

Memorandum

From: StepStone Group ("StepStone")
To: Employees' Retirement System of Rhode Island ("ERSRI") Investment Committee
Date: February 19, 2026
Subject: Investment in L Squared Capital Partners V

Recommendation

StepStone recommends that the State Employees' Retirement System Investment Committee approve a commitment to L Squared Capital Partners V ("LSCP V", or the "Fund") of up to US\$50 million for ERSRI and up to US\$3 million for OPEB at the February 25th Investment Committee meeting.

This recommendation is made solely within the context of ERSRI and OPEB's investment guidelines and is given solely for the benefit of ERSRI and OPEB.

Key investment highlights supporting the opportunity are as follows:

- Cohesive and Experienced Leadership Team
- Active Growth Buyout Strategy with Specialization in Buy-and-Build Value Creation
- Strong Historical Performance and Track Record of Capital Preservation

Overview

L Squared Capital Partners ("L Squared," "LSCP," the "GP," or the "Firm") is a Lower Middle Market private equity firm based in Newport Beach, CA. The Firm is currently raising L Squared Capital Partners V ("LSCP V," "Fund V," or the "Fund") to make control investments in North American services businesses across three core sectors: education technology, tech-enabled services & software, and industrial technology & services (collectively, the "Core Sectors"). Within these target sectors, L Squared typically targets family and founder-owned businesses where the Firm is often the first source of institutional capital. L Squared will also seek to utilize a buy-and-build model and has demonstrated an ability to transform portfolio companies through M&A. Target opportunities are expected to require equity checks between US\$100-200 million in businesses with entry EBITDA of US\$5-30 million.

L Squared was founded in 2014 by Robert Healy and Jeff Farrero (together, the "Co-Founders") after spinning out from Chicago Growth Partners ("CGP"). Prior to the founding of L Squared, the Co-Founders had worked together at CGP and its predecessor firm, William Blair. Today, the Firm is led by Mr. Healy, Sean Barrette, Randall Hunt, and Adam Kimura (collectively, the "Managing Partners"), and two partners, Tyler Huez and Evan Brainerd (collectively, the "Partners"). Mr. Farrero transitioned to the role of Senior Partner in 2024.

Since inception, L Squared has raised four private equity funds, representing a combined US\$1.9 billion of commitments. Across all four funds, L Squared has deployed approximately US\$1.4 billion of invested capital in 22 platform investments and over 65 add-on investments, generating a gross TVM/IRR of 2.5x/37%, a net TVM/IRR of 2.2x/31% and a DPI of 1.2x with no losses, as of September 30, 2025.

L Squared is targeting US\$1.3 billion of capital commitments for Fund V but may raise above the target based on LP demand. The Fund has a five-year investment period and ten-year term with two one-year extensions. The management fee is 2% of commitments during the investment period. Five and a half years after the

Fund's effective date, management fees step down to 2% of the aggregate investment contributions less contributions for assets that have been disposed of or permanently written down. The Fund has an American waterfall with 20% carried interest over an 8% hurdle rate, 100% GP catchup, and a GP clawback. Fund V is targeting a first and final close in April 2026.

StepStone Due Diligence

StepStone's due diligence on the Fund was led by Natalie Walker, Viman Singh, Kaitlyn Schmid, Aaron Young, and Matt Lombardi, and supported by StepStone's broader private equity team. The Fund was reviewed and approved by StepStone's Investment Committee considering the context of the Employees' Retirement System of Rhode Island's private equity investment objectives. Key diligence items included:

- Consideration of portfolio fit within the ERSRI and OPEB Private Growth portfolio, including a review of other available opportunities
- Meetings with the Firm's senior investment professionals
- A review of the Firm's strategy and track record, including a review of drivers of historical returns
- Detailed operational due diligence

Disclaimer

This recommendation is given solely for the benefit of the Employees' Retirement System of Rhode Island and OPEB and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives and circumstances may not be the same as those of ERSRI's or OPEB's. The scope of this recommendation is limited to the investment thesis as previously outlined. StepStone does not provide legal or other non-related investment advice.

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