

TO: Members of the House Committee on Revenue -- Rep. Phil Barnhart, Co-Chair; Rep. Vicki Berger, Co-Chair; Rep. Jules Bailey, Co-Vice Chair; Rep. Katie Eyre Brewer, Co-Vice Chair; Rep. Cliff Bentz; Rep. Sara Gelsler; Rep. Tobias Read; Rep. Matt Wand

FROM: Linda Cavalli Nelson, Smith Rock Resources, LLC, Redmond, Oregon

DATE: February 21, 2012

RE: Senate Bill 1558

VIA ELECTRONIC TRANSMISSION

Dear Representatives:

I had the privilege of making the introduction between MVM Technologies, Inc. and Economic Development for Central Oregon (EDCO) this past fall. As an MVM investor, I knew some issues had arisen regarding the proposed location of their new \$80 million manufacturing and research and development operations to the District of Columbia. As a result of the outstanding job done by EDCO's Roger Lee and Jon Stark, Central Oregon quickly became the new lead contender for the MVM facilities.

Oregon's ability to win this business – and the thousands of high quality jobs that MVM expects to create – hinges on one factor: the company's ability to invest a portion of the proceeds from its proposed \$80 million taxable bond financing in research and development and working capital. Thanks to the exceptional efforts of Senator Chris Telfer, working in close cooperation with the Treasurer's office and Business Oregon, Senate Bill 1558 amends the State's statutes to provide MVM – and other high growth technology companies like it – with that flexibility.

The Legislature should immediately pass Senate Bill 1558. Reasons include:

1. SB 1558 will help stimulate business investment and create jobs for Oregon residents at no cost or risk to the State.

- These are taxable private activity bonds. They are non-recourse to the State and all associated risks and liabilities fall to the private investors that purchase the bonds. The latter provide full indemnification to the State for any associated risks and liabilities.
- These are also private placement bonds that are not sold or circulated to the general public. They are purchased by sophisticated private investors who retain their own bond counsel and conduct their own due diligence. MVM, for example, already has such an investor in hand who has committed to purchase its entire \$80 million issue.

- The State still retains the final authority on which bond financings are approved. If Business Oregon does not believe that a particular transaction is in the best interests of the State, they can simply deny the respective bond application.

2. SB 1558 addresses the particular financing needs of high growth technology companies – the very companies Oregon is seeking to attract and develop.

- Oregon high tech workers earned an average wage of \$87,500 in 2011. That is 119% more than the State's average private sector wage.
- High growth companies need to invest in working capital to fuel their growth. And technology companies need to invest in research and development to further commercialize their intellectual property across new markets and product lines.
- SB 1558 will allow the State of Oregon to provide the companies it most wants to attract with the financing they most need to create high quality jobs for Oregon residents.

3. Competing states are already allowing this flexibility under their taxable bond programs.

Other states are proactively marketing their taxable bond programs as a resource for financing research and development and working capital. These include Texas, Michigan, Arizona, New Jersey, Maryland and the District of Columbia – all of which have actively competed for the MVM business.

4. Oregon will lose the multimillion dollar MVM investment and the thousands of jobs the company expects to create if SB 1558 is not passed.

- MVM has developed a new type of "green" inkjet printer cartridge that addresses 70% of the \$18 billion market. The company already has vendor agreements in place with most of the big-box stores for this product line.
- MVM has 13 patents issued and 18 patents pending. Stand-alone technologies developed in support of the new inkjet cartridge include solder sphere and packaging, wafer and substrate solder bumping, wafer level packaging, fine line flex circuit printing, metal oxide ceramic metallization, integrated vertical inductors, and medical devices and applications. Several of these technologies are potentially disruptive in their respective sectors, including the semiconductor packaging industry.
- MVM's CEO has stated publicly that while Oregon is the company's first choice for the location of its new facilities, MVM will be forced to go elsewhere if SB 1558 is not

passed. The company cannot execute its business plan successfully under the current taxable bond financing restrictions.

5. SB 1558 fixes an oversight in the statutes. Oregon, like many other states, essentially copied the language from its tax-exempt bond program over to its taxable bond program, although the federal tax treatment issues and associated legal liabilities are not relevant to the State's taxable issuing authority. Not only is there no logical reason for disallowing use of taxable private activity bond proceeds for other types of business investment, but such restrictions are detrimental to the interests of the people of Oregon. They place unnecessary limitations on a financing resource that leverages the private market for business and job creation at no cost or risk to the State.

In sum, I urge the Legislature to expedite the passage of Senate Bill 1558. It will have the immediate impact of bringing MVM Technologies and the potential of thousands of high quality technology jobs to Central Oregon. And it will place another powerful financing resource in the hands of economic development staff across the State in their efforts to attract new job-creating investment to Oregon.

No cost, no risk, no downside – and tremendous upside for Oregon's residents and economy. I believe that's what they call an unqualified "win-win".

Thank you for your time and consideration and best regards for a productive legislative session.

Sincerely,

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Cc: Senator Chris Telfer;
Representative Jason Conger; Representative John Huffman; Representative Mike McLane; Representative Gene Whisnant
George Endicott, Mayor, City of Redmond; David Brandt, City Manager, City of Redmond
Roger Lee, Executive Director, EDCO; Jon Stark, Manager, Redmond Economic Development, Inc.