MINUTES OF THE
CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

For the meeting held in office on
Wednesday, July 27, 2022, at 2:00 p.m.

IBank further modified its meeting procedures to return to virtual participation via teleconference, consistent with recent state law changes, with Board members attending remotely and meetings accessible and open to the public via teleconference only.

Chair Dee Dee Myers, Director of the Governor's Office of Business and Economic Development, welcomed everyone to IBank's Board meeting. She started by providing instructions to participants regarding process, participation and public comment.

1. Call to Order and Roll Call

Chair Myers then called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at approximately 2:01 p.m.

The following Board members attended in person:
Chair Dee Dee Myers, Director of the Governor's Office of Business and Economic Development,
Gayle Miller for the Director of the Department of Finance,
Carlos Quant for the Secretary of the State Transportation Agency,
Blake Fowler for the State Treasurer, and
Marc Steinorth, Governor's Appointee

IBank staff members attended in person:
Scott Wu, Jaymie Lutz, and Stefan Spich

Information Item

2. Executive Director's Report

Scott Wu, IBank's Executive Director, delivered the Executive Director's Report.

Mr. Wu began by noting that on this day in 1789, a year after ratification of the U.S. Constitution, George Washington signed legislation to create the first federal agency of this new government, and he appointed Thomas Jefferson as the nation's first Secretary of State to run this agency with a total staff of 6. Today, the State Department employs over 77,000, the vast majority stationed in one of the 191 countries with whom we maintain diplomatic relations.

Mr. Wu highlighted that the State Department's diplomatic function is considered so vital that the Secretary of State remains the first cabinet member in our presidential order of succession. Mr. Wu lamented that in recent years, the State Department has fallen on difficult times, along with the notion of global diplomacy itself as the primary tool for foreign affairs. Mr. Wu stressed the continued importance of diplomacy, quoting former Secretary of Defense, James Mattis, who warned that if State Department funding were cut, then he would need to buy more ammunition.

Mr. Wu then discussed IBank's efforts to establish a state venture capital (VC) program. He provided a historical view, noting that while family venture style investments go far back, such as JP Morgan's investment in Thomas Edison's startup electric company, or the Medici's taking stakes in the prospective cargo of merchant trade ships in the middle-ages, the venture capital industry with institutional investment firms is relatively new. He noted the first institutional venture capital funds are generally believed to be Georges Doriot's American Research and Development Corporation and J. H. Whitney & Company, both established in 1946.

Citing the importance of government support to the VC industry, Mr. Wu noted it was two government actions that largely transformed the growth of the industry. First, the Small Business Investment Act of 1958 enabled the Small Business Association to provide incentives to support entrepreneurship. Later, in 1978, the "prudent man" revision to the Employee Retirement Income Security Act (ERISA), allowed corporate pension funds to invest in the asset class, which would become the industry's leading source of capital.

Mr. Wu continued to trace the growth of the industry, noting the first venture firm on the West Coast was formed by an industry legend, Bill Draper, around 1960. He not only studied under Professor Doriot at Harvard Business School, but he later became head of the U.N. Development Programme and traveled to over 100 countries providing development assistance. Mr. Wu counted himself as fortunate to speak with Bill on his early involvement in spearheading the venture industry and was surprised by how much attribution he gave to government support for his success, crediting an SBIC loan for enabling him to launch his first fund.

Mr. Wu explained that the standard venture fund structure still widely used today was also established in the 7/27/221960's; a Limited Partnership with a 2% management fee and 20% carried interest on profits. Menlo Park's Sand Hill Road became ground zero for venture capitalists for its proximity to Stanford and the region's resources with the launch of firms such as Kleiner Perkins and Sequoia Capital.

Mr. Wu noted an important link; the rise of the venture industry coincided with the rise of Silicon Valley. The entire region, once dominated by fruit orchards, became the global headquarters of technology innovation. Mr. Wu again highlighted the importance of public sector support, noting the area's heavy military spending, and a network of prominent universities and numerous research labs. Over the past several years, Mr. Wu noted California has been home to approximately half of the nation's venture capital activity, the vast majority of which is concentrated in the Bay Area.

Mr. Wu continued that, despite the recent market downturn, the growth of the venture capital industry continues at an astounding rate. Midway through this year, we are about to exceed all capital raised for U.S. venture funds in 2021, which was the biggest funding year in venture capital history.

Mr. Wu stressed that entrepreneurship is the job creation engine of America and that the Bay Area venture capital ecosystem remains unmatched and the envy of the world. This risk-embracing culture has resulted in world changing innovations, high paying jobs, unprecedented wealth creation, and globally dominant corporations that emerged from recent start-ups in a matter of years. This recipe has served as a magnet for the world's best talent, further fueling our economy. Mr. Wu cited recent reports that immigrants both comprise nearly 50% of Fortune 500 CEO's and over 50% of founders of startups valued at over $1 Billion.

Despite this, Mr. Wu noted the venture capital industry is far from diverse or representative, shutting significant categories of entrepreneurs out of such pathways to success. Even after a concerted industry effort to diversify in recent years, venture capital partners remain overwhelmingly homogenous. Mr. Wu highlighted that diverse venture funded companies still represent only a single digits percentage of the total. Mr. Wu also pointed to a lack of geographical diversity, noting that in the most recent quarter, 80% of California's VC activity happened in the Bay Area, with 17% occurring in Los Angeles, leaving only 3% to the entire remainder of the state.

Mr. Wu declared IBank intends to do something about this imbalance with its actions today.

Mr. Wu closed his address by noting that on this day in 1940, Warner Bros released the Oscar nominated film, The Wild Hare, and introduced to the world a beloved character that would go on to star in hundreds of films and earn a star on the Hollywood Walk of Fame. Happy birthday to Bugs Bunny.

Mr. Wu then turned to a few administrative announcements. He began by welcoming two new IBank employees.

- Robert Portillo who joined IBank's Compliance & Administrative Unit. Mr. Wu noted Mr. Portillo has a degree in Latin American studies from Cal Poly Humboldt and studied in Buenos Aires. Robert has experience working in a wide array of environments and with diverse individuals, from FEMA to the Sacramento LGBT Community Center. Adding to IBank's dog family, Mr. Portillo adds Chewy, a Chiweenie.
- Dinara Nussipov who joined IBank's Small Business Finance Center after years as a social worker. She graduated from Sac State and holds a master's in public health from Cal State Fullerton. Mr. Wu noted she had immigrated from Kazakhstan, has two children and enjoys kayaking and music, and visiting historical places and beaches.

Mr. Wu then discussed the recent recipient of IBank's "Above and Beyond" Award: John Weir, IBank's Loan Servicing Manager. Mr. Wu reported Mr. Weir was nominated by several IBankers and his contributions include building IBank's Access database reporting platform and also setting-up our Salesforce platform, even though this was totally outside his scope of work. Mr. Wu recounted Mr. Weir went above and beyond and did so with a great deal of knowledge, professionalism, and a smile. Mr. Wu noted he personally enjoyed working with Mr. Weir, and thanked him for contributing ideas for improving our productivity, and volunteering to take on new projects to advance our goals. Congratulations, John!

Mr. Wu finished his report with "That's all folks!"

Mr. Wu asked if the Board members had any questions, and when they did not, he concluded his report. Chair Myers welcomed the new hires and congratulated Mr. Weir.

Consent Item

3. Approve minutes from the meeting held May 25, 2022

Chair Myers opened-up discussion of the previous meeting's minutes. Mr. Steinorth moved to approve the minutes, and Ms. Miller seconded the motion. After asking for and receiving no public comment, the Board unanimously approved the May 25, 2022, Meeting Minutes.

Action Item

4. Resolution 22-09 approving the issuance of tax-exempt revenue bonds, in both Senior Lien and Subordinate Lien Bond format, in an amount not to exceed $76,000,000 for the benefit of Equitable School Revolving Fund, LLC to finance

eligible projects located in the Cities of Sacramento, Stockton, Inglewood, and Gardena.

John Belmont, Public Finance Specialist, introduced Resolution 22-09. He discussed the project and the offering, noting the transaction was expected to result in annual cost savings of approximately $3 million, and was expected to create 176 new jobs. He then introduced representatives from The Equitable School Revolving Fund (ESRF): Mike McGregor, Chief Operating Officer, and Eugene Clark-Herrera, Bond Counsel (Orrick). Chair Myers thanked Mr. Belmont, welcomed ESRF's representatives, and asked them to comment on the project.

Mr. McGregor thanked the Board and IBank staff for the consideration, and noted he was grateful for the productive partnership between ESRF and IBank. He noted this was the fourth bond issuance for ESRF with IBank, and the results just kept getting better in terms of savings and increased efficiencies. Mr. McGregor reported that ESRF now had over $1 billion in total financings, with approximately $200 million in California. He concluded that the IBank's staff report on the 2022 offering was comprehensive, and he would be available to answers questions as needed.

Mr. Clark-Herrera provided additional perspective, noting that ESRF had recently had its bond rating outlook upgraded to positive, which suggested market validation of ESRF's financing model.

Chair Myers then asked if the Board members had any questions on the matter.

Ms. Miller asked whether ESRF was planning to issue any subordinate obligations, as had been authorized, but not issued, in earlier ESRF deals with IBank. She further asked what considerations went into this decision.

Mr. Clark-Herrera explained that all ESRF loans were held pursuant to a single Master Trust Indenture (MTI). This MTI originally secured all these debts on a parity basis, noting all lenders were in this combined pool. Mr. Clark-Herrera then provided a brief historical footnote noting the overall structure of ESRF had been based on IBank's successful ISRF program structure. He continued, noting that 2 years ago the MTI was amended to provide for a senior lien tier and provide for two new subordinate lien tiers. Senior liens would be paid first. These subordinate tiers were designed to help provide pricing flexibility at the time of offering, but Mr. Clark-Herrera noted that senior bonds received such a good price that no subordinate bonds were sold. Ms. Miller thanked him for the answer.

Hearing no further comments, Chair Myers then asked for any public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously to pass Resolution 22-09.

Chair Myers congratulated ESRF's representatives and said IBank was pleased to continue this relationship and for them to keep up the good work.

5. **Resolution No. 22-10 approving amendments to the Small Business Finance Center's Amended and Restated Directives and Requirements to modify certain existing Program requirements to streamline the Program and prepare for the receipt of the State Small Business Credit Initiative (SSBCI) allocation.**

Megan Hodapp, IBank's Small Business Finance Center Manager, introduced Resolution 22-10. She noted that a number of Financial Development Corporations presidents had called in and thanked them for their support. She explained that since the adoption of the original Directives and Requirements in May 2015, IBank and its FDC lending partners have recognized some inconsistencies, outdated information, and omissions in the current Directives and Requirements. She noted IBank was addressing these issues now in advance of the upcoming implementation of State Small Business Credit Initiative (SSBCI) 2.0.

Ms. Hodapp then identified the most notable proposed revisions.

The first was increasing the maximum loan guarantee from the current $2.5 million to $5 million. She explained the rationale for the increase was driven by the scale of SSBCI 2.0, which requires IBank to allocate approximately $391 million of new funds on an aggressive timeline. Ms. Hodapp noted SSBCI 2.0 allocations will be deployed in tranches of one-third each, and recipients need to deploy at least 80% of their current tranche within three years to receive the subsequent one. The proposed increase was also supported by a strong borrower pipeline indicating healthy demand for a larger guarantee, as well as the Small Business Loan Guarantee Program's strong performance track record. The increased maximum guarantee would also support IBank's SSBCI strategies for expanding credit access to disadvantaged communities, a top priority of the program.

Ms. Hodapp noted the proposed maximum Loan Guarantee increase would not be effective until the Small Business Finance Center Manager provides a written certification that SSBCI 2.0 funds are available for deployment within the appropriate program accounts.

The second major revision was adjusting borrower eligibility under the Jump Start Loan Program to be based on *either* the low-wealth status of the borrower *or* the location of the business to be financed, rather than requiring that both the borrower and the business location meet low-wealth criteria. The location component of the criteria was also revised to be based on CDFI Investment Areas rather than county-level per capita income data maintained by the State Employment Development Department.

Ms. Hodapp further explained the changes would clarify a number of the definitions, edit outdated and incorrect information, and update the formatting of the document.

Ms. Hodapp also noted that Resolution 22-10 includes approval for the Executive Director to execute an Allocation Agreement for SSBCI 2.0 with US Treasury. She explained the SSBCI Allocation Agreement establishes the terms and conditions for the State to receive capital funds under the SSBCI program. Once the SSBCI Allocation Agreement is executed, U.S. Treasury will transfer the first tranche of funding to the State and the SBFC can begin deployment.

Chair Myers thanked Ms. Hodapp for her summary. She then asked whether SSBCI 2.0 had a loan cap amount. Ms. Hodapp responded that the federal limit, in the form of guidelines, was $20 million. Chair Myers then asked whether IBank had considered a higher cap. Ms. Hodapp responded that, based on IBank's data and discussions, $5 million was a good limit. Mr. Wu added that if IBank noted increased demand for larger loan sizes, it could adjust at that point.

Chair Myers then asked for any public comment. Hearing none, Mr. Quant moved for approval of the resolution and Ms. Miller seconded. The Board voted unanimously to pass Resolution 22-10. Chair Myers congratulated Ms. Hodapp and the SBFC staff and wished them luck with the SSBCI 2.0 deployment.

6. **Resolution No. 22-11 approving the adoption of Criteria, Priorities, and Guidelines for the IBank's Expanding Venture Capital Access program.**

Nicola Kerslake, IBank's Venture Capital Development Consultant, introduced Resolution 22-11. She began by noting that venture capital is the practice of early-stage investment in high growth companies. As earlier noted by Mr. Wu, California is the home of venture capital, with half of all venture funds, and storied firms like Sequoia Capital. Despite this presence, Ms. Kerslake noted that venture capital practice remained separate and elite. Only 3% of California's venture capital deals occurred outside of either the Bay Area or Los Angeles. IBank's goal was to increase access to venture capital opportunities for newer and emerging funds. She noted that under the first iteration of SSBCI, 33 states had created some form of venture capital program. Under SSBCI 2.0 there were now 47 states that planned to operate VC programs. Many of these new VC programs were focused on diversifying and growing venture capital funds that might otherwise face a lack of access to capital. Ms. Kerslake noted that the directives and requirements being considered by the Board would guide IBank in its VC program operation, and administration, including the evaluation and selection of investment opportunities.

Chair Myers thanked Ms. Kerslake for the presentation and asked how the original 33 states operated their VC programs, and what policy goals they pursued. Ms. Kerslake responded that many of the programs operated primarily to seek returns, but that some of them had special policy carve-outs seeking specific policy results. Review of SSBCI 1.0 performance showed that policy carve-outs were effective, so there was a greater emphasis on this for SSBCI 2.0. Mr. Wu added that SSBCI 2.0 provided for new impact targets related to Socially and Economically Disadvantaged Individuals (SEDI) that will direct funds beyond traditional VC investments. California's robust and developed VC industry didn't need the state support required in other states, allowing IBank to focus on policy outcomes.

Ms. Miller asked about the type of expected VC program applicants, and who those would be if traditional VC firms were not the primary focus of the program. Mr. Wu noted that the investments in businesses could be fairly typical, but that by focusing on diversifying the investor pool, with their specific networks of connections and relationships, the impact could be spread broadly. Generally, more diverse funds have been shown to invest in more diverse business leaders and opportunities, and this knock-on effect would continue to grow over time. Ms. Kerslake added that normal VC investments, including in Silicon Valley, could also be considered under IBank's flexible approach.

Ms. Miller asked if recent investment data supported the need for a more inclusive approach. Mr. Wu confirmed IBank always worked to update the data points it based decisions upon, and that although recent data had showed improvement in diversity, there was still a substantial impact that IBank could make. Ms. Kerslake agreed that the data supported IBank's approach, and that by constantly seeking new and updated data, IBank could evolve to be sure its policy impact was directed to the areas of greatest need.

Chair Myers asked about the impact of this new VC program on possible investments in the clean energy sector. Mr. Wu responded that fund investments in this area might be complicated, but that IBank could also make direct company investments, particularly with regards to climate equity where it saw good opportunities. Chair Myers agreed this was an exciting opportunity to provide this needed VC capital.

Mr. Wu then clarified one operational point related to the VC program. He noted the Board would have a two-part approval process for this program. First was this Resolution 22-11 to approve the Directives and Requirements for Program operation. Once operational, IBank would undertake an RFQ process to identify program administrators and/or consultants to help identify investment opportunities. At this point IBank would return to the Board for approval of their program model and consultant selection. Chair Myers asked if United States Treasury would also need to approve such a selection. Mr. Wu responded that if the Board granted investment decision discretion to a contracted agent, then UST approval would be required, but if the Board retained this discretion, then no approval would be necessary.

Chair Myers then asked for any public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously to pass Resolution 22-11. Chair Myers congratulated Ms. Kerslake on the approval.

7. Resolution No. 22-12 approving a Financing Plan for the Climate Catalyst Revolving Loan Fund related to Climate-Smart Agriculture.

Dan Adler, IBank's Deputy Director for Climate Finance, introduced Resolution 22-12. He discussed the Financing Plan for Climate Smart Agriculture (CSA) in general terms and the types of projects IBank's Climate Catalyst Program might consider. He clarified this would be an additional $25 million on top of the funding approved by Resolution 22-03 earlier this year related to forestry. Mr. Adler noted this Resolution would embed the financing plan into the Catalyst program and that the plan was aligned with the policy goals of California Department of Food and Agriculture and would meet market needs.

Mr. Adler explained that CSA was built around three policy priority areas: resiliency (including responding to climate change), general reduction of emissions and pollution, and greenhouse gas sequestration and capture. Mr. Adler described the market need for technology in these areas as robust and growing. He noted these projects would aim to create positive climate impacts while aiming to create new and sustainable revenue streams to support the technology's deployment and cost. Mr. Adler acknowledged that $25 million was a small amount as compared to the scale of the multi-billion-dollar California agricultural economy, but he noted Catalyst was intended to leverage private capital and provide maximum impact. Mr. Adler concluded his report. Chair Myers thanked Mr. Adler for the presentation and asked the Board if they had any questions.

Ms. Miller asked whether there would be any consideration of under-represented farmers or areas in the Financing Plan. Mr. Adler said Catalyst would consider equity and diversity as important guiding principles, but there was no set scoring regimen. Mr. Wu added that many of the rural areas likely to be positively impacted by this Financing Plan would generally already qualify as "disadvantaged", but that there would be no specific carve-outs. Chair Myers then asked, in light on the current drought, whether the Financing Plan might include technologies related to water management and efficiency. Mr. Adler responded that those would be included as part of the resiliency focus of Catalyst.

Chair Myers then asked for any public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Ms. Miller seconded. The Board voted unanimously to pass Resolution 22-12. Chair Myers then congratulated Mr. Adler on the approval.

Reporting/Non-Action Business

Public Comment and Adjournment

Chair Myers then asked for a final general public comment. Hearing none, Chair Myers declared the meeting adjourned at approximately 2:51 p.m.