

February 18, 2019

Representative John Lively, Chair
House Committee on Economic Development
900 Court St. NE
Salem, OR 97301



RE: Support for the Oregon Growth Fund

Dear Chair Lively, Vice-Chair Bonham, Vice-Chair Fahey and Members of the Committee,

In a concurrent letter in support of Oregon Innovation Council programs, I covered ONAMI's success and recognition in the field of commercializing research and "hard" technology via investable Oregon startup companies. I will not repeat that material here.

Capital investment is the lifeblood of innovation companies, from Amazon to Zillow, or in Oregon, Agility Robotics to ZAPS Technologies. At least since World War II and the founding of the National Science Foundation, there is a widely recognized market failure in support for basic research and subsequent early commercialization. The commercialization gap is partly crossed by SBIR grants – which only fund R&D – and various state programs, such as Ohio's Third Frontier and Utah's USTAR.

Oregon's support of non-fiduciary-quality early stage capital investment has been comparatively modest and, frankly, intermittent. When available to angel groups and dedicated commercialization funds, it has led to some great successes such as starting the successful Oregon Venture Fund, first money into Elemental Technologies (big investment return and job growth), and Agility Robotics (world class technology and team), and several other promising innovations whose "ship" may come in soon.

Oregon's single greatest and persistent innovation system weakness, and therefore its greatest opportunity, is filling the "pre-seed" capital gap between expertly mentored (e.g. by relevantly qualified Entrepreneurs in Residence) inventor teams and early stage angel/venture capital financing. ONAMI's experience suggests that on average \$350K in local pre-seed funding is required for from-the-ground-up new research-based startups to reach commercial investability. This support covers expenses not supported federal SBIR funding, which is also necessary to advance early R&D.

For the above reasons, I strongly support new investment the Oregon Growth Fund, together with professional management experienced in early stage research-based companies.

Sincerely,

Robert D. "Skip" Rung
President and Executive Director