

ClearLake Advisors, L.L.C.

Part 2A of Form ADV

Brochure

201 San Anselmo Avenue
San Anselmo, California 94960
Telephone: (415) 456-8324
Facsimile: (415) 456-6130
www.clearlakeadvisors.com

March 2012

This brochure provides information about the qualifications and business practices of ClearLake Advisors, L.L.C. ("ClearLake"). If you have any questions about the contents of this brochure, please contact us at (415) 456-8324. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about ClearLake also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

ClearLake's most recent update to Part 2 of Form ADV was made in March 2011. ClearLake's business activities have not changed materially since the time of that update. ClearLake recommends that clients and investors carefully review this brochure.

Table of Contents

Material Changes.....	2
Table of Contents.....	2
Advisory Business.....	2
Fees and Compensation.....	3
Performance-Based Fees and Side-by-Side Management.....	4
Types of Clients.....	5
Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Disciplinary Information.....	7
Other Financial Industry Activities or Affiliations.....	7
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	7
Brokerage Practices.....	8
Review of Accounts.....	8
Client Referrals and Other Compensation.....	9
Custody.....	9
Investment Discretion.....	9
Voting Client Securities.....	9
Financial Information.....	9

Advisory Business

Clearlake Advisors, L.L.C. ("ClearLake") manages investment advisory accounts, and in certain instances also provides investment supervisory services, on a non-discretionary basis on behalf of high net worth individuals, families, foundations, and trusts (and business entities formed by them for their investment purposes). ClearLake has been registered with the SEC as an investment adviser since 2005, and began conducting business in 2006.

ClearLake is owned by Christopher J. Podoll, its President and Manager from 2005 to present. Mr. Podoll has over twenty years of experience managing private wealth, with a primary focus on alternative assets, including hedge funds, private equity, venture capital and real estate. Mr. Podoll is also a trustee of multiple trusts for a wealthy family, and he has over fifteen years of experience serving in that capacity and overseeing the operations of the family's office. Mr. Podoll graduated from the University of Washington School of Business in 1978, and earned his C.P.A the same year.

Before a client retains ClearLake for investment advisory services, ClearLake and the potential client engage in an extensive interview process and discussion during which client investment objectives are determined. Clients may impose reasonable restrictions

on the ways in which their accounts are managed. Upon engagement, each portfolio is determined on an individual basis in accordance with the client's investment objectives, any restrictions imposed by the client, and ClearLake's investment approach.

For certain clients, ClearLake may recommend investments in various privately offered securities such as hedge funds, private equity funds, venture capital funds, and real estate funds. These funds offer various investment strategies including global macro, long/short, market neutral, emerging market, debt, and real estate. ClearLake regularly evaluates available funds and recommends the allocation and reallocation of assets among them as appropriate for each client given prevailing market conditions and client risk preferences. ClearLake provides comprehensive asset and performance reports.

Incidental to its business of providing securities or other investment advice, ClearLake may recommend to certain of its qualified clients that they invest in hedge funds which are commodity pools. ClearLake does not hold itself out as a commodity trading advisor, and ClearLake is currently exempt from registration as a commodity trading advisor because it only recommends these type of investments to certain of its clients whose managers are exempt from registration as commodity pool operators.

ClearLake does not currently participate in any wrap fee programs.

As of December 31, 2011, ClearLake was providing non-discretionary investment advice in respect to client assets worth \$186,586,000. ClearLake does not currently manage any client assets on a discretionary basis.

Fees and Compensation

Typically clients are charged an annual fee stated as a percentage of assets managed or advised by ClearLake. ClearLake does not have a fee schedule but it has charged fees as a percentage of assets up to 2.0% annually. Investment advisory fees are established by negotiation between ClearLake and each client separately.

Clients are generally billed an advisory fee each calendar quarter in advance based on the market value of the assets in the account (including net unrealized appreciation or depreciation of investments, and cash, cash equivalents and accrued interest) on the last business day of the preceding calendar quarter. If a new client account is established during a quarter or a client makes an addition to its account during a quarter the fee will be charged as of the effective date of the investment management agreement or the date of the additional contribution based on the value of the assets as of the applicable date and will be prorated for the number of days remaining in the quarter.

ClearLake may also charge certain of its clients a fixed fee. ClearLake does not have a fee schedule, and any fixed fee is negotiable. Fixed fees are billed each calendar quarter in advance, and are prorated for any partial period.

Finally, ClearLake may charge certain of its clients a fee based on the investment performance of an account (including net unrealized appreciation or depreciation of investments, and cash, cash equivalents and accrued interest). ClearLake does not have a fee schedule for performance-based fees, which are negotiable. In order for a client to be charged a performance-based fee, the client must either have a net worth of \$2,000,000 or at least \$1,000,000 under management with ClearLake. Any performance-based fee is billed annually based on the investment performance during the preceding calendar year or applicable portion thereof.

In addition to paying fees to ClearLake, clients will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by any investment advisers to any funds in which the client invests) associated with products or services that may be necessary or incidental to such investments or accounts. Please refer to the section of this brochure entitled "Brokerage Practices" (below) for a discussion of ClearLake's brokerage practices. Client assets may be invested in pooled investment vehicles. In these cases, the client will bear its *pro rata* share of the underlying fund's operating and other expenses including, in addition to those listed above: sales expenses and legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses. Client assets may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the client will bear its *pro rata* share of the investment management fee and other fees of the fund, which are in addition to the fees paid to the ClearLake.

Either the client or ClearLake may terminate the investment relationship at any time upon thirty (30) days' prior written notice to the other party. In the event the advisory relationship between the client and ClearLake is terminated during a calendar quarter, ClearLake will calculate and refund any unearned fees (prorated for the days remaining in the calendar quarter).

Performance-Based Fees and Side-by-Side Management

ClearLake provides investment management services to multiple clients. ClearLake receives performance-based fees from certain of its clients, while certain of its clients pay only asset-based or fixed fees, which are non-performance-based fees. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. Because ClearLake manages more than one client account, a potential exists for one client account to be favored over another client account.

The receipt of performance-based fees from certain client accounts creates conflicts of interest. ClearLake can potentially receive higher fees from accounts with a performance-based compensation structure than from accounts that pay only an asset-based fee. Therefore, there is a financial incentive to allocate limited investment opportunities to those clients whose fees are based on the performance of their accounts. The receipt of

performance-based fees also creates a conflict of interest because it creates an incentive for ClearLake to recommend investments that are riskier or more speculative than would be the case if there were no performance-based fee.

ClearLake has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts (including accounts with multiple fee arrangements) and the allocation of investment opportunities. ClearLake reviews investment recommendations for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, ClearLake's procedures relating to the allocation of investment opportunities require the objective allocation, to the extent operationally and otherwise practical, of limited investment opportunities (such as initial public offerings and private placements) to each client over a period of time on a fair and equitable basis relative to its other clients. These areas are monitored by ClearLake's Chief Compliance Officer.

Types of Clients

Clearlake's clients consist of high net worth individuals, families, foundations, and trusts (and business entities formed by them for their investment purposes). In general, ClearLake does not accept individual accounts or groups of related accounts that have an initial value of less than \$50,000,000. ClearLake may set higher or lower standards for minimum account size depending on circumstances believed by it to be relevant, such as historic relationships with ClearLake or others, expectations of future additions to the account or other circumstances.

Methods of Analysis, Investment Strategies and Risk of Loss

ClearLake develops customized investment recommendations for each client based on a variety of factors. ClearLake meets with each client to understand its financial objectives and risk tolerances. Chief among these considerations are reviewing current and prospective clients' risk/return goals and liquidity requirements. For those clients for whom ClearLake provides investment supervisory services, ClearLake also considers tax status, generational planning, and charitable giving. These key factors establish the client mandate and inform ClearLake's investment recommendations.

ClearLake specializes in developing customized alternative investment portfolios. ClearLake's core strength is finding and developing relationships with highly talented hedge fund and private equity managers based on its experience, industry contacts, and ongoing due diligence. Managers are analyzed on the basis of several factors, most importantly among them:

- ***Investment Style.*** ClearLake generally avoids making strong macroeconomic judgment calls, preferring to diversify risk among several different investment strategies. A preference is generally reserved for managers who execute primary due diligence based on fundamental analysis.

- **Risk Controls.** Managers must demonstrate a clear understanding of the risk factors that affect their business and investment returns, and point to appropriate systems designed to mitigate these risks. Examples may include trading limits, execution restrictions, disaster recovery plans, insider trading policies, risk management staff, and back-office systems.
- **Manager Background & Team.** This includes an objective understanding of past results at current and previous firms as well as a subjective review of educational background, lessons learned, personality characteristics, team dynamics, and a passion for the business that will be favorable to success. An alignment of financial interests is viewed as a critical factor.
- **Organizational Stability & Ethics.** Key considerations include the ability to retain top talent and the demonstration of responsible stewardship of capital by conducting business with the highest ethical standards and with trusted service providers.

Portfolios are constructed from the most promising managers with a view to maintaining appropriate levels of diversification. Ongoing communication and due diligence with current managers is essential to assess changing market and organizational conditions.

On occasion, and in accordance with a given mandate, ClearLake may recommend investments in other asset classes, including stocks, mutual funds, ETFs, bonds, commodities, real estate assets, or derivatives for the purpose of hedging a specific risk or taking advantage of a market opportunity. These investments are generally less frequent and are analyzed on a case by case basis with respect to a given mandate.

Investing in hedge fund and private equity managers can involve a high degree of risk, which may result in partial or total loss of client capital. Despite the best efforts of ClearLake to minimize and mitigate these risks, clients will be exposed to the following main risk factors:

- **Illiquidity.** Fund interests can have restrictive liquidity, and are usually not traded on a secondary market. This can make exiting a position difficult or impossible, particularly in times of market distress.
- **Concentration.** Managers often take concentrated positions and/or positions with limited liquidity that could result in greater-than-average market risk and volatility.
- **Leverage.** Managers may utilize leverage which can amplify gains or losses.
- **No Regulation or Transparency.** Managers may not be required to register with a regulator, nor provide transparency or regular pricing information to investors on their portfolios.
- **Key Man.** In many instances, fund performance relies heavily on a single key manager.

ClearLake believes these risks can be significantly reduced through active involvement in the selection and ongoing review of managers.

Disciplinary Information

Neither ClearLake nor its management personnel have any reportable disciplinary events to disclose that would be material to a client's evaluation of ClearLake or its personnel.

Other Financial Industry Activities and Affiliations

Neither ClearLake nor its management personnel are affiliated with, or have any material relationship or arrangement with, any registered broker dealer, registered futures commission merchant, registered commodity pool operator, registered commodity trading advisor, investment company or other pooled investment vehicle, banking or thrift institution, other investment adviser or financial planner, or other similar financial industry participants. ClearLake does not recommend or select other investment advisers for its clients; provided, however, ClearLake may recommend the investment of client assets in hedge funds or other pooled investment vehicles which have their own investment advisers. In these cases, the client bears its *pro rata* share of the operating expenses of the underlying funds in which the client invests, including any investment advisory fees paid by the funds to their advisers.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

ClearLake has adopted a Code of Ethics (the "Code") that includes policies and procedures governing the conduct of ClearLake's officers and employees (collectively the "Employees"). Among other things, the Code requires Employees to:

- Act as fiduciaries, placing the interests of clients ahead of the interests of ClearLake and its Employees. For example, an Employee should not invest for himself in a security of limited availability that is appropriate for a client without first considering that investment for the client.
- Avoid taking inappropriate benefits. The receipt of investment opportunities or gifts from persons seeking business with ClearLake could call into question the exercise of independent judgment on behalf of a client. Accordingly, Employees may only accept such items in accordance with the limitations of the Code.
- Periodically report personal securities transactions, and obtain pre-clearance before personally trading certain types of securities.
- Comply with applicable securities laws. Employees are prohibited from improperly disclosing or using material non-public information for their own benefit or the benefit of any other person, including any client.
- Seek advice from the Chief Compliance Officer when in doubt about the propriety of any action.

A copy of ClearLake's Code of Ethics is available to current and prospective clients upon request.

ClearLake recognizes that the personal investment transactions of its Employees demand the application of a high code of ethics and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, ClearLake believes that if investment goals are similar for clients and for Employees, it is logical that there be a common ownership of some securities. In order to address conflicts of interest, ClearLake has adopted a set of procedures with respect to transactions effected by its Employees for their personal accounts. In order to monitor compliance with its personal trading policy, all Employees are required to file quarterly securities transaction reports.

Christopher J. Podoll, President, Manager, and Owner of ClearLake, acting individually or through his pension plan or other family-owned entities, co-invests along with certain clients of ClearLake in certain investments recommended by ClearLake to those clients. Mr. Podoll co-invests by acquiring partnership interests or other ownership interests in certain investment entities which are clients of ClearLake. (These investment entities are typically formed by certain clients of ClearLake to facilitate their investments.) By investing in this manner, Mr. Podoll's interests in the investments are necessarily disclosed to such clients, who control the investment entities and consent to his participation. All transaction orders are aggregated (in light of the co-investment through the client-controlled entity), and the expenses of the underlying funds in which the investments are placed are shared proportionately by Mr. Podoll and the co-investing ClearLake clients. The clients understand that Mr. Podoll's participation may conflict with their interest in acquiring a larger percentage of any limited investment opportunity, but they value his co-investment because it demonstrates his confidence in the investments recommended by ClearLake and aligns his interests with their interests. From time to time, Mr. Podoll may make capital contributions to or withdrawals from such investment entities, resulting in adjustments in his partnership percentages or other ownership interests in such entities, such that Mr. Podoll may be deemed to be buying securities for himself from or selling securities he owns to such clients. Again, any conflict of interest is addressed by disclosing the proposed contribution or withdrawal, and obtaining the client's prior written consent.

Brokerage Practices

ClearLake does not recommend brokerage firms. ClearLake does not receive any benefits from any broker-dealer. In particular, ClearLake does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Review of Accounts

Client assets and accounts are continuously monitored by ClearLake to ensure the advisory services provided to the client are consistent with the client's stated investment needs and objectives, with due consideration of prevailing market conditions. Matters reviewed include specific securities held, adherence to any investment guidelines, and the performance of client accounts. Reviewers include: Christopher J. Podoll, President and

Manager of ClearLake; Benjamin D. Podoll, Managing Director; and Kai A. McFarland, Investment Analyst and Chief Compliance Officer.

ClearLake offers to meet with its clients at least annually to review their accounts and give a progress report, including a consideration of investment policy, strategy, holdings, liquidity, and performance. Significant market events affecting the price of one or more securities in a client's account, or changes in the investment objectives or guidelines of a particular client, may trigger more frequent client meetings.

ClearLake provides its clients with written reports at least quarterly. The reports include a summary of assets, gain or loss generated by the portfolio, and performance measured against an appropriate index. Such reports may be delivered electronically to the client.

Client Referrals and Other Compensation

ClearLake does not currently solicit clients. ClearLake neither compensates any third parties for client referrals, nor receives any compensation from third parties in connection with the provision of investment advice to clients.

Custody

ClearLake does not have custody of client funds or securities. Clients should receive at least quarterly statements from the custodian that holds or maintains the client's investment assets. ClearLake urges clients to carefully review such statements.

Investment Discretion

ClearLake manages accounts on a non-discretionary basis. ClearLake makes investment recommendations and it is up to each client to accept the recommendations and purchase, hold or sell the investments.

Voting Client Securities

ClearLake does not vote client securities. ClearLake makes recommendations to its clients, and it is up to each client to execute the vote. Clients should receive their proxies or solicitations directly from their issuers, custodians or transfer agents. ClearLake is available to answer any questions regarding any particular vote, and ClearLake urges clients to call Christopher J. Podoll at (415) 456-8324 if they have any questions.

Financial Information

ClearLake has no additional financial circumstances to report.