



State of New Jersey

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January 18, 2023

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan
Director

SUBJECT: Private Equity Investment – Khosla Ventures Seed F, L.P., Khosla Ventures VIII, L.P., and Khosla Opportunity II, L.P.

The Division of Investment (the “Division”) is proposing an investment of up to \$200 million across Khosla Ventures Seed F, L.P., Khosla Ventures VIII, L.P., and Khosla Opportunity II, L.P. This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

- Khosla Ventures has an experienced and cohesive investment team that has produced a strong overall track record over a significant timeframe.
- Khosla Ventures has a competitive advantage as a top-tier “deep-tech” venture specialist.
- The Division is able to access a leading venture firm directly at an attractive fee structure.
- The Division is under-weight in venture exposure.

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached.

Division Staff and its private equity consultant, Aksia undertook extensive due diligence on the proposed investment in accordance with the Division’s Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the Fund has not engaged a third-party solicitor (“placement agent”).

The Firm has a formal ESG Policy. The Firm's current ESG Policy and related diligence disclosures were reviewed by the Corporate Governance team in accordance with the Council's ESG Policy.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council's regulation governing political contributions (N.J.A.C. 17:16-4), and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 90 of the Council's regulations. Khosla Ventures Seed F, L.P., Khosla Ventures VIII, L.P., and Khosla Opportunity II, L.P. are considered venture capital private equity investments, as defined under N.J.A.C. 17:16-90.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the IPC was held on January 17, 2023. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council's January 25, 2023 meeting.

Khosla Ventures Seed F, L.P., VIII, L.P., Opportunity II, L.P.

- **DOI Commitment:** up to \$200 million (~\$20 million KV Seed F, ~\$80 million KV VIII, ~\$100 million KV Opportunity II)
- **Strategy:** Venture Capital
- **Investment Focus:** Seed to late stage venture capital investments across multiple sectors. KV focuses on a broad range of areas including consumer, enterprise, education, advertising, financial services, semiconductors, health, big data, agricultural, food, sustainable energy, and robotics.
- **Target Returns:** 20-30% net IRR
- **Investment Thesis:**
 - Experienced and cohesive senior investment team
 - Khosla Ventures has a strong overall track record
 - The Firm has a competitive advantage as a top-tier “deep tech” venture specialist

Fund Name: Khosla Seed F, L.P., Khosla Ventures VIII, L.P., and Khosla Opportunity II, L.P. January 20, 2023

Contact Info: Arash Rebek, 2128 Sand Hill Road, Menlo Park, CA 94025

Fund Details:

Total Firm Assets:	\$15 billion	<p>Key Investment Professionals: Vinod Khosla : (Co-Founder, Managing Director) Mr. Khosla co-founded Khosla Ventures in 2004 with Samir Kaul and David Weiden. Prior to starting Khosla Ventures, Mr. Khosla founded and served as the CEO of Sun Microsystems in 1982. In 1986, he joined Kleiner Perkins Caufield and Byers as a General Partner focusing on technology startups. He is responsible for management of the management company. He also serves on the boards of select portfolio companies. Samir Kaul: (Co-Founder, Managing Director) Prior to co-founding Khosla Ventures, Mr. Kaul spent five years at Flagship Ventures where started and invested in early stage biotechnology companies. At Khosla, he is responsible for Healthcare sector. He also serves on the boards of select portfolio companies. David Weiden: (Co-Founder, Managing Director) Prior to co-founding Khosla Ventures, Mr. Weiden was the VP of marketing and business development at Tellme Networks for five years and previously he led AOL's communications, community instant messaging product divisions. At Khosla Ventures, he is responsible for Internet software and services sectors. He also serves on the boards of select portfolio companies. Sven Strohband: (Partner, Managing Director) Prior to joining the executive team at Khosla Ventures, Mr. Strohband was a project manager for Electronics Research Lab at Volkswagen, where he led technical projects. At Khosla, he is responsible for the AI sector. He also serves on the boards of select portfolio companies. Peter Buckland: (Managing Director and COO) Prior to joining Khosla Venture, Mr. Buckland was Vice Chairman of the Corporate Group at WilmerHale, where he built the firm's west-coast practice working over 14 years with entrepreneurs, startups and VC firms, including Khosla Ventures. At Khosla, he is responsible for Operations.</p>
Strategy:	Venture Capital	
Year Founded:	2004	
Headquarters:	Menlo Park, CA	
GP Commitment:	\$200 million (minimum)	

Investment Summary

Khosla Ventures (KV) is a leading venture capital firm focused on investing across multiple sectors. KV was founded in 2004 by Vinod Khosla, co-founder of Sun Microsystems, together with Samir Kaul and David Weiden, initially to invest their own capital in early-stage venture capital opportunities. KV focuses on a broad range of areas including consumer, enterprise, education, advertising, financial services, semiconductors, health, big data, agricultural, food, sustainable energy, and robotics. The Firm has more than 60 employees all based in KV's sole office in Menlo Park, California. The Firm currently has \$15 billion in assets under management across five vintages comprising Seed, Main, and Opportunity funds. Opportunity I is a 2020 vintage fund set up to focus on late stage venture opportunities. The Division committed \$25 million to Khosla Ventures IV in 2011.

Existing and Prior Funds

Funds	Vintage Year	Strategy	Returns: Net IRR, Net TVPI, Net DPI
Khosla Ventures IV	2011	Early stage Venture	25.1%, 4.51x, 2.80x
Khosla Ventures V	2015	Early stage Venture	26.2%, 3.36x, 1.25x
Khosla Ventures VI	2018	Early stage Venture	25.8%, 1.64x, n/a
Khosla Ventures VII	2021	Early stage Venture	14.9%, 1.08x, n/a
Khosla Seed C	2015	Seed stage venture	29.5%, 4.19x, .18x
Khosla Seed D	2018	Seed stage venture	46.6%, 2.37x, n/a
Khosla Seed E	2021	Seed stage venture	76.4%, 1.37x, n/a
Khosla Opportunity I	2020	Late stage venture	14.1%, 1.10x, n/a
Source of Returns - KV			*Net as of 06/30/2022

IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI = Distributions to Paid-In

Vehicle Information:

Khosla Venture Seed F		Khosla Venture VIII		Khosla Opportunity II	
Inception:	2023	Inception:	2023	Inception:	2023
Fund Size :	\$400 million	Fund Size :	~\$1.5 billion	Fund Size :	~\$1 billion
Management Fee:	2.5% on Committed Capital	Management Fee:	2% on Committed Capital	Management Fee:	1% on Committed Capital
Incentive Fee:	30%	Incentive Fee:	30%	Incentive Fee:	20%
Additional Expenses:	100% Management Fee Offset	Additional Expenses:	100% Management Fee Offset	Additional Expenses:	100% Management Fee Offset
Auditor:	Ernst & Young	Auditor:	Ernst & Young	Auditor:	Ernst & Young
Legal Counsel:	Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP	Legal Counsel:	Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP	Legal Counsel:	Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP

NJ AIP Program

Recommended Allocation (Smil):	up to \$200 million	LP Advisory Board Membership:	TBD
% of Seed F Fund:		Consultant Recommendation:	YES
% of Venture VIII Fund:		Placement Agent:	NO
% of Opportunity II Fund:		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	YES

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.