



## State of New Jersey

DEPARTMENT OF THE TREASURY  
DIVISION OF INVESTMENT  
P.O. BOX 290  
TRENTON, NJ 08625-0290

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

ANDREW P. SIDAMON-ERISTOFF  
*State Treasurer*

October 3, 2011

MEMORANDUM TO: The State Investment Council

FROM: Timothy Walsh  
Director

SUBJECT: **Proposed Investment in Tenaya Capital VI Fund**

The New Jersey Division of Investment is proposing an investment of \$40 million in Tenaya Capital VI Fund. This memorandum is presented to the State Investment Council (the "Council") pursuant to N.J.A.C. 17:16-69.9.

Tenaya Capital, LLC is a venture capital investment partnership focused on investments in mid-to late-stage venture backed technology companies. Tenaya is the successor to Lehman Brothers Venture Partners, which was spun out of Lehman Brothers as an independent firm in February 2009. The Fund will be managed by the same core investment team and will continue to execute the same investment strategy of Tenaya Capital IV – \$300 million of parallel partnerships formed in 2003 ("Fund IV") and Tenaya Capital V – \$365 million of parallel partnerships formed in 2007 ("Fund V").

Tenaya is currently raising Tenaya Capital VI, L.P. ("Fund VI") targeting \$300 million with a hard cap of \$400 million. Fund VI targets equity investments ranging from \$5 million to \$10 million with follow-on financings bringing the total to \$10 million to \$15 million per company in roughly 30 companies. Tenaya has historically invested in Software, Internet, Communications, IT Infrastructure, Electronics and other emerging technology sectors.

The Division of Investment ("Division") Staff and its private equity consultant, Strategic Investment Solutions, undertook extensive due diligence on this proposed investment. We completed the same due diligence process as with all the other alternative investment opportunities presented to the Council.

As part of its due diligence process, staff determined that the fund engaged Lazard Frères & Co. 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 dated July 09, 2009 (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 each investment. In addition, each proposed investment must comply with the Council's regulation governing political contributions (N.J.A.C. 17:16-4).

Please note that this investment is authorized pursuant to Articles 69 and 90 of the Council's regulations. The Tenaya Capital VI Fund will be considered a venture capital investment, as defined under N.J.A.C. 17:16-90.1.

Formal written due diligence reports for the proposed investment were sent to each member of the Investment Policy Committee and a meeting of the Committee was held on September 8, 2011. In addition to the formal written due diligence reports, all other information obtained by the Division on the investment was made available to the Investment Policy Committee.

We look forward to discussing the proposed investment at the Council's October 13, 2011 meeting.

Attachments

# State Investment Council Fund Review Memo

**To:** State Investment Council  
**From:** Division of Investment  
**Date:** October 13, 2011  
**Subject:** Tenaya Capital VI, LP Investment Recommendation

## Fund Facts

Fund Name:	Tenaya Capital VI, LP
Fund Type:	Venture
Current Fund Size:	\$300 - \$400 million
Previous Fund Size/Vintage:	\$365 million / 2007
Final Close:	First half 2012
Fund Address:	2965 Woodside Road, Suite A Woodside, CA 94062

## GP Contact Info

Name:	Dave Markland
Telephone:	(650) 687-6577
Email:	<a href="mailto:dave@tenayacapital.com">dave@tenayacapital.com</a>

## Summary of Terms and Investment Strategy

Investment Strategy:	Mid- to late-stage venture backed technology companies
Industry Focus:	Technology companies.
Geographic Focus:	Primarily U.S. with a 20% limit on international investment
GP Co-Investment Amount:	1% of aggregate committed capital
Terms:	
Term:	10 year initial/ 1 (1 yr) extension by GP, thereafter, additional 1-yr periods, with consent of a majority of LPs
Investment period:	5 years
Management Fee:	The management fee will be 2.0% during the Investment Period based on Capital Commitments. Thereafter, the management fee will be 2.0% per annum of the Limited Partners' committed capital less the cost basis of portfolio securities sold, distributed or written-off.
Other Fees:	100% fee offset
Carry/Performance Fee:	20%
Attorney:	Cooley LLP
Auditor:	PricewaterhouseCoopers LLP
Accounting Firm:	PricewaterhouseCoopers LLP

## NJ AIP Program:

Recommended Allocation:	\$40,000,000.00
% of Fund: (depending on total fund raised)	10 - 13%

LP Advisory Board Membership:	YES
Consultant Recommendation:	YES
Placement Agent:	YES
Compliance with Division Placement Agent Policy:	YES
Compliance with 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.