



State of New Jersey

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March 22, 2012

MEMORANDUM TO: The State Investment Council

FROM: Timothy Walsh
Director

SUBJECT: **Proposed Investment in TPG Growth Fund II, L.P.**

The New Jersey Division of Investment ("Division") is proposing an investment of \$100 million in TPG Growth Fund 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 due to the following fund/manager characteristics:

Top Performance of Current Relationship: The Division committed to TPG Star (\$100 million), the predecessor fund to TPG Growth II, in the spring of 2007. The fund has produced top-quartile performance in the small to mid-market buyout space, with a 1.27x TVPI and a 13% Net IRR.

Experienced and Disciplined Investment Team: TPG Growth maintains a deep, experienced team of 30 investment professionals, including nine senior professionals (two former CEOs and the former head of the Asia-Pacific region for Intel Capital), five operating partners and sixteen Principals/VPs/Associates to source and diligence regional opportunities. The breadth and experience of the team is illustrated by the discipline the team displayed in '07 & '08. During a period of time which buyout firms were investing historic sums of capital at heightened valuations in an extremely crowded middle market, TPG Star invested at a measured pace. After two years into the investment period the Fund was only 22% invested. The Growth Team demonstrated discretion as they invested cautiously until the momentum picked up in late 2009 with the ability to differentiate on proactive investment themes. Over half of the capital has been deployed in the last 18 months.

Global Platform: Through the TPG platform, the Partnership will have access to 14 offices worldwide and more than 150 global investment professionals to assist with local diligence and knowledge. TPG has been investing in Asia for over 15 years, maintaining one of the largest pan-Asian private equity teams with over 40 investment and operating professionals and with offices in Hong Kong, Beijing, Shanghai, Mumbai, Singapore, Melbourne, and Tokyo. TPG Growth also has its own dedicated team operating outside of the U.S., including 14 investment

professionals, to pursue growth investments in China and Southeast Asia, for which approximately half of TPG Growth's investments to date have been in these regions.

Dedicated Operating Resources with a Deep Sector Focus: TPG Growth has a dedicated operating group with the mission of driving shareholder value creation by engaging in the investment due diligence process and portfolio construction to identify and effect revenue growth, operational effectiveness and profit enhancement initiatives. The Operations Group is able to provide the resources in support of the due diligence process by assisting in transaction underwriting and identifying opportunities for operational improvement post-investment. The TPG Growth operating partners have a collective history of industry experience in senior executive positions at companies across a variety of sectors and geographies and maintain functional specialties and industry expertise.

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

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

The fund utilized TPG Capital BD, LLC (the "placement agent") as third-party solicitor in connection with the potential investment. Staff has determined that the placement agent and its representatives met the registration, licensing and experience requirements set forth in the Division's Placement Agent Policy (the "Policy"). Pursuant to the Policy, the fund has disclosed the contract between the fund and the placement agent, specifying the scope of services to be performed by the placement agent and the fee arrangement between the placement agent, the general partner and any other third party.

We 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. In addition, the proposed investment must comply with the Council's regulation governing political contributions (N.J.A.C. 17:16-4).

Please note that the investment is authorized pursuant to Articles 69 and 90 of the Council's regulations. The TPG Growth Fund II, L.P. Fund will be considered a private equity "buyout" investment, 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 Committee was held on March 14, 2012. 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 March 22, 2012 meeting.

Fund Name: TPG Growth Fund II, L.P. **March 22, 2012**

Contact Info: *Jamie Gates, 345 California Street, Suite 3300, San Francisco, CA 94104 jgates@tpg.com*

Fund Details:

Firm AUM:	\$49 billion	Key Investment Professionals: William McGlashan, Jr., Founder & Managing Partner – Mr. McGlashan is the Founder of TPG Growth and joined TPG in 2004. Prior to that, he was the Chairman and CEO of Critical Path Inc. Matthew Hobart, Managing Director – Prior to joining TPG in 2004, Mr. Hobart was the Vice President of Corporate Development for Critical Path Inc., where he was part of a turnaround team that led Critical Path Inc. through a major financial and operational restructuring. Ransom Langford, Partner – Prior to joining TPG in 2009, Mr. Langford was a Managing Director at J.H. Whitney & Co., LL Scott Gilbertson, Partner – Prior to joining TPG in 2007, Mr. Gilbertson was Senior Vice President of Merchandising (Chief Merchant) at Under Armour, Inc. and CEO of Ludi Labs, Inc. Formerly, he was a member of the TPG Operating Group from 1998 to 2003
Strategy:	Buyout	
Year Founded:	1992	
Headquarters:	San Francisco, CA	
GP Commitment:	1.50%	

Investment Summary	Existing and Prior Funds		
TPG Growth II is the primary investment vehicle for small and mid-market growth equity and buyout investments up to \$100 million in equity within North America and Europe and up to \$65 million within Asia and Latin America. TPG Growth II will pursue investments that take advantage of the diverse investing and operating skills of an investment team of 30 professionals, the TPG portfolio of companies, and the related network of executives and advisors. The Partnership will use TPG's institutional resources to contribute to thematic insight, sourcing and investment diligence with the aim of enhancing investment returns.	<u>Funds</u>	<u>Strategy</u>	<u>Returns</u>
	TPG Star (2007)	Buyout	13% Net 1.3x MO

Vehicle Information:

Inception:	2012	Auditor:	KPMG
Fund Size (\$mil.):	\$2 billion	Legal Counsel:	Cleary Gottlieb Steen & Hamilton LLP
	2% on committed capital up to \$1 billion, 1.5% of Committed capital in excess of \$1 billion	Accounting Firm:	Internal
Management Fee:	billion		
Carry:	20%		
Hurdle Rate:	8%		
Additional Expenses:	NA		

NJ AIP Program

Recommended Allocation:	\$100 million	LP Advisory Board Membership:	Yes
% of Fund:	5%	Consultant Recommendation:	Yes
		Placement Agent:	Yes
		Compliance w/ Division Placement Agent Policy:	Yes
		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 ther