

Recommendation for Arlington Capital Partners VII

To: RISIC
Prepared: August 18, 2025
From: George Bumeder, Managing Director

The purpose of this memo is to provide the RISIC with a summary of Cliffwater's recommendation on Arlington Capital Partners VII. 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 Arlington Capital Partners VII

Fund Overview: Arlington Capital Partners VII (the "Fund") will pursue control oriented leveraged buyouts of companies in regulated industries, largely based in North America. The Fund's target sectors include aerospace & defense, government services & technology, and healthcare.

People and Organization: Arlington Capital Partners (the "Firm") was founded in 1999. Since inception, the Firm has been operating out of the greater Washington D.C. area. Arlington was formed to focus on acquiring companies in US government regulated and adjacent markets. Over time, the investment strategy has been refined to focus exclusively on three core verticals: aerospace and defense, government services and technology, and healthcare. Arlington has raised \$7.7 billion of committed capital across six buyout focused vehicles. The Firm has not launched any other investment strategies and does not plan to in the foreseeable future. In November 2020, Arlington sold a passive, minority, non-voting position in the economic interests in the management company and the general partner entities of certain of its funds to Petershill Partners, a division of Goldman Sachs. Arlington's four current managing partners own the majority of the Firm and manage it as part of the operating committee.

Arlington is currently led by its four managing partners: Matthew Altman, Michael Lustbader, Peter Manos, and David Wodlinger. The four partners share the responsibility of managing the overall direction of the Firm, alongside Brian Foist. Foist serves as both the CFO and CCO (Chief Compliance Officer); his primary responsibility is to manage the Firm's non-investment-related operations. Matthew Altman, Michael Lustbader, Peter Manos and David Wodlinger, form the Fund's Investment Committee ("IC") and within this capacity, are responsible for overseeing and managing all investment and risk management activities of the funds. The managing partners each concentrate on one of Arlington's three core sectors; Altman focuses on healthcare, Manos on aerospace and defense, and Lustbader and Wodlinger both focus on government services and technology.

Investment Strategy and Process: Arlington Capital completes control oriented leveraged buyouts of companies in regulated industries, largely based in North America. Fund VII will primarily target middle market to upper middle market businesses, with between \$200 million to \$1.5 billion of enterprise value. Equity deployed per investment can range from \$200 million to \$500 million. One of Arlington's primary value creation levers is to complete add-on acquisitions, which can create a large range of equity capital deployed per portfolio company. Fund VII is expected to create a portfolio of 13 to 15 platform companies and expects to complete several add-on acquisitions for each portfolio company. Arlington does not have specific allocation targets between its three core sectors, but limited partners should expect meaningful exposure to all three sectors. Arlington has developed a multifaceted sourcing engine that primarily acquires companies from financial intermediaries but also has the capability to source proprietary deals. Due to its

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narrow focus and strong network, Arlington is often invited to participate in more limited auction processes where the seller is only contemplating a sale to a handful of relevant potential buyers. Deal teams typically consist of a partner or managing partner and two other investment professionals. There are several factors considered when evaluating a prospective investment including industry dynamics, potential for add-on acquisitions, competition, management capabilities, customer dynamics, regulatory environment, financial performance, differentiation, ESG considerations, and exit potential.

Performance: In aggregate, Arlington's six prior funds have generated a combined net return of 1.81 times invested capital, a net IRR of 16.3%, and a net DPI of 0.71 times invested capital. Notably, since the Firm revised its strategy starting in Fund III, the three mature funds since that time, Fund III through Fund V, are generating net returns of 2.1 times or greater and net IRRs of 21% or greater. Collectively, the Firm's funds have outperformed the Russell 3000 index by 7.5%. Each of the funds has outperformed the public index except for Fund VII, which is still in its investment period.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund has a six-year investment period and ten-year term with two one-year extensions with the consent of the Advisory Committee. Management fee for Class A limited partners is 2.0% of capital commitments during investment period; thereafter, 1.5% on invested capital. Management fee for Class B limited partners is 1.75% of capital commitments during investment period; thereafter, 1.5% on invested capital. The management fee is offset by 100% of all commitment, breakup, closing, investment banking, placement, monitoring, consulting, directors' and other similar fees (other than fees paid for services in the ordinary course of business or as an employee of or in a similar capacity for a portfolio company), and 100% of all placement agent fees and excess organizational expenses. The incentive fee is: for Class A limited partners, 20% on a deal by deal basis with an 8% preferred return; for Class B limited partners, on a deal by deal basis, (i) 20% with an 8% preferred return until distributions plus the limited partners' capital account balances reach 2x contributions and a 15% IRR, then (ii) a 100% catch-up until the General Partner receives 25% of all profits, and then (iii) 25% thereafter. Both partnership classes have a clawback provision.

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.