

NEVADA CAPITAL INVESTMENT CORPORATION

MINUTES OF BOARD OF DIRECTORS MEETING

Thursday, February 21, 2013

Chair Kate Marshall called the meeting of the Board of Directors of the Nevada Capital Investment Corporation (NCIC) to order at 1:40 p.m., on Thursday, February 21, 2013. The meeting was held via videoconference at the Grant Sawyer Building, 555 East Washington Avenue, Suite 5100, Las Vegas, Nevada, and teleconferenced to the Nevada State Capitol, 101 North Carson Street, Suite 4, Carson City, Nevada.

Board Members

Chair Kate Marshall
Vice Chair Terry Shirey
Robert Anderson
David Goldwater
Jerrie Merritt
James York

Staff

Mark Mathers,	Chief Deputy Treasurer
Tara Hagan,	Deputy Treasurer
Jed Bodger,	Deputy Attorney General

AGENDA

1) Call to order (Chair Marshall)

The meeting was called to order at 1:40 p.m.

2) Roll Call (Tara Hagan)

All members were present representing a quorum. Staff indicated the meeting was properly noticed and the agenda posted in accordance with the Nevada Open Meeting Law.

3) Public Comment

None.

4) Introduction of New Board Member and Vice Chair, Terry Shirey.

Chair Marshall introduced the newest Board member, Vice Chair, Terry Shirey. She provided an overview of the program and introduced the other Board members, Hamilton Lane staff and her staff.

5) Approval of December 5, 2012 meeting minutes (Chair Marshall)

Motion made by Mr. Anderson to approve the meeting minutes as stated, and seconded by Ms. Merritt. Motion passed unanimously.

6) Approval of the Silver State Opportunities Fund Investment Policy (Mark Mathers)

Chair Marshall noted this is a first draft of the Silver State Opportunities Fund (SSOF) investment policy and the Board will discuss it today but not finalize it for approval. She noted Chief Deputy Treasurer Mark Mathers will facilitate the discussion for the Board and walk through each section seeking members' comments or questions.

Mr. Mathers noted the purpose of the policy is to codify applicable statutes, regulations and Hamilton Lane's contract into one document. He noted the document is more specific in some sections which is due to the requirements set forth in the regulations, such as the eligibility for underlying fund investments.

Mr. Anderson questioned if the policy under *Conflicts of Interest, Section V*, is stating the Board member does not have the option of selling the interest but rather the instant that investment occurs he or she is off the Board. He noted this seems draconian. Mr. Mathers noted he envisions the Board members' disclosures would be made prior to Hamilton Lane making the investment in that situation.

Mr. Anderson noted that some investments, such as those in start-up companies may not be able to be liquidated. He noted he would provide staff with comments for consideration.

Chair Marshall requested Mr. Anderson consider and draft language for staff to include in the next draft of the document.

Ms. Merritt noted the policy currently requires disclosure no less than annually but questioned if this should be more frequent, such as semi-annually.

Mr. Anderson noted this is a good point and questioned if reporting could be annually unless a member made an investment which may qualify, he or she would notify the Board or staff of this potential conflict. He questioned if the severity of the penalty could be softened.

Chair Marshall noted a member could file an amendment to the disclosure should there be a material change in the information provided prior.

Mr. Mathers noted the challenge is *Section V, Subsection C* reiterates what is in state law which notes a member may not have an equity interest in any external asset manager, venture capital or private equity firm, nor any business which receives funding from the Silver State Opportunities Fund (SSOF).

Mr. Anderson questioned if the policy could define equity interest especially to make a distinction between a loan or a materiality such as less than 1%. He noted he will make suggestions on the wording.

Chair Marshall noted this is the first time Nevada has had such a fund and it is a moment of first impressions and if we fail, we would not get this opportunity again for a very long time. She stated there is a perception that must be guarded and if a member makes a loan, not a private equity investment to a company, in which SSOF invests and the member turns a profit as a result; she questioned how this would be perceived. Chair Marshall requested members consider these types of perceptions as they review and finalize this document.

Mr. Anderson noted he does not disagree. He stated we need to be careful and not draft the policy in a way that prevents members, such as Bob Lind and Chris Howard from serving. He stated we need this type of expertise and the conflict of interest language may prevent this type of knowledgeable Board member.

Mr. York noted it is public funds and members have a high level of fiduciary responsibility.

Mr. York noted we could have a situation in which bankers on the Board may have a conflict in which the Fund assists a start-up company and down the road the company becomes more bankable and the bank in-turn extends credit to the same company. He questioned if this would be considered a conflict or simply require disclosure.

Vice-Chair Shirey noted he would not have knowledge of all the loans his bank makes throughout the state. He noted the policy does state under *Section A, 2, a 'substantial common financial or other interest.'* He noted this would provide some leeway for these types of situations.

Mr. Mathers noted *Section A* is the general statute but *Section C* is state law, specific to NCIC.

Vice-Chair Shirey noted *Section C* would be specific to equity investments and not all business relationships.

Deputy Attorney General (DAG) Jed Bodger agreed and stated for non-equity investments pursuant to the equity fund (SSOF) the general conflicts of interest policies would apply, such as disclosure and abstention requirements. He noted that the conflicts with regard to equity investments would fall under NRS, Section 355.270(6) and are more stringent rules which allow or disallow equity investments by Board members.

Mr. Anderson noted the top of page 9, first sentence the current wording notes 'investments' which reads prospectively and he stated we may want to change 'investments' to 'financial interest'.

Mr. Anderson noted in the middle of page 9, the full paragraph which begins with "in addition", uses the term donation by a business or fund management. He questioned if we mean solicit instead of donate.

Mr. York noted he appreciated the allocation policy which allows for a more diversified and broader set of industries in which the manager may invest.

Chair Marshall questioned if in defining 'significant presence' in Nevada under *Section VII, B 2* the Board should consider the types of employees which will be housed in the state. She noted this could be particularly important for very large companies which only have lower hourly wage employees and managers fly into the state once per month. She noted the Board may want to consider these types of nuances.

Mr. Anderson noted one goal of the program is to create a private equity ecosystem in the state and questioned how this could be accomplished if companies didn't have engineering teams, technology teams or upper management housed in the state but rather only the lower hourly wage employees.

Mr. York noted a state chartered bank looks at the assets of the company to ensure the majority of assets are located in the state. He stated the business should be making a commitment to Nevada which will differ in each case and the Board may not want to specifically define significant presence.

Hamilton Lane Representative, Miguel Luina agreed by stating the Board may want the flexibility to ensure those companies wanting to make a strong commitment to Nevada both now and into the future are given consideration on a case by case basis.

Mr. Mathers noted a third criterion to assist in defining significant presence is the third bullet which notes a business which is in the process of expanding or relocating to Nevada.

Mr. York suggested the letter of intent in this section could set specific milestones which must be met by the company to receive various stages of funding. He noted this is a common procedure used by banks.

Mr. Mathers noted staff is currently crafting *Exhibit A* which falls under the *Section VIII Fair Labor Requirements*. Staff will provide this to the Board at a later date.

Chair Marshall noted the fair labor document identified through the legislative process was adopted from California Public Employees' Retirement System (CALPERS) and California State Teachers' Retirement System (CALSTRS) language which unfortunately only applied in situations in which the program was a majority investor. She noted since NCIC will never be a majority investor it has taken time to craft language based on a minority investor position.

Chair Marshall thanked the Board for its comments and suggestions. She noted staff will provide an updated draft for review and approval at the May meeting.

7) Approval of the fiscal year 2013 budget

Hamilton Lane Representative presented the SSOFF fiscal year 2013 budget projections to the Board for approval.

Chair Marshall noted the expenses are reimbursed to the fund at the time of distribution. She stated the Fund will receive 100% of funds plus reimbursement of expenses prior to Hamilton Lane receiving the contractual 10%.

Vice Chair Shirey questioned who transfers or invests the monies when a capital call is received from the manager.

Chair Marshall noted the role of the Treasurer and staff is defined in the Board's Article of Incorporation and it's the roll of staff to facilitate the transactions. She noted currently \$2 million is invested in Miller Heiman through the Fund but the remainder or \$48 million remains invested in the Permanent School Fund.

Motion made by Mr. Anderson to approve the fiscal year 2013 budget, and seconded by Ms. Merritt. Motion passed unanimously.

8) Discussion and Update Regarding the Silver State Investor Forum (Dave Helgerson/ Miguel Luina)

Hamilton Lane Representatives provided an update to the Board regarding the impending 2013 Silver State Investor Forum in April.

Ms. Merritt recommended Hamilton Lane contact the Las Vegas Chamber to help announce the forum.

9) Update Regarding the Silver State Opportunities Fund Investment Activity (Dave Helgerson/ Miguel Luina)

Hamilton Lane Representatives provided an update to the Board regarding its investment activity during the prior quarterly ending December 31, 2012.

10) Public Comment

None.

The meeting was closed at 3:28 PM.

Attest:



Tara Hagan, Secretary to the Board