



Oregon Growth Board

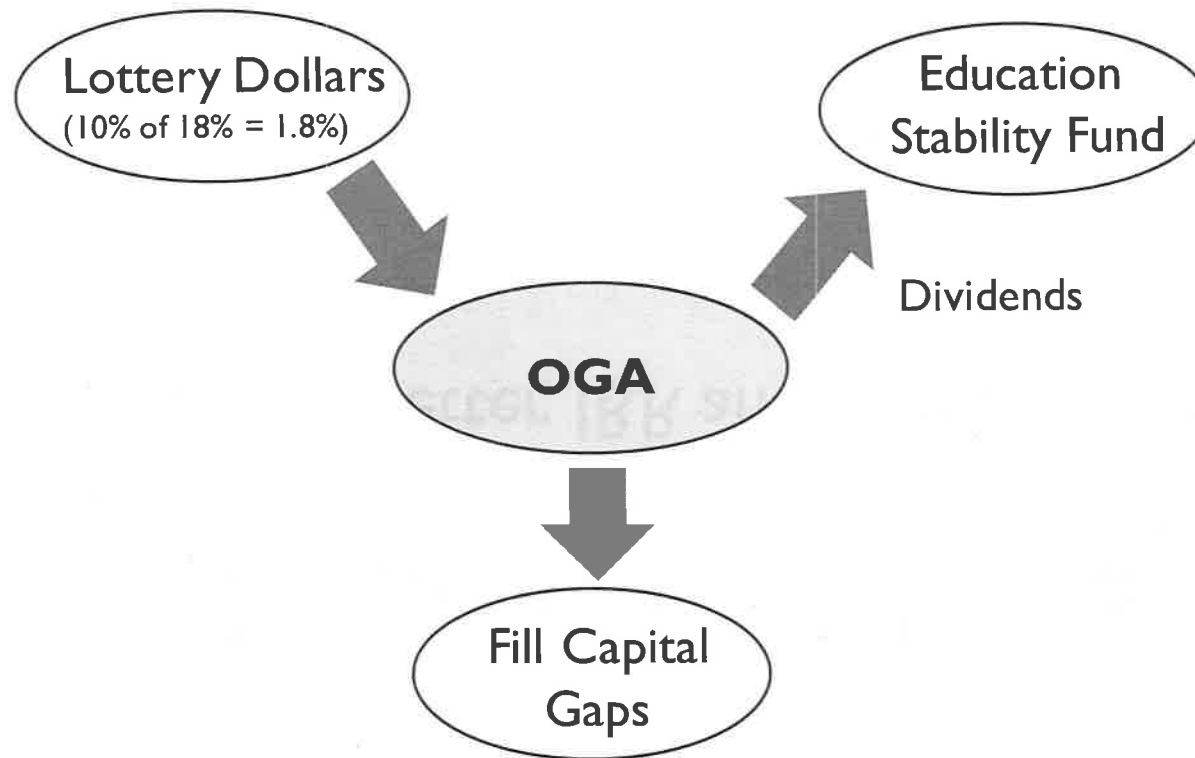
Perspective on the Side Letter, IRR and Economic Impact

February 2016

Data as of 6/30/15

Oregon Growth Board

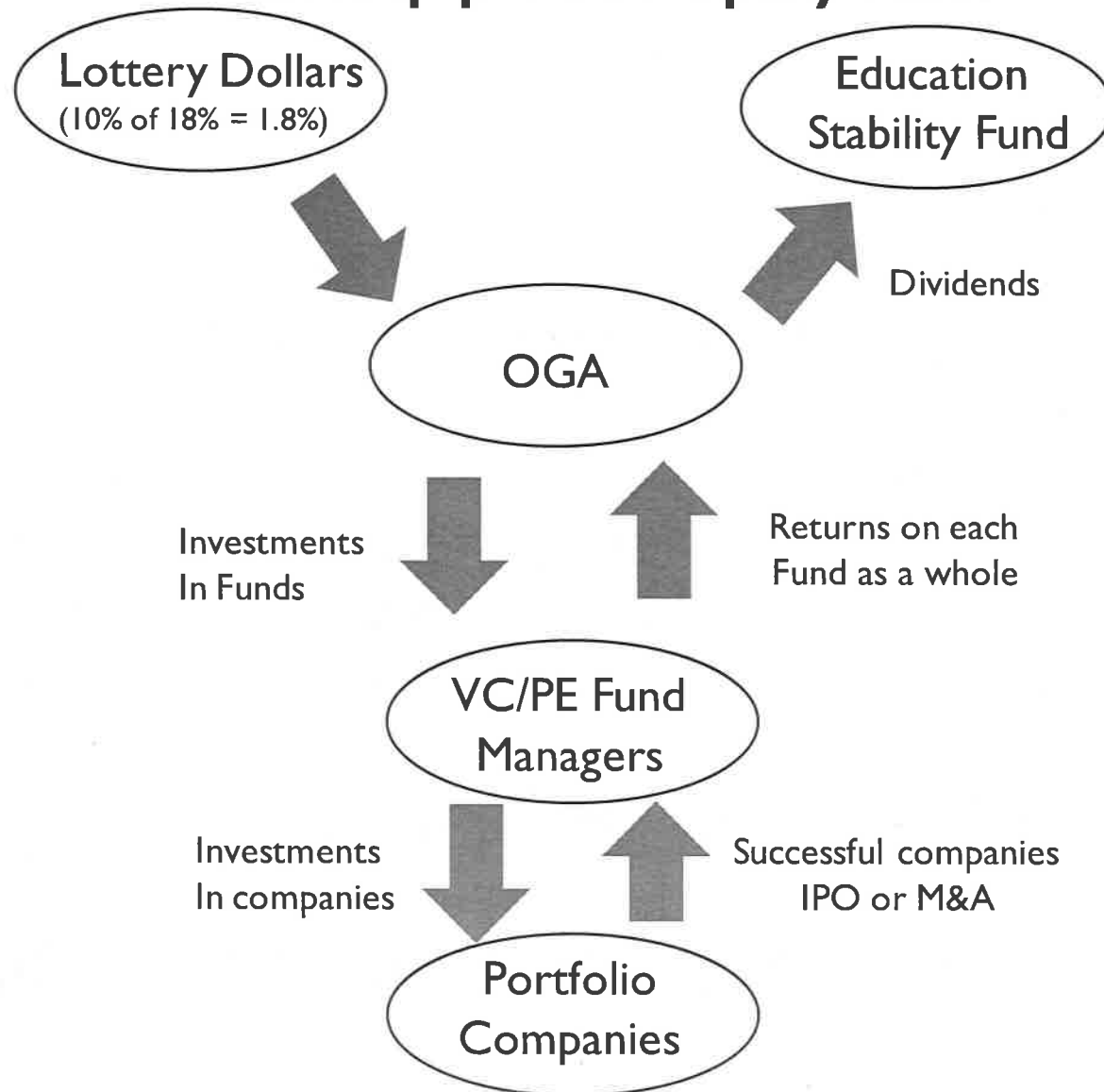
OGB Has Two Main Elements – OGA and OGF



Today, we're not talking about the OGF

Oregon Growth Board

The **OGA** success requires access to the top private equity funds





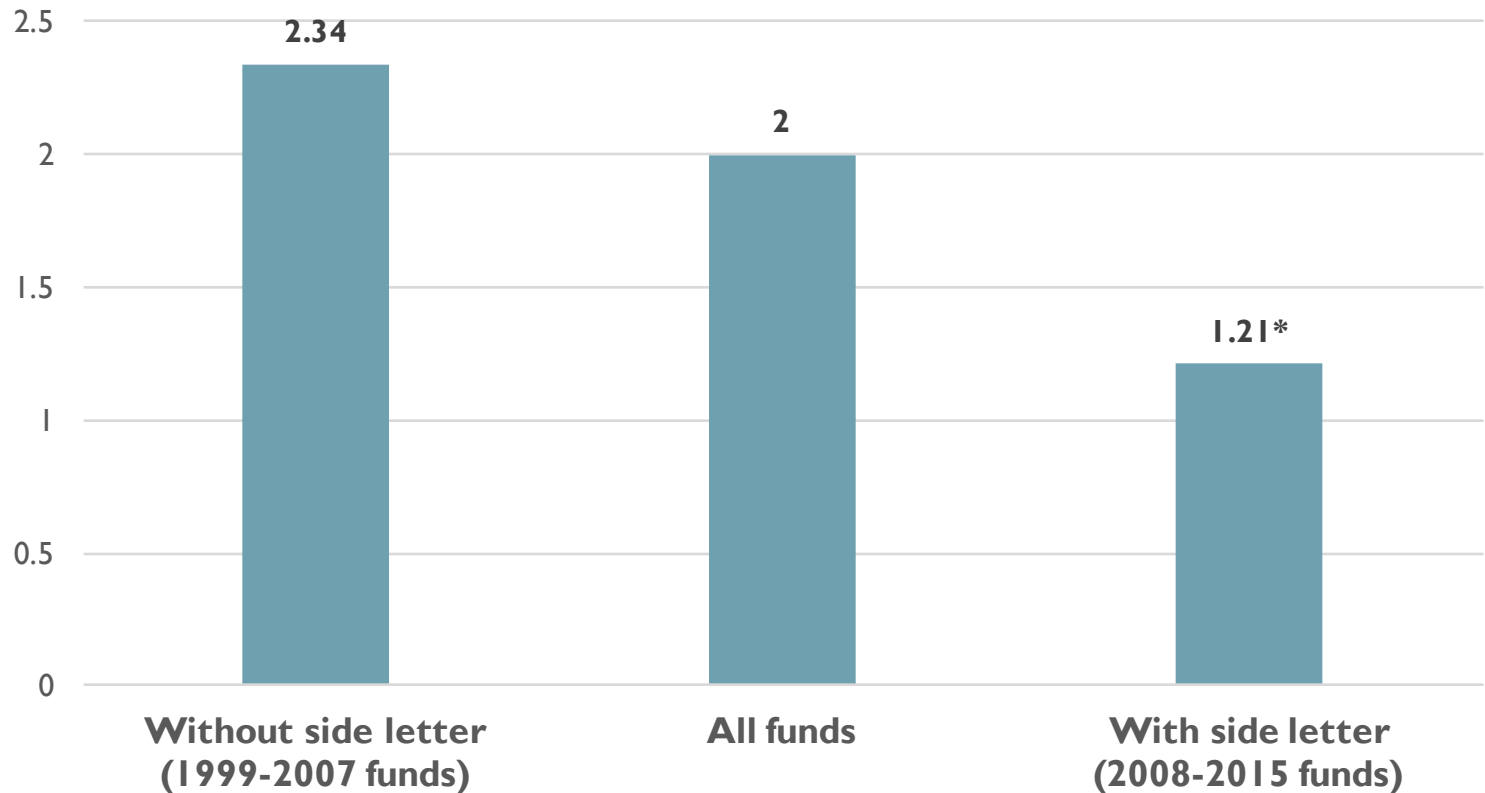
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The OGA “Side Letter” Issue

- DOJ changed the interpretation of the OGA statute in late 2007, that afterwards required all funds to sign a contract saying that for every dollar OGA invested in them, they would invest the same amount in Oregon companies.
- On the surface, it sounds quite reasonable. But the facts are: the strong funds that don't need OGA money won't sign it.
- But the weaker funds will sign – which causes a reverse performance bias on the goal of returns for the ESF, and keeps Oregon from having the benefit of those strong funds helping our startups succeed.
- The proposed legislation would give the OGB the flexibility to get the side letter when we can, but also get into the best funds, and get them to Oregon, when we can't.

The “side letter” does not create higher in-state investment, in fact...

Multiple on in-state investment – funds before and after side letter requirement imposed in 2007



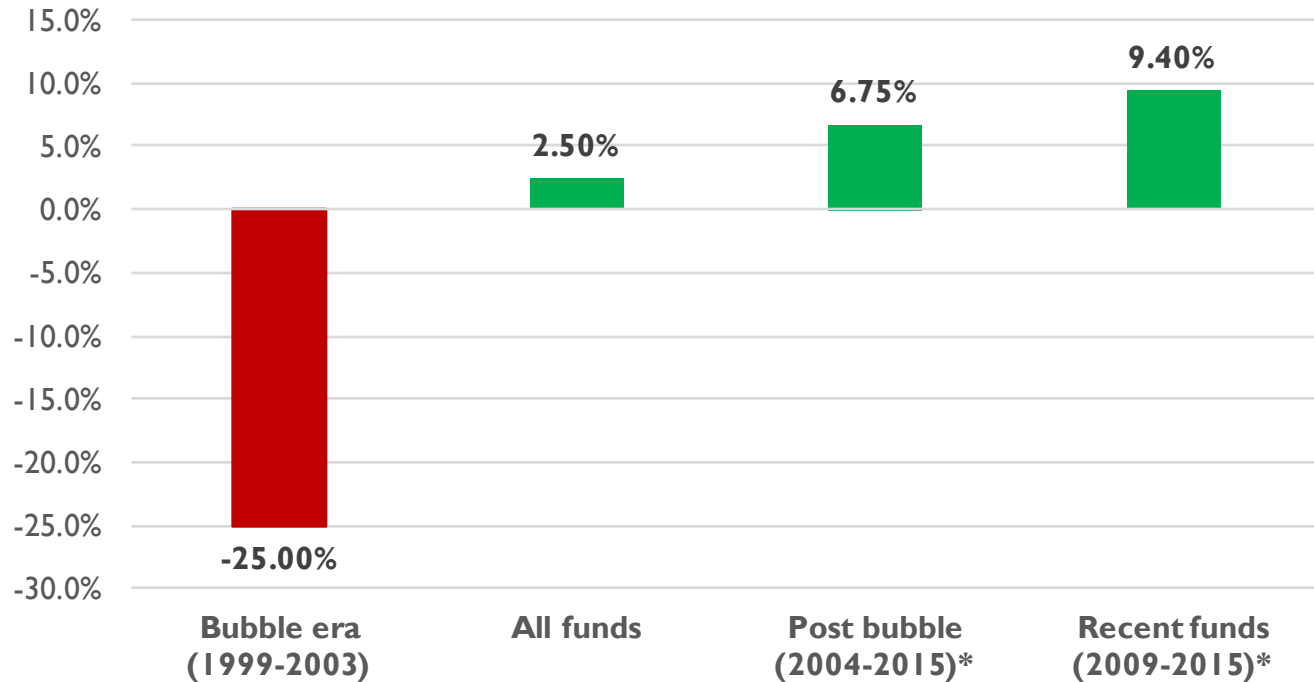
* Possible rationale: Side-letter funds tend to be smaller and weaker, resulting in push for earlier exits rather than building larger, sustainable enterprises

Data as of 6/30/15

Oregon Growth Account has dug out of huge early hole

Post “tech bubble” funds approaching or above 7.5% PERS target –
but with important Oregon business and jobs benefits

OGA IRR by fund vintage year range



* Post bubble and Recent funds include many still in “J” curve
Data as of 6/30/15

Oregon Growth Board Economic Impact

- **When the “side letter” waiver was not approved in the 2015 session, the opportunities for OGA investment shrunk from \$40M to \$15M overnight**
- **OGA portfolio funds have invested in 148 Oregon companies**
- **Those companies have created >800 incremental jobs and supported >2100 existing jobs**
- **Those jobs have generated >\$162M in payrolls**
- **The OGA has delivered >\$23M to the Education Stability Fund (including \$4.3M in December 2015)**
- **Since the OGB took over OGA responsibility, investments have been expanded into funds focused on timber, women-owned enterprises and rural enterprises**

Data as of 6/30/15