

# Oregon Growth Board: Get the best investors to Oregon

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## Background

The Oregon Growth Board (OGB) manages the Oregon Growth Account (OGA) that has two complementary objectives.

1. Get the best investment funds to Oregon to invest in our young companies and address our capital gaps.
  2. Provide investment returns to the Education Stability Fund (ESF).
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## The Problem

Currently, the Oregon Growth Board is prevented from accessing the top funds because we are required, by statute, to obtain a “side letter” when we invest. When a fund signs a side letter, they commit to invest a dollar in Oregon startups for every dollar we invest in that fund. On the surface, this is a reasonable request. However, it has major unintended consequences because most of these top funds will not sign the side letter.

In 2015, when we decided not to relax the side letter requirement, the pipeline of potential funds the Oregon Growth Board was evaluating fell from over \$40M to under \$15M immediately.

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## The Solution

By relaxing the side letter requirement from “will” to “may,” several things happen:

1. First, the Oregon Growth Board still seeks the side letter from smaller funds that are willing to sign it.
2. Second, Oregon is able to attract top funds that will not sign the side letter.
  - a. Those funds bring with them not just their money, but also their expertise, their business connections, and their credibility. Oregon startups that can attract investment from those top funds stand a higher probability of success, providing more long-term, high-paying jobs to the State.

### **Transparency and Reports to the Legislature**

The Oregon Growth Board will use this flexibility only as necessary, and will report to the Legislature regularly on how all our investments are doing when it comes to investing dollars into Oregon startups.

## Frequently Asked Questions

### Oregon Growth Board (OGB) and Oregon Growth Account (OGA) Facts

- In the last two years, the OGB has diversified its investments to focus more on timber, women-owned enterprises, and rural enterprises.
- The OGA has returned \$23M to the Education Stability Fund over 16 years.
- Funds backed by the OGA have invested in 148 Oregon companies, creating over 800 incremental jobs while supporting over 2,100 total jobs, with a total payroll impact of over \$162M.

*Q: Why won't top funds sign the side letter?*

A: They don't need to sign the letter to raise their fund, and their other investors won't let them, since those investors care primarily about financial returns. The reason this is so important is because those funds won't go against existing investors that have committed hundreds of millions of dollars compared to Oregon's potential \$5M.

*Q: If we relax the language in the side letter, won't the funds just invest our money elsewhere?*

A: No. Actually, that risk exists with or without the side letter. We can't make anyone invest in Oregon, but we can hold them accountable. The Oregon Growth Board monitors each fund every six months to ascertain if they are meeting the spirit of the investment we made in them. Those

funds that are not investing adequately in Oregon are called in to explain in a public forum.

*Q: Does this mean you are asking to do away with the side letter completely?*

A: No. We will still extract the side letter when we can. For example, we will still extract it from funds that previously signed it raising successor pools and from newer funds that need our money more than we need access to them.

*Q: How will you decide when to relax the side letter?*

A: We will use the judgment of the Board and our outside advisor to relax the requirement when we are faced with a top-performing fund that we want to attract to the state, but is so popular that we can't interest them in our dollars if the side letter is a requirement.

*Q: How has the historical program performed in getting funds to invest here?*

A: From the inception of the OGA (now managed by the OGB), the state has committed \$122M to funds, and those funds have invested \$199M in Oregon companies. This means that for every dollar we have invested in funds, they have in turn invested over 1.6 dollars in Oregon companies. In addition, for every dollar those funds invested in Oregon startups, they have seen 1.8 dollars of return to their funds. That means Oregon startups, on average, are performing better for them than their portfolio as a whole. This means that once we can attract funds to the state, they are internally incentivized to keep coming back, with or without any side letter.