



**CLEARLAKE CAPITAL GROUP, L.P.**

**Form ADV Part 2A**

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This brochure provides information about the qualifications and business practices of Clearlake Capital Group, L.P. ("Clearlake", "we" or "us"). If you have any questions about the contents of this brochure, please contact us at 310-400-8800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Clearlake is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 MATERIAL CHANGES**

This Brochure is Clearlake’s first Form ADV Part 2A submitted to the SEC following Clearlake’s registration under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). In the future, this section of the Brochure will identify and discuss the material changes that have been made to the contents of this document.

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#### ITEM 4 ADVISORY BUSINESS

Clearlake Capital Group, L.P. (together with its related persons, “Clearlake”), a Delaware limited partnership formed in 2007, is an investment adviser that provides advice to privately offered investment funds that focus on making distressed and special situations investments in small and medium-sized companies. Clearlake was founded, and is principally owned, by Steven C. Chang, Behdad Eghbali and Jose E. Feliciano (the “Principals”). The Principals hold their investments in Clearlake through its general partner, CCG Operations, LLC.

Clearlake provides investment advisory services to the following privately offered investment funds:

- Clearlake Capital Partners I, L.P. (“Fund I”);
- Clearlake Capital Partners II, L.P., its parallel fund Clearlake Capital Partners II (Offshore), L.P., and their master fund, Clearlake Capital Partners II (Master), L.P., and their alternative investment vehicles Clearlake Capital Partners II (ECI), LLC and Clearlake Capital Partners II (AIV G), L.P. (together, “Fund II” and together with Fund I, the “Funds”); and
- Clearlake Capital Partners I Co-Investment Fund, LLC, Clearlake Capital Partners II Co-Investment Fund II, LLC, and Clearlake Capital WGM, LLC (together, the “Co-Investment Funds” and together with the Funds, the “Clients”).

Clearlake provides investment advisory services directly to Fund I and Clearlake Capital Partners I Co-Investment Fund, LLC and provides investment advisory services to Fund II, Clearlake Capital Partners II Co-Investment Fund II, LLC and Clearlake Capital WGM, LLC through its subsidiary Clearlake Capital Management II, L.P. Additionally, a related person of Clearlake acts as general partner of each Fund, and Clearlake or a related person acts as a non-member manager of each Co-Investment Fund.

As of December 31, 2011, the aggregate capital commitments to the Clients totaled \$599 million, all of which is managed by Clearlake on a discretionary basis. Clearlake does not manage any Client assets on a non-discretionary basis.

#### ITEM 5 FEES AND COMPENSATION

##### *Compensation and Fee Schedules*

Clearlake is compensated for its services by each of the Funds through the payment of a management fee of up to 2% per annum of capital commitments or actively invested capital (“Management Fees”) pursuant to the applicable private placement memorandum, organizational documents and other related documents of the particular Client (collectively, the “Fund Documents”). These Management Fees are typically charged quarterly in advance and are paid directly from the Funds’ assets. Management Fees are payable

quarterly in advance and are pro rated for any period that is less than a full three-month period.

Each of the Funds is subject to a carried interest between 10% to 20% of profits on distributions attributable to the disposition of an investment in a portfolio company, together with any dividends or interest income with respect to such investment (after an 8% preferred return to the investors in the Fund) payable to the general partner of the Fund (the “Carried Interest”). The Carried Interest is separate and distinct from the Management Fees paid to Clearlake for advisory services.

All Management Fees and Carried Interests are negotiated with the Funds’ investors during the fund raising period of the applicable Fund. The Management Fees and Carried Interests may be waived or reduced at the discretion of Clearlake for certain limited partners. Clearlake does not receive Management Fees or Carried Interest for its services from the Co-Investment Funds.

In accordance with common industry practice, one or more of the Funds’ general partners may enter into “side letters” or similar agreements with certain investors pursuant to which the general partner grants the investor specific rights, benefits, or privileges that are not made available to investors generally.

All investors and prospective investors should review the Fund Documents of each Client in which they have invested or intend to invest in conjunction with this brochure for complete information on the fees and compensation payable with respect to a particular Client.

Clearlake’s services may be terminated by any of the Clients as set out in the applicable Fund Documents. Upon termination, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

The nature and amount of compensation paid to Clearlake by a Client or an investor may differ from that paid by other Clients or investors, even those investing in similar investments.

#### *Other Fees and Expenses*

The Clients will bear legal, organizational, offering and travel expenses incurred in the formation of the Client and related advisors, up to a specified dollar cap. The Clients will also pay all other expenses attributable to the activities of the Client (collectively, “Operating Expenses”) including, without limitation: (i) expenses incurred in connection with the evaluation, acquisition or disposition of investments, including private placement fees (which may be offset on a dollar for dollar basis against the Management Fee otherwise payable by the Funds and investors), sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, and legal, accounting, investment banking, consulting, information services and professional fees; (ii) expenses incurred in connection with the carrying or management of investments, including custodial, trustee, record keeping and other administration fees; (iii) expenses incurred in connection with the Client’s financial statements, tax returns, K-1’s and other communications with partners including

expenses incurred in connection with providing the limited partners access to a database or other forum hosted on a website designated by the general partner; (iv) attorneys' and accountants' fees and disbursements; (v) taxes and other governmental charges levied against the Client; (vi) insurance (including in respect of errors or omissions of the general partner, the manager, Clearlake, their affiliates and related entities, and any other persons acting on behalf of the Client), regulatory or litigation expenses (and damages), including regulatory expenses of the general partner, the manager and Clearlake; (vii) expenses incurred in connection with the winding up or liquidation of the Client; (viii) expenses relating to defaults by limited partners in the payment of any capital contributions; (ix) out-of-pocket expenses for transactions not consummated; (x) expenses incurred in connection with any restructuring or amendments to the constituent documents of the Client and related entities, including the general partner, the manager and Clearlake; (xi) expenses incurred in connection with the formation of alternative investment vehicles to the extent permitted under the Fund Documents; and (xii) expenses incurred in connection with distributions to the limited partners and in connection with any meetings with partners called by the general partner.

Certain Funds will also bear (x) other expenses that are approved by the Fund's advisory board (which is comprised of representatives of certain investors in certain Funds), and (y) certain expenses incurred by Clearlake or a related person in connection with the use of external professionals in connection with Fund investment activities (such expenses may also be borne by Clearlake and reimbursed to the extent that there is Fee Income (as defined below)).

The expenses borne by each of the Clients are more fully described in the applicable Fund Documents.

The section titled "Brokerage Practices" describes the factors Clearlake considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

#### *Transaction-Based Compensation*

From time to time, Clearlake or its affiliates or supervised persons may receive transaction fees, advisory fees, directors' fees, investment banking fees, break-up fees or other similar fees realized with respect to investments or proposed investments by a Client ("Fee Income"). These fees are not always based on an exit or sale of an investment. Accordingly, Clearlake may receive such fees when a Client does not ultimately profit from an investment. Fee Income will first be applied to unreimbursed out-of-pocket expenses related to the applicable transaction and any unreimbursed out-of-pocket expenses relating to transactions not consummated. In Fund I, 100%, and in Fund II, 80%, of the remaining portion of the Fee Income is used to reduce the Management Fees otherwise payable by an identical amount. Complete information regarding the use and distribution of Fee Income is found in the Fund Documents.

## ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

### *Performance-Based Fees*

As described under “Fees and Compensation” above, each of the Funds is subject to a Carried Interest based on the investment performance of Fund I and Fund II. The Carried Interest may create an incentive for Clearlake to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Clearlake seeks to address these conflicts through careful vetting of investment opportunities by its investment professionals and the full disclosure of investments to the limited partners by way of capital call notices and quarterly and annual reports. Additionally, the Principals and other Clearlake investment professionals invest, directly and indirectly, in certain Funds in an effort to align Clearlake’s and the Funds’ interests. Upon the final liquidation of a Fund, the general partner of each Fund may be required to contribute the relevant amount to the Fund for distribution to the investors to the extent that it has received cumulative distributions of Carried Interest to which it was not otherwise entitled on an aggregate basis.

### *Side-by-Side Management.*

Subject to the investment by the relevant Fund of a specified portion of the Fund’s capital commitments, Clearlake may commence the operation of another pooled investment fund with overall objectives substantially similar to those of the existing Clients. In the event that a successor pooled investment fund is making investments at the same time as a predecessor Fund, Clearlake will allocate investment opportunities between such Funds in a fair and equitable manner.

From time to time, Clearlake may provide concurrent advisory services to Clients, including the Co-Investment Funds, that charge different Carried Interests, Management Fees or other types of compensation. The potential for Clearlake’s related persons to receive greater Carried Interest or Management Fees may create a conflict of interest with respect to the allocation of investment opportunities, as Clearlake may have an incentive to allocate investments in favor of the account that pays a higher performance fee or allocation.

Clearlake may also face a conflict of interest when (1) the actions taken on behalf of one Client may impact other similar or different Clients (e.g. because such Clients have the same or similar investment strategies or otherwise compete for investment opportunities) and (2) Clearlake and its personnel have differing interests in such Client (i.e., the Clients expose Clearlake or its related persons, including an affiliate of Clearlake in its capacity as the general partner of a Client, to differing potential for gain or loss through differing ownership interests or compensation structures, such as performance-based allocations) because Clearlake may have an incentive to favor certain Clients over others with respect to which Clearlake may be entitled to less compensation.

Clearlake’s policies and procedures are intended to mitigate the potential conflicts of interest associated with the making of investment decisions.

## **ITEM 7     TYPES OF CLIENTS**

### *Types of Clients and Investment Vehicles*

Clearlake provides advice to pooled investment vehicles, including the Funds and the Co-Investment Funds. The investors in the Clients may include corporations, endowments, foundations, trusts, estates, private investment funds, individuals, governmental entities and corporate and governmental pension and profit sharing plans.

Interests in the Clients are offered pursuant to the exemptions from registration under the Securities Act of 1933, as amended (the “Securities Act”) and the Clients are exempt from registration as investment companies under the Investment Company Act of 1940 (as amended, the “Company Act”). Accordingly, interests in the Clients are offered only to persons who are “accredited investors” (as defined in Regulation D under the Securities Act) or to persons who are otherwise permitted to invest under applicable securities laws. Additionally, with respect to each Client, either (i) all of the investors in the Client are required to be “qualified purchasers” or “knowledgeable employees” as defined in the Company Act or (ii) the Client will be permitted to be beneficially owned by no more than 99 persons.

### *Minimum Investment Requirements*

In general, the minimum capital commitment required of a limited partner to participate in a Fund is \$5,000,000; however, the general partner (or similar managing entity) of each Client reserves the right to reduce the minimum capital commitment, as well as accept capital commitments of lesser amounts, in its sole discretion. Investors are requested to refer to the Fund Documents of each of the Clients for complete information on minimum investment requirements for participation in a particular Client.

## **ITEM 8     METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

### *Methods of Analysis and Investment Strategies.*

Clearlake provides investment advisory services for the Clients, each of which is a privately offered fund that makes investments primarily in private equity investments in distressed and special situations opportunities in mid-sized companies. Special situations investment opportunities are created when industries go through transitions and companies undergo transformation, experience challenging situations, or face capital scarcity. Our strategy in special situations and distressed investing helps companies confront the common issues faced in volatile situations, such as: difficulty accessing capital; uncertainty amongst customers, vendors, employees and other stakeholders; need for sponsorship and leadership; and complexity of transaction structures.

Typically in private transactions, the main source of information regarding prospective portfolio companies is due diligence performed on such companies, which involves among other activities, inspecting the books and records of the company, interviewing management, and analyses of the company within its relevant industry. On certain occasions, an investment is made in a public company, in which case publicly filed

corporate documents are also inspected by Clearlake. In the course of undertaking transactions, Clearlake consults with professional advisers, including lawyers and accountants.

The Fund Documents of each Client set out investment objectives, limitations and restrictions, which vary from Client to Client.

### *Risk of Loss*

Investing in the Clients involves a risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients and investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses, including through diversification. Clearlake's services are not intended to provide a complete investment program for investors. Clearlake expects that the assets it manages do not represent all of an investor's assets. There can be no assurance that any Client will be able to implement its investment strategy or avoid losses.

A more detailed discussion of specific risks applicable to a particular Client are enumerated in the Fund Documents with respect to each Client, which should be reviewed carefully by each prospective investor in a Client. The investment programs of Clients entail, among others, the following risks:

**Nature of Distressed Investments:** The Clients may invest in debt obligations, securities, and assets that are inefficiently priced as a result of business, financial, market or legal uncertainties. The level of analytical sophistication, both financial and legal, necessary for successful returns on such investments is unusually high. There can be no assurance that the general partner or the manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of the Client's investments. In particular, the Clients may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the Client, they involve a substantial degree of risk and may not show any return for a considerable period of time, if at all.

**Nature of Bankruptcy Proceedings:** There are a number of significant risks when investing in companies involved in bankruptcy proceedings, including the following: First, many events in a bankruptcy are the product of contested matters and adversarial proceedings that are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Third, the duration of a bankruptcy proceeding is difficult to predict. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Fifth, creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions, especially in the case of investments made prior to the commencement of bankruptcy proceedings. Sixth, certain claims, such as claims for taxes, may have priority by law over the claims of certain



creditors. Seventh, if the Client seeks representation on creditors' committees, it may owe certain obligations generally to all creditors similarly situated to those that the committee represents, and it may be subject to various trading or confidentiality restrictions.

**Bank Loans:** The investment program may include investments in significant amounts of bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the particular Client to directly enforce its rights with respect to participations.

**Loan Origination:** Clients may seek to originate loans, including, but not limited to, senior and second lien loans and mezzanine loans, and other similar investments. Any fees received in connection with the origination or structuring of the terms of any such investment will be treated as Fee Income. The Client may subsequently offer such investments for sale to third parties, which could include certain other investment funds managed by Clearlake or its affiliates; provided, that, there is no assurance that the Client will complete the sale of these investments. In the event of such an offer to other investment funds managed by Clearlake, the price of the participation will be based on third-party valuations. If the applicable Client is not successful in offering such participations, this could result in such Client being "overweighted" with respect to a particular borrower.

**Credit Default Swaps:** Clearlake may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Market curve, among other factors. As such, there are many factors upon which market participants may have divergent views. The general partner of a particular Client may also enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

**Control Investments:** Clearlake may make control private equity investments. These investments could expose a Client to risk of liability for environmental damage, product defect, failure to supervise management, violation of governmental regulations and other types of liability, in which the limited liability characteristic of business operations may be ignored. A Client may also be exposed to risk in connection with the disposition of these investments. When disposing of these investments, the applicable Client may be required to make representations and warranties about the business and financial affairs of the investments typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities law. These arrangements may result in contingent liabilities, which will be borne by the applicable Client.

**Litigation:** Reorganizations can be contentious and adversarial. Participants may use the threat of, as well as actual, litigation as a negotiating technique. The applicable general partner, manager, and Client may be named as defendants in civil proceedings. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the applicable Client and would reduce net assets.

**Counterparty Risk:** Some of the markets in which a Client may effect transactions are “over-the-counter” or “interdealer” markets. The participants in these markets are not necessarily subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the applicable Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the applicable Client to suffer a loss.

**Short Selling:** The investment program may include short selling. Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the applicable Client of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase.

**Securities Lending:** Clearlake may from time to time enter into arrangements with intermediaries such as prime brokers that engage in securities lending. The risks in lending portfolio securities, as with other extensions of credit, consist of the failure of another party, in this case the approved intermediary, to comply with the terms of agreement entered into between the lender of the securities (i.e., the applicable Client) and the approved intermediary. Such failure to comply can result in the possible loss of rights in the collateral put up by the borrower of the securities and the inability of the approved intermediary to return the securities deposited by the applicable Client.

**Illiquidity of Investments:** There may be little or no active market for many of the securities and other obligations owned by the Clients. Consequently, the applicable Client may not be able to dispose of an investment when it desires to do so. Some of the securities purchased by the applicable Client may have been issued in private placement transactions and may be subject to legal or contractual restrictions on resale by such Client.

**Difficulty of Locating Suitable Investments:** There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Clients to invest all of their committed capital in opportunities that satisfy the Clients’ investment objectives or that such investment opportunities will lead to completed investments by the Clients. The activity of identifying, completing and realizing an attractive investment opportunity is highly competitive and involves a high degree of uncertainty. The Clients will compete for the acquisition of investments with many other investors, some of which will have greater resources than the Clients.

**Foreign Investments:** Foreign investments may involve certain special risks, including the following: (i) political or economic instability; (ii) the unpredictability of international trade patterns; (iii) the possibility of foreign governmental actions such as expropriation, nationalization or confiscatory taxation; (iv) the imposition or modification of exchange controls; (v) fluctuations in currency exchange rates; and (vi) different bankruptcy laws and customs. Foreign entities generally disclose less financial and other information publicly, and they are subject to less stringent and less uniform accounting, auditing and financial reporting standards.

**Concentration of Investments:** Because a significant portion, or even all, of a Client's capital commitments may be invested in a single company, any single loss may have a significant adverse impact on the applicable Client's capital. Accordingly, the applicable Client's assets may be subject to greater risk of loss than if they were more widely diversified, since the failure of one or a limited number of investments could have a material adverse effect on the applicable Client.

**Projections:** The Clients may make investments relying upon projections developed by the manager, a prospective portfolio company or other third-party source concerning such company's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the manager, the portfolio company, or such other sources. This could impair the ability of a portfolio company to realize projected values.

**Material Non-Public Information:** By reason of their responsibilities in connection with the Client and other investment activities, and notwithstanding procedural safeguards including, but not limited to, information barriers and restricted securities lists, Clearlake personnel may acquire confidential or material, non-public information that would limit the ability of a Client to buy and sell certain of its investments.

**Dependence on the Principals:** The Clients will be highly dependent on the continued service of the Principals. In the event of death, disability, or departure of any such persons, Clearlake's business and the Clients may be adversely affected. The Principals are not required to devote all or any specified portion of their time to managing the Clients' affairs, but only to devote so much of their time to the Clients' affairs as they determine to be necessary to accomplish the Clients' purposes and to conduct properly the Clients' operations.

**Expedited Transactions:** Investment analyses and decisions by the applicable general partner and manager will often be undertaken on an expedited basis in order for a Client to take advantage of investments opportunities. In such cases, the information available to the general partner and the manager at the time of an investment decision may be limited, and the applicable general partner and manager may not have access to the detailed information necessary for a full evaluation of the investment opportunity.

**Trade Errors:** Clearlake has adopted a policy for the purpose of addressing trade errors that may arise, from time to time, with respect to the securities transactions of a Client. Clearlake, pursuant to the policy, will seek to identify and correct any trade errors in an

expeditious manner. Clearlake or its affiliate may remain liable for trade errors that are the result of, for instance, such person's illegal acts.

#### **ITEM 9      DISCIPLINARY INFORMATION**

Clearlake and its Principals have not been the subject of any material legal or disciplinary events in the past 10 years that would be material to a Client's evaluation of the company or its personnel.

#### **ITEM 10    OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

##### *Registered Broker-Dealers*

None of Clearlake or its management persons are registered as a broker-dealer or a registered representative of a broker-dealer. In addition, Clearlake and its management persons are not affiliated with any broker-dealer.

##### *Relationships with Related Persons*

As discussed below under "Participation or Interest in Client Transactions; Personal Trading," Clearlake and its related persons are, directly or indirectly, the general partner, limited partners and/or managing members/general partners of the general partner of each of the Clients.

Certain of Clearlake's principals may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which the Clients invest, or provide other services to portfolio companies, and may receive compensation in connection therewith. Any such compensation constitutes "Fee Income" as discussed above under "Fees and Compensation." Such principals may be given access to confidential information relating to companies in which the Clients invest. As a result, the Clients may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on the Clients.

As discussed above under "Performance-Based Fees and Side-By-Side Management," from time to time co-investment vehicles, including the Co-Investment Funds, may be formed to invest alongside the Funds. Such co-investment vehicles may be allocated a pro rata share (relative to capital invested) of Fee Income. With respect to certain co-investments, to the extent agreed upon by co-investors, Clearlake or its related persons may retain Fee Income, earn a carried interest, or receive management fees that will not reduce the compensation paid to Clearlake by the Funds. Co-investment vehicles and co-investors may present conflicts of interests. At the discretion of Clearlake, co-investment opportunities may be offered to third parties and/or limited partners of the Clients.

Expenses borne by the Clients are allocated among any parallel funds, co-investment vehicles and other entities that comprise the Clients that shared in the activities generating such expenses.

The Clearlake professionals may spend a substantial portion of their time with these related activities.

It should also be noted that Clearlake has a relationship with Reservoir Operations, L.P. (“Reservoir”) which is a non-affiliated investment adviser. In 2006, certain investment funds managed by Reservoir provided a seed investment in Clearlake and, as a result of such seed investment, serve as limited partners of Clearlake and its affiliated entities. Such investment funds do not exercise any control over investment or management decisions of the Clients, but they do have consent rights over certain decisions. Certain of such Reservoir investment funds contributed and maintain an investment in Fund I and Fund II.

#### **ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

##### *Code of Ethics*

Clearlake has adopted a Code of Ethics (“Code”) under Rule 204A-1 of the Advisers Act expressing Clearlake’s commitment to ethical conduct. Under Clearlake’s Code, all supervised personnel have a duty to act only in the best interests of the Clients and all potential conflicts and violations of the Code must be promptly reported to Clearlake’s Chief Compliance Officer (“CCO”). It is the expressed policy of Clearlake that no person employed by Clearlake shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients. All supervised personnel must acknowledge the terms of the Code upon the commencement of employment, annually, or as amended.

To supervise compliance with its Code, Clearlake requires that all personnel provide annual securities holdings reports and direct or cause all applicable broker(s) to send a copy of all transaction confirmations and account statements to the firm’s CCO. Clearlake requires personnel to also receive approval from the CCO prior to investing in any initial public offerings or private placements.

In an effort to prevent inappropriate securities transactions by Clearlake’s personnel, Clearlake maintains and makes available a list of restricted securities. Clearlake personnel are strictly prohibited from trading on their own behalf in restricted securities.

Clearlake requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. Clearlake’s Code also includes the policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline or termination.

Clearlake will provide a copy of its securities compliance policy to any investor or prospective investor upon request.

##### *Conflicts of Interest*

Each Client is subject to a number of actual and potential conflicts of interest. Clearlake, the applicable general partner and manager of a particular Client, and their

respective affiliates, members, partners, officers or employees (collectively, the “Clearlake Affiliates”) may provide investment management advice and services to other entities and clients (the “Other Accounts”), including other collective investment vehicles, which may also follow investment programs substantially similar to that of such Client. Such Other Accounts may include, but not be limited to, collective investment vehicles or managed accounts established from time to time by the applicable general partner and/or manager of a particular Client and/or the Clearlake Affiliates that pursue, within a specific business or geographic sector, an investment program that invests in corporate securities, loans and asset-backed investments of a type acquired by such Client. The applicable general partner and manager of a particular Client and/or the Clearlake Affiliates may also provide investment management services to other collective investment vehicles and managed accounts and follow investment programs that differ from such Client which may participate in specific investments made by Clearlake. The applicable general partner and/or manager of a particular Client and/or the Clearlake Affiliates may give advice and recommend securities to Other Accounts which may differ from advice given to, or securities recommended or bought for, such Client, even though their investment objectives may be the same or similar.

The Principals and other investment professionals of Clearlake invest directly and indirectly in certain of the Clients. As limited partners of certain Clients, the investment professionals of Clearlake invest in every transaction made by such Clients. While investments by related persons and investment professionals of Clearlake are intended to align interests of Clearlake and its related persons with those of the Clients, such investments may create conflicts of interest. To address such conflicts, the investment arrangements are described and agreed upon in the constituent documents of each Client. Generally, investments and disposals are made on the same economic terms for all investors in the Clients, including for Clearlake’s related persons, and each investment is made pro rata among the limited partners of each Client and Clearlake’s related persons who are indirect limited partners, so that Clearlake’s related persons may not receive favorable terms or greater exposure to certain investments.

An advisory board may be established with respect to a particular Fund, which would consist of representatives of certain limited partners who review certain matters involving a potential conflict of interest.

## **ITEM 12 BROKERAGE PRACTICES**

Although Clearlake typically does not utilize broker-dealers to effect portfolio investments, subject to the investment objectives, policies and restrictions of each Client, as set forth in the applicable Fund Documents, Clearlake will generally have discretionary authority to select the broker or dealer to be used to execute transactions on behalf of the Clients and negotiate the commission cost to be paid.

Clearlake has discretion in deciding which brokers and dealers each Client will use and in negotiating the rates of compensation each Client will pay.

### *Research and Soft Dollar Benefits*

Clearlake intends to allocate portfolio transactions for each Client, including financings, to brokers and dealers based on a combination of a number of factors considered relevant, including price, the ability of the brokers and dealers to effect the transactions, the brokers' and dealers' facilities, reliability and financial responsibility and in consideration of such brokers' and dealers' provision or payment of the costs of research and other services or property that are of benefit to each Client and Clearlake. Accordingly, if Clearlake determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by the broker, the Clients may pay commissions in an amount greater than the amount another broker might charge.

### *Directed Brokerage*

Clearlake has discretionary authority to select the brokers or dealers in connection with securities transactions of the Clients, and investors are not permitted to direct Clearlake to use a particular broker or dealer to execute portfolio transactions on behalf of a Client.

### *Trade Aggregation*

Clearlake has established allocation and aggregation procedures for the allocation of portfolio investment transactions among the Clients. To the extent possible, Clearlake will generally place a combined order for two or more Clients it manages engaged in the sale of the same security if, in its good faith determination, joint execution would be consistent with its duty to seek best execution and otherwise in the best interest of the Clients.

## **ITEM 13 REVIEW OF ACCOUNTS**

### *Review of Client Accounts*

Clearlake continuously monitors portfolio investments on behalf of the Clients. Investments are reviewed in the context of each Client's stated investment objectives and guidelines as set forth in the applicable Fund Documents. Members of Clearlake's investment team meet regularly to determine and review overall investment objectives, risk tolerance and other information relevant to the Clients.

### *Reports to Clients*

The general partners of each Client generally distribute quarterly and annual written reports to the Client's respective limited partners in accordance with the applicable Fund Documents. Annual reports generally contain an individual capital account statement as of the end of such fiscal year and the audited financial statements of the Client. The quarterly reports generally contain unaudited financial statements of the Client for the fiscal quarter.

#### **ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION**

##### *Third Party Compensation for Client Referrals*

Clearlake and related persons of Clearlake may enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to a Client. Any sales charge associated therewith will ultimately be borne by Clearlake and/or its related persons, either directly or through an offset of the Management Fee otherwise payable by the relevant Client to Clearlake.

It is possible that Clearlake may occasionally utilize the services of entities that have, directly or indirectly, or whose affiliates have, investments in Clearlake or Clients managed by Clearlake. Such services will only be used on an arm's length basis and when they are in the best interest of the Clients.

#### **ITEM 15 CUSTODY**

Clearlake will not have physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Nevertheless, Clearlake will generally be deemed to have custody of the assets of the Clients as a result of its position as an affiliate of the general partner or manager of each Client.

It is Clearlake's policy to cause each Client with assets over which Clearlake is deemed to have "custody" to either:

(i) be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP") to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Fund, Clearlake will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit; or

(ii) have such Client's assets held by a qualified custodian that will directly distribute quarterly account statements to investors and engage an independent public accountant to conduct an annual surprise audit with respect to such assets.

#### **ITEM 16 INVESTMENT DISCRETION**

Subject to the investment objectives, policies and restrictions of each Client as set forth in the Fund Documents, Clearlake has discretionary authority designated to it pursuant to the Fund Documents to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Client, including the selection of, and commissions paid to, broker-dealers. Clearlake's investment decisions and advice with respect to the Clients are subject to each Client's Fund Documents, and any side letters executed with investors in the Clients.



## ITEM 17 VOTING CLIENT SECURITIES

Because Clearlake has, or will accept, authority to vote securities held by a Client, it has adopted policies and procedures (the “Proxy Voting Policies and Procedures”) that have been designed to ensure that Clearlake complies with the requirements of Rule 206(4)-6 of the Advisers Act.

When exercising its voting authority over Client securities, Clearlake considers all relevant information, evaluates other issues that could have an impact on the value of the security and votes with a view toward maximizing overall value. Clearlake seeks to vote all proxies in a prudent manner, considering the prevailing circumstances at such time, and in a manner consistent with the Proxy Voting Policies and Procedures and the best interests of the Clients.

Clearlake reviews each proposal submitted for a vote on a case-by-case basis to determine whether it is in the best interest of the applicable Client. As a result, depending on the Client’s particular circumstances, Clearlake may vote one Client’s securities differently than it votes those of another Client, or may vote differently on various proposals, even though the securities or proposals are similar (or identical). In some instances, Clearlake may determine that it is in the Client’s best interest for Clearlake to “abstain” from voting or not to vote at all, and will do so accordingly.

Prior to exercising its voting authority, Clearlake, in consultation with the Principals, the CCO and outside legal counsel, where necessary, reviews the relevant facts and circumstances in accordance with the Advisers Act and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of Clearlake, its Principals, its employees and with persons having an interest in the outcome of the vote. When a proxy raises material conflicts of interests, the Principals, in consultation with the CCO, will determine the manner in which such proxy should be voted to achieve the best interests of the particular Clients. Clearlake may, at its discretion, (A) disclose the conflict of interest to the applicable Client’s advisory board or investors, as the case may be, in voting such security, and seek the advice of the applicable Client’s advisory board, or investors, as the case may be, in voting such security and possibly defer to such voting recommendation; (B) consult with an outside service provider for a recommended course of action to be presented to Clearlake for its approval; and/or (C) take such other action in good faith (in consultation with Clearlake’s outside legal counsel) which would serve the best interests of such Client. The Principals, with the assistance of the CCO, will be responsible for making the final decision in voting all proxies.

As is typical in private equity investing, Clearlake generally approves one or more of its employees to act as representatives on the board of directors of portfolio companies on behalf of the Clients. As noted herein, a number of Clearlake’s investment professionals serve as board members of the Clients’ public and private portfolio companies in such representative capacity. In situations where Clearlake votes the proxy for a company in which an employee or employees of Clearlake serve on the board of directors, Clearlake has determined that this does not inherently present a conflict of interest as (a) the employee is on the board of directors as a representative of the Clients and (b) the sole purpose of this

representation is to maximize the return of the Clients' investment in such company and to ensure that the Clients' interests are protected. Given these facts, the Clients and the representative's role are aligned with respect to proxy voting and otherwise.

Clearlake will deliver to each investor of a Client, upon written request, a complete copy of its Proxy Voting Policies and Procedures and/or information on how it voted proxies for the applicable Client.

**ITEM 18 FINANCIAL INFORMATION**

Clearlake is not aware of any financial condition that is expected to impair its ability to manage Client assets, and has not been the subject of a bankruptcy proceeding.

**ITEM 19 REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.