

Recommendation for NovaCap Technologies VII, L.P.

To: RISIC
Prepared: June 16, 2025
From: George Bumeder, Managing Director

The purpose of this memo is to provide the RISIC with a summary of Cliffwater's recommendation on NovaCap Technologies VII, L.P. Cliffwater has completed its investment due diligence and operational due diligence and recommends investments of up to \$30 million for ERSRI and \$2 million for OPEB as part of the respective portfolios' Private Equity allocations.

Summary of NovaCap Technologies VII, L.P.

Fund Overview: NovaCap Technologies VII, L.P. ("Technologies VII" or the "Fund") will pursue acquisitions of privately-owned middle market technology companies operating in Canada and the United States. The General Partner targets founder- and entrepreneur-led companies with strong organic growth opportunities as well as acquisition plans.

People and Organization: NovaCap (the "Firm") was formed in 1981 by Marc Beauchamp. The Firm invested through an evergreen fund structure for more than 19 years. The Firm raised a second fund in December 2000 which invested across different industry sectors. Starting with its third fund, the Firm organized separate vehicles for its Industries (manufacturing, consumer goods, business services, and distribution) and TMT practices. Both groups raised dedicated funds in 2007. NovaCap started a financial services investment effort in recent years, holding a first close on a financial services fund in 2019. In 2023, NovaCap split the TMT strategy, with telecommunications-related investments being made from a new Digital Infrastructure fund, allowing the Technologies funds to re-focus on profitable B2B technology-enabled, software, and media companies.

The Firm has 119 employees and is headquartered in Montreal, Canada. Pascal Tremblay leads the Technologies and Digital Infrastructure verticals and is also president and CEO of the Firm. Tremblay became managing partner of the group in 2010 and President and CEO of the Firm in 2013. David Lewin has been with NovaCap for 14 years and is the lead senior partner of the Technologies vertical. In addition to Tremblay and Lewin, partners including Eric Desrosiers, Samuel Nasso, David Brassard, Kristin Smith, and David Armstrong lead the day-to-day activities of Technologies. Stephane Tremblay (partner emeritus), as well as Ted Mocarski (senior partner and head of Digital Infrastructure) and Francois Laflamme (senior partner, Digital Infrastructure) will serve on the investment committee of Technologies VII. NovaCap has additional offices in Toronto and New York. The Firm has more than 50 "corporate" employees whose work supports the entire platform.

Investment Strategy and Process: Technologies VII will invest in 10 to 12 companies within the technology sector, specifically business-to-business companies in the middle market and lower-middle market across North America. NovaCap expects to initially invest between \$100 million to \$300 million in each platform company. Target companies are expected to have enterprise values ranging from \$200 million to \$500 million and be generating EBITDA ranging from \$15 million to \$75 million. The Fund will target companies operating within ad-tech, cybersecurity, enterprise solutions, HCIT, human capital management, industrial technology, vertical software, payments, and governance, risk & compliance subsectors. Deal teams typically consist of a lead partner, a supporting partner, a principal or vice president, and a combination of

Cliffwater clients, including Cliffwater advised commingled funds, may have co-invested with funds referenced in this memo in the past or may co-invest with these funds in the future. Cliffwater has recommended multiple prior funds of this manager. Multiple discretionary and non-discretionary clients may have invested in some or all of these opportunities. Certain clients have also made co-investments with these funds. This report reflects information only through the date hereof. Our due diligence and reporting rely upon the accuracy and completeness of financial information (which may or may not be audited by the fund manager) and other information publicly available or provided to us by the fund manager, its professional staff, and through other references we have contacted. We have not conducted an independent verification of the information provided other than as described in this report. Our conclusions do not reflect an audit of the investment nor should they be construed as providing legal advice. Past performance does not guarantee future performance. The information contained herein is confidential commercial or financial information, the disclosure of which would cause substantial competitive harm to you, Cliffwater LLC, or the person or entity from whom the information was obtained, and may not be disclosed except as required by applicable law.

two junior-level professionals. All new equity investment decisions are made by the investment committee which meets weekly. The Technologies investment committee includes the eight Technologies senior partners and partners, as well as the two Digital Infrastructure senior partners and the Firm's CFO.

Performance: In aggregate, NovaCap's four prior technologies funds have generated a total net return of 1.83 times invested capital, 23.6% net IRR, and a 1.2 times net DPI since 2007. Realized investments have generated a gross return of 3.6 times invested capital and a 33.4% gross IRR. Each of the Firm's three mature technologies funds has outperformed the Russell 3000 by more than 6%. Overall, NovaCap TMT has outperformed the public equity index by 8.2%. Each of the funds ranks in the first quartile or second quartile on two of three performance benchmarks compared to U.S. and Canada based buyout funds formed in the same vintage years.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund has a five-year investment period and ten-year term with three one-year extensions. Management fee is 2% of commitments during the investment period; thereafter, 2% of invested capital (including contributions for Partnership expenses and Partnership guarantees). The management fee is offset by 100% of all directors', transaction, management, investment banking, break-up, commitment, syndication, financing, monitoring, consulting, advisory, or similar fees (excluding fees paid to Operating Partners and Senior Advisors), and 100% of all placement agent fees and excess organizational expenses. The Fund has a 20% carry calculated on a fund-wide basis with a 100% catchup and a GP clawback.

Cliffwater Recommendation

Cliffwater recommends a commitment of up to \$30 million to the Fund as part of ERSRI's Private Equity allocation. Cliffwater also recommends a commitment of up to \$2 million to the Fund as part of OPEB's Private Equity allocation.