
Recommendation Industry Ventures Partnership Holdings Fund IV, L.P. Secondary Purchase

To: RISIC
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The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on a secondary purchase of a limited partnership interest in Industry Ventures Partnership Holdings Fund IV, L.P. ("IVPH IV" or the "Fund"). Cliffwater recommends the secondary purchase as part of ERSRI's Private Equity allocation.

Summary of IVPH IV Secondary Purchase

ERSRI committed \$10 million to IVPH IV in 2016 after investment and operational due diligence by Cliffwater. The general partner of IVPH, Industry Ventures ("Industry"), is a fund of funds, secondary and direct investor in venture capital. The IVPH IV is a fund of fund vehicle targeting primary and secondary investments in small venture capital funds. The Fund will also make co-investments. The target allocation for the Fund is 40% primaries, 40% secondaries, and 20% co-investments.

Industry contacted ERSRI that a limited partner in IVPH IV was a potential seller. After due diligence and in accordance with ERSRI investment process, ERSRI made an offer for \$10 million seller's limited partnership interest as of the December 31, 2018 net asset value. The offer was made subject to SIC approval. The contingent offer was accepted.

Cliffwater's due diligence included a review of Industry's organization and strategy, a review of the portfolio holdings of IVPH IV, and discussions with the general partner about expectations for cash flows. Based on this analysis, the proposed purchase price would yield an expected net IRR and TVPI in excess of 20% and 1.5 times.

IVPH IV has a management fee of 1% of committed capital for the first seven years. After the seventh year, the management fee is based on contributed capital and declines to 95% of the prior year's fee each year. After a preferred return of 6% is achieved, the General Partner will receive a carried interest of 5% on primary commitments, 10% on secondary investments, and 20% on co-investments. Limited partners receive 100% of distributions until they have been returned all contributed capital plus the preferred return. The General Partner is committing 2% of the fund up to a maximum of \$4 million.

Cliffwater Recommendation

Cliffwater recommends the purchase of the seller's limited partnership interest in Industry Ventures Partnership Holdings Fund IV, L.P.

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