

**COLUMBIA RIVER GORGE NATIONAL SCENIC AREA
OREGON INVESTMENT BOARD**

*******Wednesday, March 21, 2018*******

****** 10:00 A.M. ******

Hood River Library Meeting Room
501 State Street
Hood River, Oregon

| <u>Topic</u> | <u>Time</u> | <u>Item</u> |
|--|--------------------|--------------------|
| Call to Order, Conflict of Interest Disclosures Introductions | 5 minutes | Information |
| January 2018 Minutes | 5 minutes | Approval |
| Financial Report | 5 minutes | Acceptance |
| Loan Updates <i>Sage Creek, Inc dba Muirhead Canning Company</i> | 5 minutes | Information |
| Funded Loans Report and Updates | 5 minutes | Information |
| <i>Executive Session per ORS 192.660 (f) (Exempt Documents)</i> <i>Regular Session Reconvened</i> | | |
| Loan Actions | 10 minutes | Decision |
| Loan Impact Report | 10 minutes | Discussion |
| Update on Funding Status | 10 minutes | Discussion |
| Other New Business, Good of the Order | | |
| Adjournment | | |

The meeting location is accessible to persons with disabilities. If you have a disability that requires any special materials, services or assistance please contact MCEDD at (541) 296-2266 at least 48 hours before the meeting so arrangements for appropriate accommodations can be made.

**COLUMBIA RIVER GORGE NATIONAL SCENIC AREA
OREGON INVESTMENT BOARD**

Wednesday, January 17, 2018
Hood River Library Meeting Room
501 State Street, Hood River, Oregon

ATTENDANCE

OIB Members: Jill Amery, Rick Leibowitz, Jack Miller, John Kaseberger
Teleconference: Tammy Miller, John Southgate, Kristine Mier, Carolyn Meece, Amanda Hoey
Staff: Siri Olson, Lauren Hernandez, Eric Nerdin

Absent: None

Guests: Kessa Maras, Moe Phiengkham, Mt. Hood Podiatry; Aaron Lee, Defiance Brewing Company,
Inc dba Sedition Brewing

CALL TO ORDER

Jack Miller called the meeting to order at 10:01 a.m. A quorum was present.

CONFLICT OF INTEREST POLICY AND INTRODUCTIONS

Jack Miller requested any board member disclose any conflict of interest for any of the topics to be reviewed. None were noted.

MINUTES

John Kaseberger motioned to approve the minutes from December 20, 2017, as presented. Rick Leibowitz seconded the motion. Motion passed with two abstentions (Jill Amery, John Southgate).

Discussion: Jill Amery noted she was unable to attend the December meeting and she appreciated the detail of the minutes.

FINANCIAL REPORT

Siri Olson presented the financial report for the period ending December 2017 highlighting that principal repayment received through December 31, 2017, was \$56,099.54 with interest in the amount of \$55,610.10. The total of principal repayments received for December was \$8,125.42, which is up from November, though lags behind compared to prior months. Loans disbursed in December totaled \$71,500. In October and November, interest was taken and converted to principal for Brigham Fish Products. This was reported on the Loans Dispersed line. This has now been separated out onto a separate line named Converted to Principal. This will go towards expenses and payments but shows that it is different from loan disbursement and is still considered an expense payment. An updated report for October, November, and December show these two lines separated out.

The Pilot Program Fund Balance totals \$180,000 of encumbered funds. Hood River Learning, under Structured Accounts Loan Interest, continues to accrue interest. This is being corrected in Portfol, as these structured loans should not be changing, and no interest should be accruing during the current period at the rates listed. This will be adjusted and corrected and should be reflected on reports for next month's board meeting.

Carolyn Meece joined at 10:08 a.m.

Total professional services expenditures for the fiscal year to date were \$47,307.93. Total expenditures for December were \$7,831.15. This amount includes a contract payment to MCEDD.

Rick Leibowitz motioned to accept the December financials. John Kaseberger seconded the motion. Motion passed with one abstention (Jack Miller).

LOAN REQUESTS

Eric Nerdin reported there are two loan application requests. One request is from Mt. Hood Podiatry, and one request is from Defiance Brewing Company, Inc dba Sediton Brewing.

EXECUTIVE SESSION:

Per ORS 192.660 (f) (Exempt Documents), the Oregon Investment Board moved into Executive Session at 10:11 a.m.

Amanda Hoey joined at 10:29 a.m.

Tammy Miller exited 10:55 a.m.

Carolyn Meece exited at 10:56 a.m.

Tammy Miller joined at 10:56 a.m.

Regular Session reconvened at 11:02 a.m.

LOAN ACTION: MT. HOOD PODIATRY

Rick Leibowitz motioned to approve a \$63,000 loan with the specific request that these loan funds be used to retire the OnDeck loan, the Everest Funding loan, the EDF loan, the Celtic loan, the Merchant loan, and the Yellowstone loan. Conditions will be the same as the staff recommended loan, including the third party guarantor is vetted by OIB staff, collateral is pledged, and verification is received of the purchase loan with Dr. Belknap. John Southgate seconded the motion. Motion passed unanimously.

- Loan amount: \$63,000
- Interest rate: 10.75% Fixed
- Loan term: 120 months
- Loan Payments, collateral and conditions as listed in the staff report.

Discussion: Jack explained this plan is not what was originally requested and the applicant can accept or reject. The OIB board's intention is to take action for the sake of what it believes is best for OIB funds as well as the applicant's business. Eric Nerdin encouraged the applicant to think about the offer and to not make a snap decision about the loan at present time. He explained if the applicant would like to apply for additional funds once the business is better established, this is an option. Jack clarified that any other loan would be separate from this loan. Rick pointed out one condition of the loan is Mt. Hood Podiatry must be willing to participate in small business counseling.

John Southgate exited at 11:08 a.m.

EXECUTIVE SESSION:

Per ORS 192.660 (f) (Exempt Documents), the Oregon Investment Board moved into Executive Session at 11:08 a.m.

Regular Session reconvened at 11:23 a.m.

LOAN ACTION: DEFIANCE BREWING COMPANY, INC dba SEDITON BREWING

John Kaseberger motioned to approve the staff recommendation to approve the requested loan of

\$40,000 and modify the existing loan as presented. Jill Amery seconded the motion. Motion passed with one abstention (Rick Leibowitz).

- Loan amount: \$40,000
- Interest rate: 4% for first 12 months and then 8.75% for the remaining 36 months
- Loan term: 48 months
- Loan Payments, collateral and conditions as listed in the staff report.
- Loan modification for OIB loan #159-01-01 as presented in the staff report.

FUNDED LOAN REPORT AND UPDATES:

Eric Nerdin provided an update on OIB loans and directed the board to the loan delinquency report.

EXECUTIVE SESSION:

Per ORS 192.660 (f) (Exempt Documents), the Oregon Investment Board moved into Executive Session at 11:26 a.m.

Regular Session reconvened at 11:29 a.m.

RLF POLICY REVIEW, PART 2

Amanda Hoey explained the RLF policy in the packet contains the modifications made at the last OIB meeting. She does not believe any further modifications need to be made, but the topic appears on the agenda if any proposals for revisions are needed on information after section five.

Discussion: Rick Leibowitz asked if John Kaseberger had helped reword any of the sections agreed upon during the last meeting. Jack Miller noted one or two of the original paragraphs were awkwardly worded. Eric Nerdin suggested the paragraphs had to deal with wording about equity policy or collateral. Amanda Hoey stated the paragraphs were approved with specific language and no follow-up was required. Jack Miller noted the changes the OIB Board made about risk were incorporated. There was no need for additional changes.

OTHER NEW BUSINESS

No new business.

ADJOURNMENT: The meeting was adjourned at 11:33 a.m.

Respectfully submitted by Lauren Hernandez, Office Administrator

Mid-Columbia Economic Development District
Balance Sheet
As of February 28, 2018

| | January 31, 2018 | February 28, 2018 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Checking/Savings | | |
| 1000 · Bank Demand Deposits | | |
| 1070 · National Scenic Fund | 1,306,527.91 | 1,368,095.14 |
| Total 1000 · Bank Demand Deposits | 1,306,527.91 | 1,368,095.14 |
| Total Checking/Savings | 1,306,527.91 | 1,368,095.14 |
| Other Current Assets | | |
| 1200 · Receivables & Accruals | | |
| 1202 · Accounts Receivable | 0.00 | 0.00 |
| 1222 · Year or Grnt End Receivables | | |
| 1227 · Accrued Loan Interest | 7,417.80 | 9,150.78 |
| 1229 · Structured Accts Accr'd Int | | |
| 1231 · Unrecorded Structured Accrd Int | -3,883.96 | -4,038.80 |
| 1229 · Structured Accts Accr'd Int - Other | 7,969.85 | 8,226.61 |
| Total 1229 · Structured Accts Accr'd Int | 4,085.89 | 4,187.81 |
| Total 1200 · Receivables & Accruals | 11,503.69 | 13,338.59 |
| 1300 · Loans Receivable | | |
| 1370 · OIB Loans Receivable | 1,576,322.51 | 1,529,646.14 |
| Total 1300 · Loans Receivable | 1,576,322.51 | 1,529,646.14 |
| 1475 · OIB Holding | 8,787.14 | 0.00 |
| 1500 · Allowance for Doubtful Loans | | |
| 1575 · OIB Allowance | -45,000.00 | -45,000.00 |
| Total 1500 · Allowance for Doubtful Loans | -45,000.00 | -45,000.00 |
| Total Other Current Assets | 1,542,826.20 | 1,497,984.73 |
| Total Current Assets | 2,858,141.25 | 2,866,079.87 |
| TOTAL ASSETS | 2,858,141.25 | 2,866,079.87 |
| LIABILITIES & EQUITY | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | | |
| 2010 · A/P General | 7,698.75 | 15,591.82 |
| Total Accounts Payable | 7,698.75 | 15,591.82 |
| Total Current Liabilities | 7,698.75 | 15,591.82 |
| Total Liabilities | 7,698.75 | 15,591.82 |
| Equity | | |
| 3100 · Fund Balances | 2,697,334.06 | 2,697,334.06 |
| Pilot Program Fund Balance | 140,000.00 | 140,000.00 |
| Net Income | 13,108.44 | 13,153.99 |
| Total Equity | 2,850,442.50 | 2,850,488.05 |
| TOTAL LIABILITIES & EQUITY | 2,858,141.25 | 2,866,079.87 |

OIB FINANCIAL SUMMARY

REPORT PERIOD: FEB 18

| | TOTAL YEAR TO DATE | PREVIOUS REPORT | CURRENT ACTIVITY |
|---|-----------------------|--------------------|---------------------|
| CASH BALANCE AS OF 06/30/17 | 1,412,446.21 | | - |
| Less Payables | (8,417.25) | | - |
| Plus Accounts Receivable | 144.82 | | - |
| Plus Interest Receivable (Less Unrecorded Accr'd Int) | 7,106.31 | | - |
| ADJUSTED CASH BALANCE 06/30/17 | 1,411,280.09 | - | - |
| INCOME | | | |
| Interest | 68,629.58 | 61,096.73 | 7,532.85 |
| Loan Processing & Fees | 6,789.54 | 5,976.78 | 812.76 |
| Loan Late Fees | 915.66 | 775.66 | 140.00 |
| Invested Interest | 456.78 | 405.51 | 51.27 |
| TOTAL INCOME | 76,791.56 | 68,254.68 | 8,536.88 |
| PRINCIPAL REPAYMENTS | 146,407.63 | 99,724.10 | 46,683.53 |
| REVENUE BEFORE DISBURSEMENTS | 223,199.19 | 167,978.78 | 55,220.41 |
| EXPENSES AND PAYMENTS | | | |
| Grants Disbursed FY18 | | | - |
| Loans Disbursed | 204,500.00 | 204,500.00 | - |
| Converted to Principal | 499.80 | 499.80 | - |
| Miscellaneous Expenses | | | - |
| Professional Services | 63,637.57 | 55,146.24 | 8,491.33 |
| TOTAL EXPENSES AND PAYMENTS | 268,637.37 | 260,146.04 | 8,491.33 |
| ADJUSTED CASH BALANCE | 1,365,841.91 | (92,167.26) | 46,729.08 |
| LESS: | | | |
| Approved Grants not Disbursed | (5,000.00) | | |
| Encumbered Pilot Program Funds | (140,000.00) | | |
| Approved Loans not yet Disbursed | (63,000.00) | | |
| Interest Receivable at Period End | (13,338.59) | | |
| AVAILABLE TO GRANT/LOAN | 1,144,503.32 | | |
| STRUCTURED ACCRUED LOAN INTEREST | | | |
| Current Period | 4,038.80 | | |
| Prior Year Balance | 4,187.81 | | |
| TOTAL STRUCTURED ACCRUED LOAN INTEREST | 8,226.61 | | |
| LOANS RECEIVABLE BALANCE | 1,529,646.14 | | - |
| PROOF: | | | |
| Cash Balance After Reconciliations | 1,368,095.14 | | |
| Plus Recievables (Deposit Errors) | | | |
| Less Payables | (15,591.82) | | |
| Plus Interest Receivable (Includes Structured Accr'd Int) | 13,338.59 | | |
| ADJUSTED CASH BALANCE | 1,365,841.91 | | |

REPORT GENERATED BY: Siri Olson

Mid-Columbia Economic Development District
Profit & Loss
February 2018

| | <u>Feb 18</u> |
|---|---------------------|
| Ordinary Income/Expense | |
| Income | |
| 4600 · Loan Interest | 7,532.85 |
| 4700 · Loan Processing Fees | 214.50 |
| 4705 · Loan Filing Fees | 598.26 |
| 4710 · Loan Late Fee | 140.00 |
| 4750 · Investment Interest | 51.27 |
| Total Income | <u>8,536.88</u> |
| Gross Profit | 8,536.88 |
| Expense | |
| 6400 · Professional Services | |
| 6450 · Contractual | 7,683.75 |
| 6470 · Filing Fees | 807.58 |
| Total 6400 · Professional Services | <u>8,491.33</u> |
| Total Expense | <u>8,491.33</u> |
| Net Ordinary Income | 45.55 |
| Net Income | <u><u>45.55</u></u> |

OREGON INVESTMENT BOARD
DISTRIBUTIONS OF GRANTS & LOANS APPROVED

Report Period: FEB 2017

| Grants | Date Approved | Expiration Date | Grant | Previous Distribution | Current Distribution | Expired/Not Utilized | Amount Remaining |
|----------------------------------|---------------|-----------------|-----------------|-----------------------|----------------------|----------------------|------------------|
| Columbia Gorge Community College | 8/14/2017 | 7/31/2018 | 5,000.00 | | | | 5,000.00 |
| | | | | | | | - |
| Total | | | 5,000.00 | - | - | - | 5,000.00 |

| Loans Approved/Funded | Date Approved | Expiration Date | Original Loan | Previous Distribution | Current Distribution | Expired/Not Utilized | Amount Remaining |
|-----------------------|---------------|-----------------|------------------|-----------------------|----------------------|----------------------|------------------|
| Mt. Hood Podiatry | 1/18/2018 | 3/30/2018 | 63,000.00 | | | | 63,000.00 |
| | | | | | | | - |
| Total | | | 63,000.00 | - | - | - | 63,000.00 |

Business Loan Impact Study

MCEDD partnered with the University of Oregon to conduct a study of the long-term impact of our business loan programs, including Oregon Investment Board loan funds. The research was conducted through the Oregon Consulting Group, largely with resources under the Economic Development Administration University Center grant. The team delivered their final presentation in March and will publish a final report. To view their presentation click [here](#) or access at: http://www.mcedd.org/wp-content/uploads/2018/03/MCEDDLendingProgram_ImpactSummary.pdf. Below is the press release with a synopsis of the findings. Thank you to OIB members who were able to participate in the conversation with the consulting group. Staff will provide additional information on the report for discussion at the meeting.



FOR IMMEDIATE RELEASE

Contact: Amanda Hoey, Executive Director
Phone: (541) 296-2266
Email: amanda@mcedd.org

The Dalles, Oregon, March 2018

Businesses and the economy are benefiting from access to financing through Mid-Columbia Economic Development District (MCEDD), according to a recent study conducted by the Oregon Consulting Group. The team completed an independent analysis of MCEDD's revolving loan fund program, revealing that businesses in the program have overall significantly contributed to employment, wages, and community health. The program, which is available to entrepreneurs, start-up businesses and expanding businesses in Sherman, Hood River, Wasco, Klickitat and Skamania counties, was created to provide access to capital and complement private sector lending.

Metrics from the study measured the growth of businesses over time and provided a comparison pre- and post-financing of the change in number of employees, business revenue and area growth. Across each metric, businesses performed well. One of the highlights from the report showed a **total wage growth of \$40 million, with more than 50% of that amount attributable to jobs paying higher than average wages for the region.** The report indicated that businesses involved in the program also had a significant impact on hiring employees, with 85% noting that the financing through MCEDD allowed them to increase employment in the local area. Significantly, that hiring trend continued post-financing, as well.

MCEDD Board Chair Ken Bailey shared the reason for the survey, stating “We undertook this study to gain insight and perspective from an independent third party on the impact of our programs to the regional economy over the long term. We were very pleased with the long term impact as that is what the funds are designed to accomplish.” The initial investments to MCEDD, which uses a range of public financing tools, managing funds originating from the State of Oregon, State of Washington, US Department of Agriculture, US Economic Development Administration and through the Columbia River Gorge Oregon Investment Board, are revolved many times over. As a business repays their loan, those funds are reinvested into new businesses in the region, accelerating the economic health of the economy.

In addition to the wage and employment impacts, the Oregon Consulting Group also sought to assess community impact and the change in a business’ self-sufficiency over time, both of which are important to MCEDD which seeks to invest in businesses that will remain anchored in the local community and contribute to future economic opportunities. The report findings indicate that the program is assisting businesses which are reinvesting into community and MCEDD is investing into businesses who are sustaining overall gradual growth, with a \$450,000 median increase in sales. Further, 88% of businesses were stable or growing after concluding their financial relationship with MCEDD.

MCEDD Loan Administration Board Chair Scott Clements commented on the findings stating, “The function of our revolving loan fund program is to provide access to credit to those unable to qualify for bank funding. By design, this entails a greater lending risk than the commercial norm. The finding that our program is making a material regional contribution to the creation, growth and success of these entrepreneurial undertakings is heartening and is a testimony to the effectiveness of all involved in the program’s administration.”

The consulting group drew conclusions around business trajectories and common characteristics, with the highest growth businesses being those exporting products and/or bringing in business from outside of the area. As an additional benefit, these businesses were generally able to invest in the training of their employees to continue growth of the local workforce.

MCEDD’s Executive Director Amanda Hoey lauded the independent research team and noted that an unanticipated benefit from the process is how much the team learned about the local area. “The consultants reflected in their final presentation that they were astounded by how much our clients were giving back to their communities. It is reflective of our regional Gorge business culture and sign of a healthy community,” stated Hoey.

Mid-Columbia Economic Development District promotes the creation of family-wage jobs, the diversification of the economic base, and the growth, development and retention of business and industry. MCEDD was established in 1969 by Klickitat, Skamania, Hood River, Wasco, and Sherman counties to benefit from better access to economic development loans and grants, pooled technical assistance, marketing, and administrative resources, and a regional approach to economic development efforts. Over the years MCEDD’s membership has grown to include counties, cities, ports and

chambers of commerce within the five county region. The loan program is part of MCEDD's efforts to strengthen and support the region's economy. Contact MCEDD at 541-296-2266 or www.mcedd.org for more information.

“The Oregon Consulting Group (OCG) is a professionally managed, student-run consulting organization housed in the Lundquist College of Business at the University of Oregon. OCG works with companies and nonprofit organizations to deliver excellent quality research, analysis, insights, strategies and business plans at a fraction of the cost of a traditional consultancy. Founded in 2014, its primary purpose is to provide student consultants an opportunity to gain mastery of their classroom studies through intensive experiential learning. OCG serves companies and nonprofits on a wide range of consulting projects, operating under the guidance of a professional director and drawing on the expertise of Lundquist College of Business faculty and research resources to provide clients with a professional deliverable from student consulting teams.”

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