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STATE OF NEVADA
OFFICE OF THE STATE TREASURER

Nevada Capital Investment Corporation
Annual Report
June 30, 2012

Background

During the 2011 Legislative Session, Senate Bill 75 created the Nevada Capital Investment Corporation (NCIC), a nonprofit corporation comprised of a seven member Board of Directors, including appointees by the Governor and Legislative Leadership. The NCIC is chaired by the State Treasurer. Membership of the Board as of June 30, 2012 was as follows:

- Kate Marshall State Treasurer
- Jim DeVold Appointment by Governor
- Jerrie Merritt Appointment by Senate Majority Leader
- Chris Howard Appointment by Senate Minority Leader
- David Goldwater Appointment by Speaker of Assembly
- James York Appointment by Assembly Minority Leader
- Robert Anderson Appointment by NSHE Chancellor (replaced Bob Lind)

The primary goal of the program, as well as the fiduciary responsibility of the Board and the professional fund-of-funds manager, is to increase risk-adjusted investment returns for Nevada K-12 education by investing a portion of the state Permanent School Fund in private equity investments. Prior to passage of SB75, the entire Permanent School Fund was invested in fixed income securities. The Board may utilize up to \$50 million from the Permanent School Fund for Nevada-based private equity investments. Based on the private equity program's Nevada orientation, an ancillary benefit will be to grow and diversify the state's economic base, potentially leading to increased employment in Nevada.

FY 2012 Annual Report

Accounting of Monies

Pursuant to statute, the Board must submit a report to the Governor and the Legislative Counsel Bureau which provides "an accounting of all money received and expended by the corporation for public benefit, including, without limitation, any matching grant funds, gifts or donations; and the name and a brief description of all businesses receiving an investment of money." During Fiscal Year 2012, no monies were received or expended by NCIC. Because the contract with an external manager had not

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Millennium Scholarship Program
Nevada Prepaid Tuition Program
Unclaimed Property
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been executed by June 30, 2012, no investments in either underlying private equity funds or in businesses had been made.

Board Activities

Although the fund did not make an investment as of June 30, 2012, below is a timeline of key events since SB75 became effective in October 2011:

Fiscal Year 2012

- October 11, 2011: Initial meeting of NCIC Board of Directors.
- October 26, 2011: Reviewed proposed regulations following hearings on regulations conducted by the State Treasurer's Office.
- November 21, 2011: Approved proposed regulations; approved NCIC logo, letterhead, and web page.
- December 12, 2011: Approved meeting procedures for NCIC.
- January 19, 2012: Issued Request for Proposal (RFP) to hire a fund-of-funds private equity manager to manage the program and make both fund and direct co-investments.
- March 5, 2012: Approved Articles of Incorporation and bylaws of NCIC.
- April 17 and 27, 2012: Conducted interviews of RFP finalists and selected Hamilton Lane, a leading global private equity asset management firm, to be the fund-of-funds manager for the program and authorized staff from the State Treasurer's Office to begin negotiations.
- June 26, 2012: Discussed key business issues related to the negotiations of the contract with Hamilton Lane.

Subsequent Events

- August 1, 2012: Approved the contract with Hamilton Lane.
- August 2012: Hamilton Lane begins to establish local presence, conduct market research, and create strategic plan.
- September 2012: Hamilton Lane establishes and staffs a full-time office in Las Vegas.
- September 2012: Creation of the Silver State Opportunities Fund (SSOF), the title of the private equity program administered by NCIC.
- December 5, 2012: Board approval of the SSOF Strategic Plan (attached), which includes:
 - Target Allocations
 - Target Strategies
 - Co-Investment and Fund Investment Targets
 - Outreach Plan and Initiatives
 - Underwriting Guidelines

Conclusion

Since SB75 became effective in October 2011, the NCIC Board and State Treasurer's Office have accomplished a number of significant milestones in the incorporation and launch of this important new program. The Board has maintained a heavy schedule during the first year of the program, meeting 12 times through early December 2012. During the Board's initial meetings in FY 2012, a number of key issues, such as insurance and liability issues, the structure of the program, and the fund management structure (fund-of-funds versus direct placement into underlying investments), were discussed thoroughly. The Board reached a consensus on these very significant issues, and by doing so, has adopted the overall framework and structure for the program. Significant accomplishments during this time include:

- Creation of a website.
- Adoption of bylaws, Articles of Incorporation, and official policies and procedures.
- Conducting required public hearings for the adoption of regulations.
- Issuance of an RFP for external asset management services.
- Selection of and successful negotiation of a contract with a professional fund-of-funds manager.
- Establishment of an office by the fund-of-funds manager in Nevada and staffing of that office on a full-time basis, as required by their contract.

Further, the NCIC has met several times with the Governor's Office of Economic Development (GOED) to discuss strategy and how the two groups can work together to the benefit of Nevada.

The recent approval of the SSOF strategic plan has provided Hamilton Lane with the necessary framework to begin to deploy capital for investments. Per SB 75, Hamilton Lane has complete discretionary authority over investment opportunities and decisions, including which Nevada businesses to consider under the statutory guidelines of capital preservation and risk/return targets for the Permanent School Fund established under SB 75 and by the NCIC's adopted regulations. Hamilton Lane has already received numerous proposals and indications of interest from Nevada companies and is also screening potential venture capital and private equity fund managers. Additionally, Hamilton Lane has attended and sponsored several events around the State to promote the program and has made an intensive effort to meet with economic development agencies, angel investor groups, and other key stakeholders in the State to coordinate private equity investment efforts and to foster increased coordination between investors, entrepreneurs, and economic development agencies.