

NEVADA CAPITAL INVESTMENT CORPORATION

MINUTES OF BOARD OF DIRECTORS MEETING

Thursday, June 26, 2014

Chair Kate Marshall called the meeting of the Board of Directors of the Nevada Capital Investment Corporation (NCIC) to order at 1:30 p.m., on Thursday, June 26, 2014. 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

Staff

Mark Mathers,	Chief Deputy Treasurer
Tara Hagan,	Sr. Deputy Treasurer
Shane Chesney,	Sr. Deputy Attorney General

AGENDA

1) Call to order (Chair Marshall)

The meeting was called to order at 1:31 p.m.

2) Roll Call (Tara Hagan)

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

3) Public Comment

None.

4) Approval of March 27, 2014 meeting minutes (Chair Marshall)

Motion made by Ms. Merritt to approve the meeting minutes as stated, and seconded by Vice Chair Shirey. Motion passed unanimously.

5) Presentation by Enhanced Capital (Michael Korengold/Barry Osherow)

Enhanced Capital Representatives provided an update to the Board regarding its activities in Nevada related to both the Silver State Opportunities Fund (SSOF) and the Nevada New Markets Tax Credit Program (NMTC Program). The Representative noted the need to bolster its presence in Nevada and as a result, it has added Nevada native Mike Ballard to the team. He noted Mike has been a tremendous asset regarding making introductions and providing assistance in the Nevada markets. The Representative noted the firm has not yet made a Nevada investment in the Small Business Investment Company (SBIC) fund and has expanded its outreach due to the lack of investment activity.

Chair Marshall questioned whether Enhanced is speaking of three different areas which include the SSOF, the NMTC Program, and the SBIC fund.

The Representative noted there are two prices which include the NMTC Program which invests in low income and highly distressed communities in Nevada and the SBIC fund Enhanced Capital manages nationwide which includes a financial commitment to invest in Nevada companies through SSOF.

Chair Marshall questioned how long the firm has been on the ground in Nevada seeking deals and noted she senses some frustration in regards to the potential lack of current investments.

The Representative noted frustration is part of the job especially when entering a new market or region, such as Nevada. He stated the team has been in Nevada for one year. He is confident deals will be forthcoming as the team has seen many companies but, as usually, there are only very few in any region that are investable businesses which provide the necessary targeted investment return.

Chair Marshall noted the team has been in Nevada one year but it seems like longer.

The Representative stated it has taken longer than they had expected or would have liked to make an investment in Nevada. He noted the gaming industry is excluded from SBIC qualification criteria which has created some frustration. He stated the firm has been investing in in-state programs, such as Nevada for 15 years and acknowledged that it does take time to find the businesses with the best fit for all parties. He noted this is part of the reason for bringing Mike Ballard to the team to help with the local landscape.

Chair Marshall questioned how long Mike Ballard has been part of the team working locally for Enhanced Capital.

The Representative noted Mike has been with the team for 2 months for the SBIC fund but longer in working with the NMTC Program. He noted the NMTC Program has a much shorter time frame in which to finalize deals to ensure funding which closes around the third or fourth calendar quarter of 2014.

Chair Marshall questioned if SBIC also has a federal regulation to deploy capital in a required amount of time.

The Representative noted that the SBIC fund has a 5-year investment period of which it has approximately two and half years remaining in which to invest the capital.

Chair Marshall questioned if the SBIC portion of the fund has targets for the types of investments it is seeking.

The Representative noted the fund seeks to invest between \$2 and \$15 million per business and that the firm doesn't demand much equity which makes it borrower friendly which is a key dividing line. He did note the pricing is more competitive on the lower end range of the deals and that the environment is extremely competitive.

Vice Chair Shirey questioned how Nevada compares to other in-state program and why the investment landscape is challenging.

The Representative noted that Nevada isn't the most challenging state is has experience investing in. He stated the firms has had a \$25 million fund in Wyoming for over a year and has yet to find one Wyoming investment which fits the SBIC requirements. He noted new in-state program relationships take time and that the team is confident it has the right personnel to start to see increased deal flow in the near future.

Chair Marshall questioned if the SBIC fund was statewide or nationwide.

The Representative indicated the fund is nationwide.

6) Presentation by Waterton Global Resources Management (Isser Elishis)

The Representative from Waterton Global Resource Management provided information regarding the firm and the current fund in which SSOF has committed \$5 million. He noted the firm has invested approximately \$140 million to date in Nevada and stated that the fund will be a Nevada focused fund with nearly 90% of the \$1 billion in capital expected to be invested in Nevada. The Representative noted that the focus of the fund is on small to mid-sized mining businesses.

Chair Marshall thanked the Representative and the firm for all is it doing in Nevada.

Mr. Goldwater disclosed that Barrick Gold Corporation is a client.

7) 2014 Silver State Investor Forum Summary (Dave Helgerson and Miguel Luina – Hamilton Lane)

Hamilton Lane Representatives provided an overview of the 2nd annual Silver State Investor Forum which was held in April. The Representative noted that the conference was limited to 100 attendees to provide a smaller more intimate feel versus the 2013 forum in Las Vegas. He noted 40 private equity companies were in attendance with over 35 firms in attendance from out of state. He stated the forum

had 28 speakers which included several founders and executives of local businesses for a total of 9 targeted sessions. The Representative noted post-forum surveys were extremely positive and that the average rating was 9.1 out of 10. He stated that attendees cited networking as one key factor to the success of the forum. He noted that the firm used several conference sponsors this year to help reduce the cost to SSOF.

Mr. York questioned how many private equity portfolio managers attended from Nevada and why the majority in attendance were from out of state.

The Representative noted two Nevada managers attended. He stated that currently Nevada has a limited number of institutional managers but hopes that by bringing large institutional out of state managers to Nevada through the forum that this can help change the landscape.

Chair Marshall noted this is the second forum and questioned what the analysis from each event has provided in terms of thoughts for next year.

The Representative noted it will conduct a more formal review but a few initial thoughts are to keep the small more intimate setting and to hold the conference in Las Vegas.

Chair Marshall thanked Hamilton Lane for its good work and noted she personally received positive feedback from attendees. She stated she feels like Nevada is starting to have private equity activity as a result of the efforts of Hamilton Lane and the forums.

8) Presentation of Silver State Opportunities Fund (SSOF) quarterly report ending June 30, 2014 (Dave Helgerson and Miguel Luina – Hamilton Lane)

Hamilton Lane Representatives presented the Silver State Opportunities Fund (SSOF) quarterly report for period ending June 30, 2014. The Hamilton Lane representative updated the Board regarding the current status of the investments in the Fund and the overall private equity market environment. He noted that the extraordinary pace of the current market environment is evident in Nevada as companies' pricing expectations are also at all-time highs which are slowing deal flows both across the country and in the Nevada.

Vice Chair Shirey questioned if Hamilton Lane feels it is on schedule with the pacing of investments.

The Representative noted the Fund is a little more than one-third of the way through its four year investment period and that the pacing of capital for investments is slightly lagging with one-third of the capital having been committed to both fund investments and co-investments. The Representative noted the reason for the slight lag is to ensure the deals are with the right partners and the firm is currently talking with three potential fund managers. He stated the firm believes it is on track with a good pace when the amount committed and the amount in the pipeline are both taken into consideration.

Mr. Goldwater questioned how the fund should be benchmarked in regards to performance and whether an approximate private equity index exists.

The Representative noted that although the industry does have benchmarks it's difficult to compare fund to fund or even use public indices as these are not fair comparisons. He stated that it is too soon in the fund's history to meaningfully compare performance of the fund versus any private equity benchmark.

9) Update Regarding SSOF Investment Activity (Dave Helgerson/Miguel Luina-Hamilton Lane)

Hamilton Lane Representative provided an update to the Board regarding its investment activities during the prior quarterly ending June 30, 2014. He noted the fund has committed 30% of the total capital to date and continues to actively seek investments in both fund investments and co-investments. He stated the firm is currently in the late stages of its due diligence process with three fund managers. The Representative noted the managers are seemingly a good fit for Nevada and include both mezzanine and buyout.

10) For possible action: Approval of Fiscal Year 2015 budget (Tara Hagan)

Staff presented the fiscal year 2015 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 Mr. Goldwater to approve the fiscal year 2015 budget as presented, and seconded by Ms. Merritt. Motion passed unanimously.

11) Public Comments

None.

The meeting was closed at 2:40 PM.

Attest:



Tara Hagan, Secretary to the Board