

Recommendation for Riverside Micro Cap Fund IV-B, L.P.

To: RISIC
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The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on Riverside Micro Cap Fund IV-B, L.P. ("RMCF IV-B" or the "Fund"). Cliffwater has completed its investment due diligence, and previously completed its operational due diligence RMCF Fund V and the Firm, and recommends the Fund as part of ERSRI's Private Equity allocation.

Summary of RMCF IV -B

Fund Overview: Riverside Micro Cap Fund IV (RMCF IV-Primary) is a growth buyout fund targeting small companies in the U.S. The investment in RMCF IV-B is a quasi-secondary transaction in RMCF IV-Primary. RMCF IV-B will be investing in follow-on investments in companies RMCF IV-Primary. ERSRI has previously committed to RMCF III and RMCF V.

People and Organization: The Riverside Company ("Riverside" or the "Firm") was formed in 1988 and is owned by its founders, Stewart Kohl and Bela Szigethy, as well as an affiliate of Parkwood LLC, a Cleveland-based asset management firm. The Micro-Cap fund strategy was established in 2005 by Loren Schlachet, the current fund manager ("RMCF"). Supporting the Fund are 26 investment professionals and 28 operating and finance professionals.

Investment Strategy and Process: RMCF IV-Primary makes control oriented investments in companies generating up to \$7 million of EBITDA. The Fund invests in growing businesses that are expected to scale to at least \$10 million of EBITDA during a five year ownership period. As the team has done historically, RMCF will work with company management to build businesses through both organic growth and add-on acquisitions. The broader Firm resources including the Riverside origination team will be key to finding appropriate add-on acquisitions. The Fund focuses the core sectors of business services, consumer branded goods, education and training, healthcare, and software and IT services.

RMCF IV-B is expected to deploy 80% of its capital to finance add-on acquisitions to RMF IV-Primary portfolio companies. Approximately 20% will provide support to Fund IV portfolio companies. As of January 30, 2020, \$48 million of the \$57.3 million deployed financed two portfolio companies to fund add-on acquisitions. There is a potential incremental equity need of \$231 million for the RMCF IV-Primary portfolio. Up to \$150 million will be drawn from RMCF IV-B. Additionally, there is \$8.7 million of uncalled RMCF IV-Primary capital and \$65 million available through the RMCF IV-Primary recycling provision. The two vehicles will invest in portfolio companies on a basis that is pro rata to available capital in RMCF IV-Primary and RMCF IV B.

Performance: As of September 30, 2019, RMCF IV-Primary generated a net IRR of 15% and a net return of 1.3 times paid-in capital. The fund includes 13 active investments. The fund has generated no proceeds to investors since its inception.

Investment Terms: The term of RMCF IV-B is parallel to the term of RMCF IV-Primary, ending on the tenth anniversary of the Fund IV final closing which is August 31, 2026, plus three one-year extensions. There is no management fee associated with Fund IV-B. 100% of all transaction, monitoring, advisory, investment banking, directors', break-up, and other similar fees ("Fee

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Income”) will be distributed to the partners of the Partnership. The Fund will charge a 20% carried interest.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$20 million to RMCF IV-B, L.P. as part of ERSRI's Private Equity allocation.