

NEVADA CAPITAL INVESTMENT CORPORATION

MINUTES OF BOARD OF DIRECTORS MEETING

Tuesday, May 21, 2013

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Chair Kate Marshall called the meeting of the Board of Directors of the Nevada Capital Investment Corporation (NCIC) to order at 10:05 a.m., on Tuesday, May 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, Guinn Media Room, 101 North Carson Street, Carson City, Nevada.

Present at the meeting:

Board Members

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

Mr. Robert Anderson was not in attendance and Mr. Goldwater was not in attendance following agenda item #8.

Staff

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

**AGENDA**

**1) Call to order (Chair Marshall)**

The meeting was called to order at 10:05 a.m.

**2) Roll Call (Tara Hagan)**

All members with the exception of Mr. Robert Anderson 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) Approval of February 21, 2013 meeting minutes (Chair Marshall)**

**Motion made by Mr. Goldwater to approve the meeting minutes as stated, and seconded by Mr. Shirey. Motion passed unanimously.**

**5) Discussion and debriefing regarding the Silver State Investor Forum (Dave Helgerson/.Miguel Luina – Hamilton Lane).**

Hamilton Lane Representatives provided a debriefing on the Silver State Investor Forum conducted on April 4, 2013. The representative noted the forum was sold-out and a diverse group of attendees from various parts of the country and over 30 private equity firms were in attendance. The representative noted attendees were surveyed following the forum and while much of feedback was positive a few changes to be considered for the next event will be structured networking events and a longer lead time for announcing the event.

**Chair Marshall** questioned if Hamilton Lane now has plans to conduct a forum in the northern part of the state. She noted the need for balance when considering structured networking events which may pull attendees away from the general conference to have smaller private meetings.

The Hamilton Lane representative stated he would appreciate the Board's opinion on both the number and locations of forums, including smaller, more targeted seminars.

**Mr. York** questioned how networking was facilitated during the conference.

The Hamilton Lane representative noted the name tags were color coded to allow attendees to easily identify those seeking capital from those providing capital. He noted the conference included several breaks and a special networking seminar after the main conference.

**Vice Chair Shirey** inquired as to the types of businesses in attendance.

The Hamilton Lane representative noted all types of businesses were in attendance and stated the conference was not focused on one particular industry.

**Mr. York** questioned if the Board should consider conducting more than one forum or seminar per year.

**Chair Marshall** stated funding more than one event per year is an issue and the Board would need to consider the size and scope of each. She recommended next year having events of varying size and scope in both the north and the south regions.

**Ms. Merritt** stated events in both the north and south each year would benefit the entire state and the program.

**6) Presentation of Silver State Opportunities Fund quarterly report for period ending March 31, 2013 (Dave Helgerson/ Miguel Luina)**

Hamilton Lane Representatives presented the Silver State Opportunities Fund (SSOF) quarterly report for period ending March 31, 2013. The Hamilton Lane representative updated the Board regarding the one investment with Reno-based Company Miller Heiman. The representative stated the company's performance has exceeded expectations in the first quarter. He noted the company has exceeded its revenue plan by 50% and its earnings before interest, taxes, depreciation and amortization (EBITDA) increased 21%, essentially doubling in the first quarter. He stated the company had enough accumulated cash on the balance sheet to return a 16% distribution to investors during the second calendar quarter. He noted this will be reflected in the report for period ending June 30, 2013.

**7) 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 March 31, 2013. The representatives noted three key fund investments being considered by Hamilton Lane and its investment committee varied from a mezzanine, venture capital and a state-focused national fund. The representatives stated all three firms are committed to placing offices in the state to ensure they have a physical presence in Nevada.

The representatives noted they have reviewed over 90 co-investment deals across all industries and have referred approximately half of the deals to other fund managers. The representatives noted the co-investment deals are in the earlier stages and they do not foresee any of these deals closing by the end of the second quarter.

**Vice Chair Shirey** questioned if investment fund partners housed in Nevada and outside Nevada are seeing both the amount of and types of businesses necessary for significant investment opportunities here in Nevada.

The Hamilton Lane representative noted Nevada has great investment opportunities which have been overlooked by firms and overshadowed by other larger western states, such as California. He noted that although Nevada doesn't scale as well as other western states, it does have tremendous opportunities for fund managers and these managers agree or they wouldn't be willing to make the hard and soft dollar commitments to the state.

**Vice Chair Shirey** questioned how much capital will be allocated to each fund investment.

The Hamilton Lane representative stated it would generally range from \$2.5 to \$5 million for each fund investment on average.

**Chair Marshall** stated this is exactly what we want the Fund to accomplish in the state, in addition to creating investment opportunities it also energizes the business community by bringing in additional capital. She noted she is excited to see where both the fund and co-investments are headed.

**8) Discussion of former NCIC board member's consideration to lease space to Hamilton Lane**

The Deputy Attorney General (DAG), Jed Bodger noted the purpose of this agenda item is to notify the Board regarding Hamilton Lane's decision to consider leasing office space in northern Nevada from a prior Board member of NCIC. The DAG noted the question was raised regarding any potential conflict of interest this may cause. He stated there isn't any conflict of interest as it does not create employment for a former Board member which is a key provision of the cooling off period, the contract is with Hamilton Lane and not NCIC, and this consideration was not negotiated, developed or even considered while the former Board member was a member of NCIC. He noted the purpose of the agenda item is to proactively provide the Board with notice and allow them the opportunity to discuss this issue but stated the Board would not be approving or disapproving a contract between Hamilton Lane and the former member.

**Mr. Goldwater** noted former Board member, Mr. Chris Howard is beyond reproach, as is Hamilton Lane. He stated the program must also be beyond reproach and questioned if Hamilton Lane can't find other office space in northern Nevada which isn't associated with NCIC.

The Hamilton Lane representative noted the office space contains other private equity firms, deal flow opportunities and an environment which could be advantageous to SSOF for networking. He stated the space is shared and more attractive financially but noted other office space is available in Nevada.

**Mr. Goldwater** noted it's important that both the Board and SSOF avoid the appearance of any potential improprieties, especially at these early stages. He questioned if it's a private transaction between Hamilton Lane and Mr. Howard and questioned if fees will be charged.

The representative stated Hamilton Lane will pay leasing fees.

**Mr. York** noted Mr. Goldwater is speaking of reputational risk and agrees that although there are no conflicts of interest as noted by legal counsel, the Board does not want this type of situation to be misinterpreted by the public or press.

**Ms. Merritt** suggested Hamilton Lane look at other office space in northern Nevada for comparison.

**Mr. Goldwater** agreed and questioned why agree to this arrangement unless this office space is extremely compelling.

**Mr. Shirey** questioned if the lease space impacted the expenses of the fund.

Hamilton Lane representatives stated the lease amounts are not paid by SSOF expenses but rather by Hamilton Lane.

**Chair Marshall** asked the Hamilton Lane representatives to consider looking at additional office space in northern Nevada and stated the Board will not be taking any action on this item today. She stated Hamilton Lane can bring this issue back to the Board at a later date.

**9) Approval of the Silver State Opportunities Fund Investment Policy**

Mr. Mathers presented the amended Silver State Opportunities Fund Investment Policy which contained the comments, questions and amendments from Board members and Hamilton Lane which were provided at the May meeting. He 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. Mathers summarized a few of the concerns noted by Board members regarding the conflict of interest section of the policy. He noted members have concerns regarding the broad nature of the language, especially as it relates to the nature of their fulltime employment. He stated specifically the concern is that a Board member may not know all facets within the business in which they are employed. He provided the example of a bank in which the Board member is employed, making a loan to a business which is in discussions with Hamilton Lane regarding SSOF funding.

**Vice Chair Shirey** stated Mr. Mathers was correct in his summary of Board members' concerns. He questioned how the underlying investments in other funds will apply, as these investments have an additional layer of distance relative to the fund's decisions as they relate to potential bank clients. He questioned if there is a materiality threshold regarding the relationship with the potential business. He stated a loan would be material but various miscellaneous fees which may be received by the bank may not be material.

**Chair Marshall** questioned if Vice Chair Shirey had any suggested language that would help clarify this issue for him. She stated if material is added then it needs to also be defined in the policy. She noted it would need to specify materiality, such as Vice Chair Shirey stating loans would be material but fee income at a certain level would not be material.

Discussion ensued regarding materiality and how best to incorporate these issues in the policy to ensure the spirit of this section is incorporated in the policy without overreaching its true intent.

**Chair Marshall** stated she and staff will need additional time to consider all these issues and draft new language to facilitate the goals of the fund while ensuring the necessary transparency and accountability of the fund is well secured.

**Chair Marshall** noted the majority of the policy is in place; however, the Board needs to work through the fair labor policy and conflict of interest section. She noted she and staff will continue to work through amendments and bring additional wording to the Board at a later date.

**10) Approval of the fiscal year 2014 budget**

Staff presented the fiscal year 2014 SSOF budget for approval. Staff noted the expenses are for regulatory, compliance and legal expenses associated with the fund investments and are reimbursed prior to the fund manager receiving any distribution.

Motion made by Vice Chair Shirey to approve the fiscal year 2014 budget as presented, and seconded by Ms. Merritt. Motion passed unanimously.

**11) Public Comments**

None.

The meeting was closed at 11:38 AM.

Attest:

A handwritten signature in cursive script, appearing to read "Tara Hagan", is written over a horizontal line.

Tara Hagan, Secretary to the Board