State of New Jersey

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DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
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ANDREW P. SIDAMON-ERISTOFF
State Treasurer

May 9, 2011

MEMORANDUM TO: The State Investment Council

FROM: Timothy Walsh
Director

SUBJECT: **Proposed Investments in Vista Equity Partners Fund IV**

The New Jersey Division of Investment is proposing an investment of $200 million in Vista Equity Partners Fund IV, LP. This memorandum is presented to the State Investment Council (the "Council") pursuant to N.J.A.C. 17:16-69.9.

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

Vista Equity Partners (Vista) is a private equity firm focused on acquiring enterprise software companies with strong recurring revenue and providing crucial services to the industries that they serve. NJDOI committed $100 million to Vista Equity Partners Fund III in the summer of 2007. Vista is NJDOI's best performing PE manager, which is one of the reasons staff recommends committing $200 million to Vista Equity Partners Fund IV, L.P. ("VEPF IV"). NJ has played an integral role in negotiating the terms of the latest fund, which are reflected in their offering documents. At the $200 million level in the first close, there is a discount on the management fee of 25 bps (1.25%).

History: Since 2000, from Vista Equity Fund II, L.P., the Vista team has invested $839 million in twelve platform enterprise software businesses and technology-enabled solutions companies, and successfully realized eight of those investments. Vista's financial and operational background combined with the depth of its experience in the software sector has enabled it to generate top decile returns. In 2007, the Vista team raised Vista Equity Partners Fund III, L.P. ("VEPF III") with total capital commitments of approximately $1.3 billion. Vista has invested $919 million out of VEPF III in seven enterprise software companies. To date, Vista has partially realized one of those investments returning over $706 million to its investors representing a 3.5x cash-on-cash return while retaining a 47% interest in the company.

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 these investments are authorized pursuant to Articles 69 and 90 of the Council's regulations. The Vista Equity Partners IV Fund will be considered Buyout investments, 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 Investment Policy Committee and a meeting of the Committee was held on May 5, 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 investments at the Council's May 19, 2011 meeting.

Attachments

*SIC Investment Committee Fund Review Memo

To:	**State Investment Council**
From:	**SIC Investment Committee**
Date:	**May 19, 2011**
Subject:	**Vista Equity Partners IV Recommendation**

Fund Facts

Fund Name:	Vista Equity Partners IV
Fund Type:	Buy-out
Current Fund Size:	$2.5 billion
Previous Fund Size/Vintage:	$1.3 billion /2007
Final Close:	TBD
Fund Address:	150 California Street , 19th Floor San Francisco, CA 94111

GP Contact Info

Name:	John Warnken- Brill
Telephone:	415-765-7013
Email:	Jwarnken-brill@vistaequitypartners.com

Summary of Terms and Investment Strategy

Investment Strategy:	The partnership will make control equity investments in middle market enterprise software companies with significant value creation opportunities
Geographic Focus:	North America
GP Co-Investment Amount:	The General Partner and its affiliates will make an aggregate capital commitment of at least $100 million.
Terms:	
Term:	Ten years from the date of the final closing subject to two one-year extensions at the General Partner's discretion.
Investment period:	Five years from the date of the final closing.
Management Fee:	The management fee will be 1.50% (1.25% on aggregate commitments of $200 million or greater made in the first close) during the Investment Period based on Capital Commitments. Thereafter, the management fee will be 1.5% (1.25%) per annum of the Limited Partners' Capital Contributions with respect to Portfolio Investments that have not been disposed.**Subject to negotiation**
Other Fees:	100% of all transaction, director's, closing; topping and break-up fee income from actual or potential Portfolio Investments will be credited against the management fees.
Carry/Performance Fee:	20% GP - 80% LP Carry is awarded after an aggregated return of all invested capital plus a preferred return of 8%. If the cumulative distribution of Investment Proceeds to the Partners represent a 3.0x or greater multiple of Partners' capital contributions invested in Realized Investments, 30% to the General Partner and 70% to the Limited Partners.
Hurdle Rate:	8%
Attorney:	Simpson Thacher & Bartlett LLP
Auditor:	Deloitte
Accounting Firm:	NA - Internal function

NJ AIP Program:

Recommended Allocation:	$200 million
% of Fund:	8.00%

LP Advisory Board Membership:	Yes
Consultant Recommendation:	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.