

**Oregon Growth Account Board
Minutes
November 18, 2003**

It was noted that Randall Edwards would arrive late and the meeting of the Oregon Growth Account Board was called to order at 10:40 am by Jim Johnson.

OGA Board Members Present: John Castles, Katy Durant, Randall Edwards (arrived @ 10:55am), Jim Johnson, and Steve Vincent.

OGA Board Members Absent: Keith Barnes and Stan Timmermann.

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

Legal Counsel: David Elott, Oregon Department of Justice

Consultants Present: Bill Armitage, CTC Consulting Inc.

I. Approval of Minutes - 8/26/2003

MOTION: John Castles moved approval of the 8/26/2003 OGA Board minutes. The motion was seconded by Katy Durant and passed unanimously by the Board.

II. OGA Quarterly Account Update

Mike Mueller reviewed the OGA and Sub-Account and presented the OGA cash flow chart indicating distributions, committed capital and available capital as of 11/4/03.

Bill Armitage presented the current asset allocation based upon commitments as of 11/4/2003 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 September 30, 2003 was discussed.

Portfolio Updates

Endeavour Capital Partners III: As of October 20, 2003 the OGA has committed \$7 million to Endeavour Capital Fund III, and had called approximately 67% or \$77.6 million of its committed capital of \$116.4 million. Endeavour has initiated fundraising for Endeavour Capital IV, with a goal of \$200 to \$250 million in commitments. Endeavour anticipates an initial closing on its fourth fund in November or December. The OGA will not participate in this new fund.

SmartForest Ventures I: Through the third quarter of 2003, SmartForest had called \$10.0 million, or 40% of its private limited partners' committed capital of \$25 million. In addition, the SBA had contributed \$14.5 million of its \$25 million commitment.

Tamarack Mezzanine Partners: Tamarack was successful in raising \$1.2 million in additional equity commitments from its limited partners, which helped persuade the SBIC to reopen its credit line. At September 30, 2003, Tamarack held investments in four companies at an aggregate cost of \$2.81 million, which were valued at cost.

Timberline Venture Partners: Through the third quarter end, TVP had invested approximately \$51 million in 18 portfolio companies. As of September 30, 2003, TVP had called \$58 million, or approximately 97% of total capital commitments of \$60 million.

Jim Johnson led a discussion regarding the formulation of an asset allocation model with target ranges and the management of funds to that model.

Mr. Mueller and Mr. Armitage answered questions from the Board.

Treasurer Edwards arrived at 10:55am

III. Integra Ventures Update

Bill Armitage reported on the due diligence performed by CTC on Integra Ventures. Integra Ventures III, L.P. is an approved SBIC and qualifies for two-to-one leverage provided by the SBA, indicating total capital commitments of approximately \$32 million. Integra III will focus on early- and middle-stage investments in companies involved in biotechnology tools and platforms, medical devices, healthcare services, healthcare-related IT, and bioinformatics. Mr. Armitage expressed concerns about the stability of

the partnership due to the departure of a key principal. At the current time, staff and CTC do not recommend a commitment of funds to Integra.

Ron Schmitz discussed opportunities in the Northwest and potential venture capital opportunities in Oregon. He commented on several Northwest firms developing relationships with staff and CTC Consulting.

Joe Piper of Integra Ventures thanked the board for their consideration and expressed the desire to continue their relationship with the OGA as a potential portfolio manager.

IV. Prospective Manager Presentations

a. Buerk, Craig, Victor, LLC

Andy Dale and Artie Buerk of Buerk, Craig, Victor, LLC (BCV), addressed the Board. Their firm is dedicated to growing capital for investors by investing in private Northwest-based growth companies. They outlined their Northwest-focused strategy and discussed the firm's history. The current Northwest market environment and Northwest opportunities were reviewed. They outlined some of their current portfolio investments in the Northwest sectors as: business services, consumer products/services, financial services, healthcare, retail and technology. Their manager selection and support process was outlined.

Steve Vincent declared a possible conflict of interest regarding the firm, due to his employment affiliation with one of BCV's portfolio companies (Avista).

Mr. Dale and Mr. Buerk answered questions from the Board.

b. Fluke Venture Partners

Dennis Weston and Kevin Gabelein of Fluke Venture Partners II, L.P. addressed the Board. They outlined their 21-year history of success in the Northwest and presented an overview of the strategy and focus on early stage with cross industry investments. Discussion followed regarding SBIC leverage and some of the successful portfolio companies in Fluke Venture Partners I, L.P. Mr. Weston outlined the Fluke model for success and gave an overview of their management team. The firm's access to Pacific Northwest opportunities was discussed as well as deal access and network history. The Fluke due diligence process was reviewed as well as investment criteria and their value-driven portfolio style.

Mr. Weston and Mr. Gabelein answered questions from the Board.

c. Pacific Horizons

Don Elmer of Pacific Horizons presented information regarding Pacific Horizon Partners IV, L.P., a \$75 million Healthcare partnership with a proven track record since 1993. Pacific Horizons currently has \$35 million under management in three funds and consistent top quartile IRR portfolio returns. Mr. Elmer outlined the firm's operating economics, investment strategy and investment principles. Current investments were reviewed as well as the model for the Pacific Horizon Partners IV portfolio. Discussion followed regarding the bioscience industry and related investment opportunities.

After discussion, it was the consensus of the Board to ask CTC to perform further due diligence on the three firms and report back at the next meeting.

V. Scope of Investment Discretion

David Elott addressed the Board and noted he had received questions from staff and the Board relating to the OGA's investment focus. He answered questions regarding the role that economic development (ED) considerations play in the investment decision of the OGA Board and what types of businesses are eligible for OGA investments. In summary, ED cannot be a factor in selecting prospective firms. He further noted that the legislature created the OGA within the constitutionally mandated Education Stability Fund (ESF) and credited the OGA to generate funds for the financing of public funds in Oregon. The only thing the ESF, which the OGA resides within, can be used for is public financing for public education in Oregon or investing to generate more money to finance public education in Oregon.

Mr. Elott outlined definitions for qualified small businesses as follows:

- 1) Located in Oregon.
- 2) The business must be new or small.
- 3) The business must have the capacity upon obtaining appropriate capital to generate significant high skill, high wage employment.
- 4) The business must sell or propose to sell goods into markets for which national or international competition exists and fall within an industry that makes a major contribution to the Oregon economy.

Mr. Elott commented on the definition of “small” and quoted the Oregon Statutes ORS 285B, “a manufacturing business having 200 or fewer employees and all other forms of businesses having 50 or fewer employees.”

The proposed 2004 calendar was discussed.

Jim Johnson requested a future agenda item to be a discussion of House Bill 3613, in order for the Board to get an understanding of the roles of the Oregon Investment Council in relation to the Oregon Growth Account. He requested some dialog between the two Boards regarding early and later-stage investments and coordination between the two.

VI. Public Comment

There were no comments from the public.

The meeting adjourned at 1:38pm

Respectfully submitted,

Norma Harvey
Investment Coordinator