

NEVADA CAPITAL INVESTMENT CORPORATION

MINUTES OF BOARD OF DIRECTORS MEETING

Tuesday, February 10, 2015

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Chair Dan Schwartz called the meeting of the Board of Directors of the Nevada Capital Investment Corporation (NCIC) to order at 1:32 p.m., on Tuesday, February 10, 2015. The meeting was held via videoconference at the Grant Sawyer Building, 555 East Washington Avenue, Suite 5300, Las Vegas, Nevada, and teleconferenced to the Nevada State Capitol, Old Supreme Court Room, 101 North Carson Street, Carson City, Nevada.

Present at the meeting:

Board Members

Chair Dan Schwartz  
Vice Chair Terry Shirey  
Richard Bartholet  
Jerrie Merritt  
Mr. James York  
Mr. David Goldwater

Staff

AL Kramer,	Chief Deputy - Investments
Grant Hewitt,	Chief of Staff
Tara Hagan,	Sr. Deputy Treasurer
Shane Chesney,	Sr. Deputy Attorney General

**AGENDA**

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

The meeting was called to order at 1:32 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 September 25, 2014 meeting minutes (Chair Schwartz)**

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

**5) Discussion Regarding Shift in Silver State Opportunities Fund (SSOF) Dave Helgerson and Miguel Luina – Hamilton Lane)**

Chair Schwartz discussed his concerns with the SSOF which include limited Nevada investments and less control and increased fees with the use of fund investments. He noted he has met with Hamilton Lane several times over the past month to discuss these concerns. He stated that Hamilton Lane has listened and are shifting the focus to include more direct investments in Nevada businesses. Chair Schwartz noted that while he still has concerns he is cautiously optimistic regarding the direction of the Fund.

Hamilton Lane Representatives noted the shift will allow them to focus more on co-investments in Nevada businesses and will require all fund investments to have a current Nevada investment. The representative stated that it will not focus on any venture or distressed investments but rather concentrate on mezzanine investments with greater near-term return potential.

**Mr. Goldwater** asked if these shifts in strategy are consistent with the current Investment Policy Statement (IPS).

The Hamilton Lane Representative affirmed that the shifts remain consistent with the current IPS. He noted that the Fund currently has over 50% of the \$50 million committed to date. The amount that has been drawn down today is ~\$6 million for fund investments and ~\$2 million for co-investments. He stated that they currently have two co-investments in the pipeline and one which has closed. The co-investment is in the Schwartz Retail Group which has a strong management team which includes the best retail investors in the country. They noted that they expect to close on two additional fund investments which include a dermatology clinic and a rural staffing business.

**Mr. Goldwater** requested Hamilton Lane provide the locations within Nevada in which these businesses are located.

**Vice-Chair Shirey** inquired about the potential state of the Fund commitments and investments by the end of 2015. He noted that having \$26 million today in total commitments should allow the Fund to be fully committed sooner than anticipated. He questioned if as the Fund moves closer to 100% of committed capital if Hamilton Lane shifts its risk/reward strategy as dollars became scarcer.

The Hamilton Lane representatives noted that the philosophy and process are the same in the beginning and the end. They noted that it did attempt to front-end load the mezzanine investments but will continue to look at growth/buyout equity. They noted it's more important to invest in high-quality deals and have the process remain the same.

## **6) Approval of the Investment Agreement with Accion**

**Chair Schwartz** provided an overview of the Accion investment. He noted that the statute authorizes the State Treasurer to transfer an amount not to exceed \$50 million from the State Permanent School Fund (PSF) to the corporation for public benefit. These monies are then managed by NCIC, in conjunction with the Fund of Funds Manager. He states that statute authorizes the corporation to make private equity investments and establishes the parameters by which those investments are to be made. He noted that prior to the actual investments or draw down occurring from the fund of funds manager, Nevada Administrative Code (NAC §355.280) authorizes temporary investments of the \$50 million in certain fixed income products. He stated he wanted the Board to consider a \$1 million investment in Accion for a period of four years which would yield 2.00% to the fixed income investments which are currently idle in the PSF. He noted the current yield on these investments is approximately 0.50% or 50 basis points.

**Mr. Goldwater** questioned the legality of such an investment.

**Chair Schwartz** noted statute does allow such an investment. He noted that Mr. Goldwater may be referring the judicial determination that was received by the prior Administration to allow for a proposed investment or category of investments which would not violate the provisions of Section 9 of Article 8 of the Constitution of the State of Nevada. He noted that it includes both public and private equity as allowable investments in the PSF.

**Mr. Goldwater** asked both the Chair and Hamilton Lane how this is allowable under Hamilton Lane's contract which provides the firm with complete discretionary authority to invest the \$50 million. He also questioned what would occur if the monies were not available when the manager is ready to call them.

**Chair Schwartz** noted that these monies would not currently be under the control of Hamilton Lane as the monies which have not been drawn or committed by the manager. These are monies which remain in the PSF today which earn 0.50%.

**Senior Deputy Attorney General Shane Chesney** noted that in discussions with Staff he understood that a relatively small amount of capital such as \$1 - \$3 million in this type of investment is not concerning; however, he noted that a larger amount would cause a concern regarding liquidity for monies called by Hamilton Lane.

**Ms. Merritt, Vice-Chair Shirey and Mr. York** noted that each of their employees have equity investments with Accion currently. The three members were concerned with their ability to vote on such an investment.

**Senior Deputy Attorney General Shane Chesney** asked each member if they personally had an equity investment in the firm and if the current relationship would affect their ability to be independent and non-bias.

**Ms. Merritt, Vice-Chair Shirey and Mr. York** each noted that their respective employers have the relationship and each noted that the current relationship would not affect their ability to be objective.

**Vice-Chair Shirey** questioned whether Hamilton Lane had vetted this investment similar to other investments.

Hamilton Lane representatives stated that it has not vetted this investment due to its understanding that it wouldn't fall under its mandate. They noted that these monies would be similar to the current fixed income investments in the PSF today.

**Mr. Goldwater** questioned why the Treasurer needed to use these monies for the Accion investment. He questioned why this investment wouldn't be appropriate in the current fixed income investments or in another portfolio within the Treasurer's purview.

**Chair Schwartz** noted that Accion was a good fit for NC IC both in its increased returns to the PSF and that the investment agreement included the requirement that Accion make loans to Nevada small business. He noted that the entire \$1 million would be invested in Nevada businesses. He stated that these small loans would help bridge the gap between the large investments being made today by Hamilton Lane and the need for capital by small businesses in Nevada.

**Mr. York** noted that when the Board was created it had several discussions regarding the role the Board wanted to play regarding specific investment decisions. He noted the Board has the ability to invest a portion of the monies, however, following several conversations the Board collectively decided it didn't want that responsibility and decided to have the Fund of Funds manager manage the entire \$50 million exclusively.

**Ms. Merritt** noted that she believes in Accion and thinks the company does great work in Nevada; however, she agreed with Mr. York in regards to the discussions the Board had early in its inception regarding its role. She noted that she is not comfortable making these decisions but would rather leave this responsibility to Hamilton Lane.

**Vice-Chair Shirey** inquired about having Hamilton Lane conduct its usual due diligence on Accion, similar to any other investment it may consider for SSOF.

Hamilton Lane Representatives stated that it would need to discuss this possibility with the Treasurer and then possibly return to the Board when an agreement for its consideration.

**Chair Schwartz** noted that he heard the Board members concerns and that he will remove this item from consideration at this time. He stated he will work with Hamilton Lane on an agreement which outlines the due diligence it will perform similar to investments in SSOF.

#### **7) Review and Approve amendments to the SSOF Investment Policy Statement**

This item was not considered at this meeting as it was predicated on the Board approving Agenda Item 6 Approval of the Investment Agreement with Accion.

#### **8) Presentation of SSOF's quarterly report ending September 30, 2014 and update regarding Fund investment activity.**

This item was taken in conjunction with Agenda Item 5 Discussion Regarding Shift in SSOF.

**Motion made by Mr. Goldwater to approve the quarterly report as presented, and seconded by Ms. Merritt. Motion passed unanimously.**

**9) Review and Approve calendar year 2015 meeting dates.**

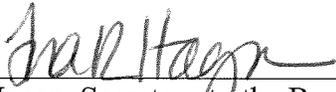
Staff provided the Board with potential 2015 meeting dates. The Board agreed on the recommended dates and times.

**10) Public Comment**

None.

The meeting was closed at 2:36 PM.

Attest:



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Tara Hagan, Secretary to the Board