

MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
Wednesday, February 22, 2023, at 2:00 p.m.

IBank's meeting was 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.

Acting Chair Aracely Campa Ramirez, delegate of the 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, recording, and public comment.

1. Call to Order and Roll Call

Acting Chair Campa Ramirez 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 via teleconference:

Acting Chair Aracely Campa Ramirez, as delegate of the 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,
Juan Fernandez 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.

"On this day in 1732, the father of our nation was born. George Washington was not only the first President of the United States, but he was also a military leader, a statesman, and a true American hero. His leadership and courage inspired the American people to fight for independence and establish a new nation.

As we recognize the one-year anniversary of the Russian invasion of Ukraine this week, we are reminded of the death and destruction caused by this ongoing conflict. It is surprising how this war has progressed and how it has become an important test of global democracy. The outcome of this conflict could determine the future of democracy around the world.

On this day in 2014, [then Ukrainian President Victor] Yanukovich's impeachment was a precursor to this war, as he rejected the embrace of the European Union, setting forth the Maidan revolution. These anniversaries intersect to remind us of the power of democracy and the cost of defending it.

It is important to remember the sacrifices of those who have fought for democracy and the values that we hold dear. George Washington was one of those individuals who fought for democracy, and his legacy continues to inspire us today.

As we celebrate George Washington's birthday, we should also remember the brave soldiers who have given their lives for our country and the people of Ukraine who continue to fight for their freedom. We should honor their memory by working towards a future where democracy and freedom can thrive.”

Mr. Wu noted these above opening thoughts today were entirely drafted by ChatGPT. He explained he input a word limit, a writing style based on prior ED reports, a few historical highlights, a request to be clever and poignant, and then let ChatGPT go to work. Mr. Wu noted he avoided subsequent edits and had read it verbatim to demonstrate the power of this recently released beta version.

Mr. Wu suggested there was good reason that ChatGPT is the most rapidly adopted consumer application in history – with one million users in the first 5 days and over 100 million in the first two months. He stressed that no prior application, not Google, Facebook, Instagram, nor even Tik Tok has ever come close to matching such metrics.

He joked that while you may have enjoyed ChatGPT's opening thoughts more than my own, he was impressed but not thrilled with it. Mr. Wu explained he had come to enjoy having the floor to express his personal thoughts each month, and wryly noted he would not be turning the floor over to the computer, at least not yet.

Mr. Wu then turned to a few Information Items:

SSBCI Update:

IBank and the State Treasurer's Office had completed our first SSBCI reporting submission to the US Treasury on January 31st. Mr. Wu explained there are two components to SSBCI reporting: 1) quarterly reports that show deployment of funds and 2) annual reports with more detailed information about the businesses that received support.

For our first quarterly report of December 31st, IBank deployed \$41 million of the \$179 million received, or nearly 25% of IBank's first tranche – well ahead of the required pace. He noted IBank was preparing our first annual report submission for the end of March.

Derrick Tang Appointment:

Mr. Wu then turned to introductions, noting earlier this month the Governor had appointed Derrick Tang as IBank's Deputy Director of Venture Capital. Mr. Wu explained that prior to joining IBank, Mr. Tang founded and led the Climate Investments team at the Bay Area Air Quality Management District, which is a strong partner to IBank's Small Business Finance Center and collaborated on our September launch to expand our Climate Tech program statewide. Mr. Wu continued noting Mr. Tang launched their agency's first loan program and led initiatives to incorporate racial and social equity into strategic planning, operations, and decision-making.

Mr. Tang had previously launched and managed the CalSEED initiative, an early-stage grant and economic development program for clean energy entrepreneurs and also worked at Horsley Bridge, a venture capital fund-of-funds. Mr. Wu concluded that Mr. Tang had graduated with a degree in Chemical Engineering from Cornell. Mr. Wu asked Mr. Tang to introduce himself.

Mr. Tang noted it was great meeting everyone at this Board Meeting, and joked that if he had expected this introduction he might have dressed more formally. He explained he had long worked to advance equity policies in service to the entrepreneur. Mr Tang stated he was honored with the role and the responsibility and looked forward to helping California venture capital grow and evolve, as he noted “to change the game.”

Mr. Wu wrapped up on a light note, but one of importance given that we may have more dogs than staff among the IBank family: a reminder that today is National Walking the Dog Day. Mr. Wu explained that, unfortunately, before he realized this, he had booked his Berner for a visit to the dentist this morning, so she was not thrilled with him as she recovers from anesthesia. But she’ll flash a beautiful white smile on a fabulous walk later.

Mr. Wu concluded his report.

Acting Chair Campa Ramirez thanked Mr. Wu for his report. She then announced the conclusion of information items.

Consent Item

3. Approve minutes from the meeting held January 25, 2023

Acting Chair Campa Ramirez opened up discussion of the previous meeting’s minutes. Mr. Steinorth moved to approve the minutes, and Ms. Miller seconded the motion. The Board unanimously approved the January 25, 2023 meeting Minutes.

Action Item

4. Resolution No. 23-03 approving the issuance of tax-exempt and taxable obligations, in an amount not to exceed \$23,400,000, to be sold to CN Financing Inc. and/or City National Bank, through a private placement and loaning the proceeds to Olive Crest to finance eligible projects located in the Counties of Riverside, Orange, and Santa Barbara.

John Belmont, Public Finance Specialist, introduced Resolution 23-03. Mr. Belmont started by introducing representatives from Olive Crest: Justin Laird (Chief Financial Officer), Thomas Bruder (Bond Counsel at Kutak Rock), and C.J. Bibolet IV (Vice President at City National Bank).

He then discussed the project elements, noting the taxable and tax-exempt portions of the project. He noted the facility improvements would create 40 temporary construction jobs.

Acting Chair Campa Ramirez thanked Mr. Belmont, welcomed the representatives from Olive Crest, and asked them to comment on the project.

Mr. Laird thanked the Board for its time and consideration. He noted this financing was a great opportunity to consolidate finances and expand operations. He stated Olive Crest had many exciting initiatives underway and appreciated IBank’s help in seeing them through.

Acting Chair Campa Ramirez thanked Mr. Laird and asked if the Board members had any questions on the matter. They did not.

Acting Chair Campa Ramirez then asked for any public comment. Hearing none, Mr. Quant moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously to pass Resolution 23-03.

Acting Chair Campa Ramirez congratulated Olive Crest on the approval.

5. Resolution No. 23-04 approving amended and restated Criteria, Priorities, and Guidelines and incorporating a revised investment process for IBank's Expanding Venture Capital Access program in connection with the recent appointment of the Deputy Director of Venture Capital.

Clint Kellum, Chief Deputy Executive Director, then introduced Resolution 23-04.

He began by noting the Board had previously made three prior approvals in the development of the Expanding Venture Capital Access program:

- In July 2022, the initial directives and requirements for the program.
- In October 2022, the Board authorized IBank to retain Cambridge Associates as an external consultant to assist in the administration and operation of the Program, which allowed for an executed agreement between the parties on December 14, 2022.
- In November 2022, the Board approved the initial investment process.

Mr. Kellum explained the purpose of this current resolution was to amend the Venture Program Criteria to address the evolving needs of the program. The updates sought to refine and clarify existing language, extend the investment committee approval process to cover both fund and direct investments, and create one comprehensive guidance document for the Venture Program.

Mr. Kellum highlighted multiple developments with the VC program since the initial criteria was approved in July 2022:

- Hiring of key staff members including the recent appointment of the program's Deputy Director. He explained the hiring of a Career Executive Assignment-level Venture Specialist, who will report to the Deputy Director was also underway.
- IBank had received regulatory clarification through discussions with US Treasury, which helped inform this updated version of the criteria.
- IBank had come to understand the market needs of this program through engagement with Cambridge Associates and potential venture capital fund investments.

Mr. Kellum noted that Attachment B to the Staff Report included a full redline of the directive and requirement changes proposed today. He highlighted that 3 of the more significant changes were:

- Clarifying the implementation of an external consultant model and incorporating the retention of Cambridge Associates as an external consultant.
- Formalizing an investment committee for approval of all investments.
 - Mr. Kellum explained that the original investment process included an investment committee to approve financings into small businesses to accommodate tight closing timelines and the revised criteria extends this investment committee process to venture capital fund investments.
 - He further explained that market feedback to date required IBank to be more nimble with the timing of our investment approvals to accommodate the complexity IBank requirements bring to each transaction, such as the hybrid note and SSBCI requirements.
 - He also noted more expedient approvals could allow IBank to increase leverage as measured by US Treasury.
 - He noted the committee will be chaired by the program's Deputy Director and supported by five other members (IBank's Executive Director, IBank's

Chief Deputy, GO-Biz's Chief Deputy, IBank's Senior Staff Counsel, and IBank's Venture Specialist position).

- Creating a comprehensive guidance document that incorporates the revised investment process as well as eligibility, use of proceeds, certification, and reporting requirements mandated by the US Treasury.

Mr. Kellum concluded by recommending the revocation of Resolution 22-19, the original VC investment process document, and the approval of Resolution 23-04 adopting the amended and restated Criteria, Priorities, and Guidelines for Financing under the Expanding Venture Capital Access Program.

Mr. Fernandez asked about VC program reporting and how the Board could review investment performance. Mr. Wu responded that a couple of sources of public information would be available to the Board including:

- Monthly updates at the Board meeting disclosing key activities and investments of the VC Investment Committee
- Annual Financial Reports that contained more detailed economic information, and
- Annual Reports to the US Treasury that contained information on investment recipients and deployment activities.

Mr. Fernandez then asked about non-performing investments and how IBank might understand investment issues or challenges on a timelier basis. Mr. Wu responded that fund reporting would lag actual results a bit, as reports were prepared and disseminated. IBank would receive quarterly performance reports that they would aggregate and have available to present. He further explained that individual holding results would not be available for fund investments but would be for direct company investments. Mr. Wu noted this process was new to IBank, but that it would work to develop reporting consistent with Board oversight needs.

(Secretary's Note: Subsequent to the meeting Mr. Wu wished to add a clarification regarding performance reporting. He noted that since IBank's investment is a loan instrument and not subject to interest and principal amortization, that results and defaults would lag until the dissolution of the funds many years into the future.)

Acting Chair Campa Ramirez 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 23-04.

Reporting/Non-Action Business

Public Comment and Adjournment

Acting Chair Campa Ramirez asked for a final general public comment.

Mr. Kellum expressed his thanks to IBank's VC attorney, Angel Lau, for her work on the revised VC Criteria. He noted it had been a big job and was very well performed.

Acting Chair Campa Ramirez declared the meeting adjourned at approximately 2:23 p.m.