



State of New Jersey

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Governor

DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
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State Treasurer

December 8, 2011

MEMORANDUM TO: The State Investment Council

FROM: Timothy Walsh
Director

SUBJECT: **Proposed Investment in General Catalyst Group VI, L.P.**

The New Jersey Division of Investment (“Division”) is proposing an investment of \$25 million in General Catalyst Group VI, L.P. This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

Investment Rationale

As part of NJDOI’s mandate to find top quality venture capital firms to commit to on a direct basis, staff and SIS have selected General Catalyst as a firm that fits those goals. We see General Catalyst as a firm that is positioned to capture ‘best in class’ opportunities over the next cycle and an attractive investment for NJ. General Catalyst has established itself as a formidable, entrepreneur-friendly VC with wide breadth and depth of expertise. The Firm has proven its ability to create significant, proprietary investment opportunities by “hatching” startups internally, and gaining significant ownership in portfolio companies at attractive valuations.

To date, long-term investors committing their pro-rata share to all prior GC funds have generated Top-Quartile returns (as measured by the aggregate Total Value relative to their Paid-in-Capital); and the potential for further upside in prior funds remains, especially as a number, approximately four, portfolio companies are currently in registration for IPO.

General Catalyst’s recent geographic expansion to Silicon Valley and the New York metro area have substantial promise to increase the Firm’s access to unique early-stage opportunities; and provided GC’s cohesive team and collaborative culture, to substantially enhance the possibility of making successful breakthrough, industry-shifting investments.

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 Shannon Advisors (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 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 the investment is authorized pursuant to Articles 69 and 90 of the Council's regulations. General Catalyst Group VI, L.P. 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 investments were sent to each member of the IPC and a meeting of the Committee was held on November 22, 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 IPC.

We look forward to discussing the proposed investments at the Council's December 8, 2011 meeting.

Attachments

Fund Name: General Catalyst Group VI, L.P.

December 8, 2011

Contact Info: David P. Fialkow/ 20 University Road, Cambridge, MA 02138/ (617) 234-7000

Fund Details:	
AUM:	\$1.2 billion
Strategy:	Venture Capital
Year Founded:	2000
Headquarters:	Cambridge, MA
GP Commitment:	1% of aggregate capital commitments

Key Investment Professionals:
Joel E. Cutler/Managing Director: Co-founded and operated numerous businesses focused on leveraging applied technology and high standards of customer care for the travel, information services, specialty retail, consumer direct marketing, and payment processing industries. These businesses included: National Leisure Group, Retail Growth ATM Systems and Starboard Cruise Services.
David Fialkow/Managing Director: Co-founded and operated numerous businesses focused on building applied technology-based platforms and tools for the travel, information services, financial services, specialty retail, and payment processing industries. These businesses included: National Leisure Group, Alliance Development Group, Retail Growth ATM Systems and Starboard Cruise Services.
William J. Fitzgerald /Managing Director & Chief Financial Officer: Prior to co-founding General Catalyst Partners, Bill Fitzgerald served as Chief Financial Officer for the portfolio companies of FC Management Group, as well as serving as interim Chief Financial Officer for Starboard Cruise Services, Inc. Bill was also Vice President and Treasurer of a private equity buyout group that focused on acquisitions of under-performing or strategically challenged businesses. Prior to that role, he was a manager at KPMG LLP and an Adjunct Professor of Taxation at Boston College.
John G. Simon/Managing Director: Prior to co-founding General Catalyst Partners, John was founder, Chairman and CEO of UroMed Corporation. UroMed completed its initial public offering in 1994 and was subsequently merged to form Alliant Medical Technologies. Prior to founding UroMed, John led marketing and sales at Adaptive Networks and was a venture capitalist with Highland Capital Partners and Charles River Ventures.

Investment Summary

General Catalyst Partners ("GC" or the "Firm") is a bicoastal venture capital firm organizing its sixth venture capital fund, General Catalyst Group VI, L.P. (the "Main Fund"), to make investments in innovative, high-growth companies with leading entrepreneurs and brilliant technical founders and visionaries. Specifically, GC seeks to identify and help build companies that will develop breakthrough technologies, establish disruptive business models, and transform industries. GC's entrepreneurial team and their proactive investment approach have established the Firm as a formidable emerging player amongst venture capital firms in the U.S.

As part of NJDOI's mandate to find top quality venture capital firms to commit to on a direct basis, staff and SIS have selected General Catalyst as a firm that fits those goals. We see General Catalyst as a firm that is positioned to capture 'best in class' opportunities over the next cycle and an attractive investment for NJ.

Existing and Prior Funds

<u>Funds</u>	<u>Strategy</u>	<u>Returns</u>
GC V - Supplemental (2007)	VC	-10.2% Net IRR, 0.8x TVPI
GC V (2007)	VC	2.6% Net IRR, 1.3x TVPI
GC IV (2005)	VC	1.9% Net IRR, 1.3x TVPI
GC III (2003)	VC	3.4% Net IRR, 1.4x TVPI
GC II (2001)	VC	7.1% Net IRR, 1.9x TVPI
GC (2000)	VC	0.4% Net IRR, 1.2x TVPI

Vehicle Information:

Inception:	2011	Auditor:	PricewaterhouseCoopers LLP
Fund Size:	\$500 million	Legal Counsel:	Proskauer Rose LLP
Management Fee:	2.5%	Accounting Firm:	PricewaterhouseCoopers LLP
Carry:	20%		
Hurdle Rate:	None		
Additional Expenses:	Org. expenses up to a max of \$850,000		

NJ AIP Program

Recommended Allocation:	\$25 million	LP Advisory Board Membership:	In discussion
% of Fund:	5.00%	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 thereto.