Recommendation for Meridiam Infrastructure North America IV, L.P.

To: RISIC
Prepared: October 9, 2024
From: George Bumeder, Managing Director

The purpose of this memo is to provide the RISIC with a summary of Cliffwater's recommendation on Meridiam Infrastructure North America IV, L.P. ("Fund IV" or the "Fund"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Funds as part of ERSRI and OPEB's Infrastructure allocations.

<u>Summary of Meridiam Infrastructure North America IV, L.P.</u>
Fund Overview: Meridiam Infrastructure North America IV ("Fund IV" or the "Fund") will invest in PPPs and highly contracted downside protected infrastructure investments in North America.

People and Organization: Meridiam was formed in 2005 by Thierry Déau and AECOM, a 45,000-employee global engineering, design, architecture, and construction services firm. Meridiam was formed as an AECOM subsidiary to initiate the investment, development, and management of European and North American core infrastructure assets using the Public Private Partnership ("PPP") structure. In 2006, AECOM sold a portion of its ownership in the Firm to Credit Agricole Private Equity ("CAPE"). In April 2012, the Meridiam partners acquired all of CAPE's interest in the firm. In December 2015, Meridiam acquired the remaining 30% interest in the firm held by AECOM; AECOM sold its remaining position to focus on its core engineering business. In April 2023, the firm announced that it had sold a 20% passive interest to Samsung Life Insurance. Partners and employees retain an 80% interest in the firm. Meridiam has been investing in long-term sustainable infrastructure globally for over 18 years and has evolved to include an integrated team of over 380 employees including ~130 portfolio company executives spread across 12 offices globally. The North American team includes ~50 professionals based in Washington DC. The Firm is headquartered in Paris, France. The North America team is led by Nicolas Rubio and Omri Gainsburg, CEO and COO of Meridiam Infrastructure North America Corp., respectively, under the supervision of Thierry Déau, MINA Corp's President and Meridiam's CEO. Rubio and Gainsburg lead a diverse team of ~30 investment professionals based in North America with the responsibility of deploying and managing the Fund. The Firm's investment professionals are organized around project sourcing, consortium and SPV development, and asset management. Professionals from each group will have varying responsibilities during each phase of project development and the project teams will include professionals across all specialties including origination and execution and asset management. In addition, there is an Investment Committee of six senior and longstanding members of the Meridiam team, including two independent members, that make decisions regarding the investment of the Fund.

Investment Strategy and Process: The Fund will focus on the development of new assets in the transportation, digital, energy transition, and social infrastructure sectors backed by PPPs. The Fund will seek to secure a majority of the junior or equity capital of an asset enabling the team to pursue a leading and/or active role in the management of each asset. Meridiam will invest in long dated, typically 30 or more years, PPPs, or other long-term contracts, with state and local or regional government entities. Meridiam will create a portfolio of 15-20 investments diversified by lower risk availability projects, generating higher risk and return, and secondary projects generating current yield. Projects requiring substantial development will represent the most important element of the Fund's investment strategy, both because Meridiam believes such projects offer the most attractive potential return relative to risk and also because the team believes it is a segment in which Meridiam has a material competitive advantage. Fund IV is targeting gross and net IRRs of 12% to 15% and 10% to 13% respectively. Average equity investment is expected to be $30 - $300 million, with an expected hold period of 20 years or more.

Performance: Meridiam has generated strong performance across its previous three North American infrastructure funds. All thirteen investments in Fund II are active and operational and are generating a net IRR of 15.2% and a net return of 2.9 times invested capital as of June 30, 2024. All six investments for Fund III are and are in various stages of development and generating a net IRR of 14.8% and a net return of 1.3 times invested capital as of June 30, 2024. As of June 30, 2024, Fund II and Fund III have outperformed the Dow Jones Brookfield Global Infrastructure Total Return (USD) by approximately 8.3% and 11.4% respectively on a net IRR basis.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards for this type of long-life infrastructure fund. Fund VI will have a 25-year term and will charge a management fee equal to 1.3% of total commitments during the five-year investment period. Thereafter, (i) until the 12th anniversary of the initial closing (the "Carried Interest Calculation Date"), 0.9% of invested capital, including debt used to make investments, plus amounts committed to make investments ("Net Equity Invested"), (ii) after the Carried Interest Calculation Date and until the 25th anniversary of the initial closing, 0.6% of Net Equity Invested, subject to a minimum of $2.5 million per year, and (iii) thereafter, 0.4% of net asset value. The management fee will be offset by (i) 80% of all project development fees, (ii) 100% of all specialized advisory, consulting, break-up, directors' and other similar fees (other than fees paid to Meridiam affiliates to provide executive management and administrative services), and (iii) 100% of all placement agent fees and excess organizational expenses. The Fund will also charge a carried interest of 15% on a fund-wide basis with a 7% preferred return and a 100% general partner catch-up, calculated on the 12th anniversary of the initial closing.

Cliffwater Recommendation

Cliffwater recommends an investment of up to $40 million to the Fund as part of ERSRI's Infrastructure allocation. Cliffwater also recommends an investment of up to $3 million to the Funds as part of OPEB's Infrastructure allocation.