

**Recommendation for Level Equity Growth Partners VI, L.P. and  
Level Equity Opportunities Fund 2025, L.P.**

To: RISIC  
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From: George Bumeder, Managing Director

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The purpose of this memo is to provide the RISIC with a summary of Cliffwater's recommendation on Level Equity Growth Partners VI, L.P. and Level Equity Opportunities Fund 2025, L.P. ("Fund VI" and "Opportunities Fund" or collectively as the "Funds"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Funds as part of ERSRI and OPEB's Private Equity allocations.

Summary of Level Equity Growth Partners VI and Level Equity Opportunities Fund 2025

*Fund Overview:* Fund VI will make growth equity investments in small-cap software and technology-enabled services companies. Investors in Fund VI can also make a commitment to the Opportunities Fund which will make follow-on investments in Fund VI companies where more capital is required than available in Fund VI. The Opportunities Fund charges a lower fee for such follow-on investments.

*People and Organization:* Level Equity Management, LLC was founded in 2009 by Ben Levin and George McCulloch (the "Founders") who were joined by Sarah Sommer. Levin and Sommer previously worked together at Insight Venture Partners ("Insight"), where Levin and McCulloch were managing directors and Sommer was a senior associate. Levin and Sommer currently serve as partners. Charles Chen, who was promoted to partner for Fund IV, joined Level Equity in 2013 as a vice president and had been subsequently promoted to principal and most recently, partner. Chen was previously a member of the infrastructure investment team at Technology Crossover Ventures and was a member of Morgan Stanley's Technology Investment Banking Group. During the investment period for Fund V, Gautam Gupta was promoted to partner. Gupta joined the Firm in 2015, and before making partner was promoted to principal with the launch of Fund IV. Prior to Level Equity, Gupta was a vice president of Vista Equity Partners, and was a member of Merrill Lynch's Technology Mergers & Acquisitions team. The four equity-focused partners have an average of 19 years of private equity experience and an average tenure of 13 years at Level Equity. The senior team has invested together for the majority of their professional careers creating a consistency and common understanding of the profile of ideal target investments in small, fast-growing companies. The four partners are supported by three principals, four vice presidents, four senior associates, four associates, and six analysts.

*Investment Strategy and Process:* Level Equity will pursue growth equity investments in lower middle-market companies based primarily in North America, with a select ability to invest in Europe and Australia. Level Equity's target sectors are technology, mainly enterprise software providers, and technology-enabled services. The Firm specifically targets companies that are growing topline revenue by a CAGR of at least 25%, have gross margins of at least 80%, are capital efficient, have asset light business models, have a high degree of recurring revenue and operate in fragmented, expanding markets. Level Equity proactively sources investment opportunities through its outbound sourcing engine. Fund VI will target equity investments of \$10 million to \$50 million. The fund may opportunistically consider investments in larger companies. The Firm plans to create a portfolio of 15 to 25 investments, including both majority positions and minority positions. Level Equity will seek strong minority protection rights in non-control deals.

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*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.*

The Opportunities Fund will invest in follow-on investments in existing Level Equity portfolio companies in which the flagship fund is fully allocated. The fund will invest in high-quality, rapidly growing companies from the Level portfolio that are seeking financing to generate further growth or companies which are generating secondary opportunities. The fund is expected to invest in five to ten companies.

*Performance:* As of June 30, 2024, Level Equity has generated a total net return of 1.77 times paid-in capital, distributed 0.69 times paid-in capital to limited partners, and generated a combined net IRR of 20.2% since inception. Including recycled capital, Level Equity has generated a net return of 1.86 paid-in capital and distributed 0.66 times paid-in capital to limited partners. Collectively, Level Equity's funds have outperformed the Russell 2000 Growth Total Return Index by 10.9%. Each of Level Equity's funds have outperformed the index, except for LEOF 2015. Half of Level Equity's funds, including their four most recent funds, rank in the top quartile across various return metrics relative to the Cambridge Associates private equity universe for the corresponding vintage year.

*Investment Terms:* Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. Fund VI will have a 10-year term and will charge a management fee equal to 2.25% of total commitments during the six-year investment period and 2% of invested capital plus outstanding fund-level debt thereafter. The management fee will be offset by 100% of all transaction, investment banking, break-up, advisory, monitoring, directors' and other similar fees and 100% of all placement agent fees and excess organizational expenses. First close investors (including the State of Rhode Island) will receive a discount to the management fee during the commitment period equal to 10 bps for commitments less than \$25 million, 15 bps for commitments between \$25 and \$75 million, 20 bps for commitments between \$75 and \$175 million, and 25 bps for commitments greater than \$175 million. It will also have a 20% carry on deal-by-deal basis, subject to an 8% preferred return and an 80/20 GP/LP catch-up, along with a claw-back. The Opportunities Fund will have a more favorable fee structure. It will have a 10-year term and will charge a management fee equal to 1% of invested capital plus outstanding fund-level debt. It will also have a 20% carry on deal-by-deal basis, subject to an 8% preferred return and an 80/20 GP/LP catch-up, along with a claw-back.

#### Cliffwater Recommendation

Cliffwater recommends an investment of up to \$40 million to the Funds as part of ERSRI's Private Equity allocation split 75% (\$30 million) to Fund VI and 25% (\$10 million) to the Opportunity Fund. Cliffwater also recommends an investment of up to \$1 million to the Funds as part of OPEB's Private Equity allocation, split 75% (\$750k) to Fund VI and 25% (\$250k) to the Opportunity Fund.