr. Kallman and Mr. Tung answered questions from the Board.

**b. Endeavour Capital Fund III, L.P.**

The OGA has committed \$7 million to Endeavour Capital Fund III. As of July 14, 2003, Endeavour had called approximately 60.1% or \$70.0 million of its committed capital of \$116.4 million.

Rocky Dixon and Chad Heath gave a portfolio update on Endeavour's recent activities. They outlined Endeavour's investment parameters and profiles and gave a brief overview of portfolio companies. The regional investment strategy was discussed as well as the fundraising initiated for Endeavour Capital Fund IV.

**V. Prospective Manager Due Diligence Discussion**

Randall Edwards addressed the question of the statutory definition of the OGA mission going forward; i.e. types of investments, key industries, seed capital, etc. Discussion followed regarding the impact of HB 3613 and the types of investments the Board is mandated to examine in order to be in compliance with the law.

Mike Mueller and Bill Armitage presented a list of eight prospective general partners, with summaries, to provide the board a snapshot of potential general partners who have demonstrated an interest in receiving OGA funding. Currently the OGA appears to be in a position to consider additional capital commitments or re-ups.

Discussion followed regarding building a diversified private equity portfolio within the OGA. It was determined that approximately \$3 million is available for commitment, and potentially more if HB 3613 provisions are implemented.

Dee Carlson commented on statutes and limitations and advised the Board to consider giving a broader definition to the investment statutes and specifically define the size and type of investments.

Jim Johnson expressed concern regarding fund syndication following the seed or “B” round stage of investing. He urged the Board to craft a plan or mission to strategically align roles with the Oregon Investment Council and assist portfolio companies in making the transition.

It was the consensus of the Board to instruct staff and CTC Consulting to further analyze Integra Partners and determine whether or not to call a special meeting prior to the scheduled meeting in November.

**VI. Public Comment**

There were no comments from the public.

The meeting adjourned at 12:22pm  
Respectfully submitted,

Norma Harvey  
Investment Analyst