



CLEARLAKE CAPITAL GROUP, L.P.

Form ADV Part 2A

233 Wilshire Blvd., Suite 800
Santa Monica, CA 90401
310-400-8800
www.clearlakecapital.com

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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 Clearlake's Chief Compliance Officer, Fred Ebrahemi, at 310-400-8875. 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.

ITEM 2 MATERIAL CHANGES

This Item 2 discusses only material changes made to this Form ADV Part 2A (“Brochure”) since March 31, 2014, when Clearlake Capital Group, L.P. (together with its related persons, “Clearlake”) filed its interim updating amendment to the Brochure. Persons previously receiving that Brochure, should consider the following:

Item 4. Advisory Business

Steven C. Chang is no longer employed by Clearlake.

In November 2014, Clearlake appointed Fred Ebrahemi as General Counsel of Clearlake and in February 2015 appointed Fred Ebrahemi as Chief Compliance Officer of Clearlake.

Item 4E. Assets Under Management

As of December 31, 2014, Clearlake had approximately \$1,416,871,995 assets under management all of which is managed by Clearlake on a discretionary basis. Clearlake does not manage any Client assets on a non-discretionary basis.

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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 investing in special situations, distressed and value private equity investments in small and medium-sized companies. Clearlake is led by José E. Feliciano and Behdad Eghbali (the “Principals”), and is principally owned by the Principals and Steven C. Chang who 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. (together, “Fund II”); and
- Clearlake Capital Partners III, L.P., and its master fund, Clearlake Capital Partners III (Master), L.P., and their alternative investment vehicle Clearlake Capital Partners III (ECI), Inc. (together, “Fund III” and together with Fund II and Fund I, the “Funds”); and Clearlake Capital Partners I Co-Investment Fund, LLC (the “Co-Investment Fund” and together with the Funds, the “Clients”).

Clearlake provides investment advisory services directly to Fund I and the Co-Investment Fund and provides investment advisory services to Fund II through its subsidiary Clearlake Capital Management II, L.P. Clearlake provides investment advisory services to Fund III through its subsidiary Clearlake Capital Management III, 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 the Co-Investment Fund.

As of December 31, 2014, Clearlake had approximately \$1,416,871,995 assets under management, 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 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 Fund.

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) fees, costs and expenses incurred in connection with the evaluation, discovery, investigation, development, acquisition, monitoring or disposition of investments, including private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, oversight servicer and servicer fees (including fixed and/or performance fees), research fees, dealer spreads, interest and clearing and settlement charges, commitment fees, underwriting commissions and discounts, expenses relating to short sales, fees and expenses related to market data (including, without limitation, expenses incurred in connection with any multimedia, analytical, database, news or third-party research or information services and any computer hardware and connectivity hardware (e.g., terminals and telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data), and legal, accounting, auditing, investment banking, third-party industry, due diligence experts (including, but not limited to, for credit and risk analytics, loss mitigation,

real estate and real estate related matters), finders, originators, consulting fees (including without limitation, salary, fees, carried interest or other compensation of any nature paid by the Client to any individual who acts as an officer of or in an active management role at any portfolio company (including, without limitation industry executives, advisors, consultants, operating executives, senior operating advisors, subject matter experts or other persons acting in a similar capacity engaged by Clearlake (including, without limitation, Clearlake's Operating Advisors and other members of Clearlake's Executive Council)¹ but excluding investment professionals employed by Clearlake engaged primarily in the investment activities of the Client)), filing, information services and professional fees, communications (including internet access fees and cellular phone charges associated with Clearlake's investment professionals), travel, and all other fees, costs and expenses related to the evaluation, discovery, investigation, development, acquisition, monitoring or disposition of potential or actual investments (whether or not consummated and whether or not incurred prior to the Client's initial closing); (ii) fees, costs and expenses incurred in connection with the carrying or management of investments, including interest and related expenses and custodial, trustee, record keeping and other administration fees, operations fees and expenses and reconciliation expenses; (iii) fees, costs and expenses incurred in implementing or maintaining third-party or proprietary software tools, programs or other technology for the benefit of the Client (including, without limitation, any and all costs and expenses of any investment, books and records, portfolio compliance and reporting systems, including, without limitation, consultant, software licensing, data management and recovery services fees and expenses); (iv) fees, costs and expenses incurred in connection with the incurrence of leverage and indebtedness, including, without limitation, borrowings (including, without limitation, fees, costs, and expenses incurred in obtaining lines of credit, loan commitments and letters of credit for the account of the Client and in guaranteeing the obligations of any portfolio companies or their affiliates), dollar rolls, reverse purchase agreements, credit facilities, securitizations, margin financing and derivatives and swaps; (v) expenses incurred in connection with the Fund's financial statements, reports, notices, tax returns, Schedule K-1's (or similar schedules), including the costs of creating, printing and distributing such financial statements, notices, reports, tax returns and Schedule K-1s (or similar schedules), other communications with investors including expenses incurred in connection with providing investors access to a database or other forum hosted on a website designated by Clearlake and costs and expenses with respect to the tax matters partner's representation of the Client and the investors; (vi) costs and expenses (including fees and disbursements) of attorneys, auditors and accountants; (vii) taxes and other governmental charges that may be incurred or payable by the Client; (viii) fees, costs and expenses relating to the maintenance of registered offices, corporate licensing and similar expenses; (ix) insurance premiums or expenses (including in respect of errors, omissions, fidelity, general partner liability, directors' and officers' liability and similar coverage for the Fund's general partner and manager, Clearlake, their respective affiliates and related entities, any other persons acting on behalf of the Fund and any persons acting on behalf of such general partner, manager, Clearlake, their respective affiliates and related entities), accounting, regulatory or legal fees and expenses (and damages), including regulatory or legal fees and expenses (and damages)

¹ The Executive Council, also referred to as "Operating Advisors," is a network of operating executives and consultants whose members may, at times, participate in various advisory or direct capacities with portfolio companies and provide Clearlake additional insights into the operating dynamics of businesses

of such general partner, manager and Clearlake and any of their respective affiliates in connection with ongoing compliance, filing and reporting obligations under the U.S. Investment Advisers Act of 1940, the U.S. Dodd-Frank Wall Street Reform Act, “blue sky,” FATCA (as defined below), the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers or any other applicable laws, including filing fees and expenses and expenses related to the preparation and filing of Form PF and other similar regulatory filings) or incurred in connection with any litigation or governmental inquiry, investigation or proceeding involving the Fund, Clearlake or their respective affiliates, including the amount of any judgments, settlements or fines paid in connection therewith, except, however, to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the Fund Agreements; (x) fees, costs and expenses incurred in connection with the winding up, termination, dissolution or liquidation of the Fund, its general partner or any alternative investment vehicle or special purpose entity (including any parallel fund vehicles); (xi) fees, costs and expenses relating to defaults by investors in the payment of any capital contributions; (xii) out-of-pocket fees, costs and expenses for transactions not consummated; (xiii) fees, costs and expenses incurred in connection with any restructuring, modifications, revisions or amendments to the constituent documents of the Fund and related entities, including its general partner, manager and Clearlake, to the extent that such restructuring, modifications, revisions or amendments are incurred in relation to any regulatory changes affecting the Fund, its general partner, manager and/or Clearlake; (xiv) fees, costs and expenses incurred in connection with any restructuring, modifications, revisions or amendments to the constituent documents of any alternative investment vehicles and special purpose entities (including any parallel fund vehicles); (xv) fees, costs and expenses incurred in connection with the formation, organization and operation of alternative investment vehicles or special purpose entities (including any parallel fund vehicles) to the extent permitted under the Fund Agreements; (xvi) fees, costs and expenses incurred in connection with distributions to investors and in connection with any meetings with investors called by the Fund or any meetings of a committee established pursuant to the Fund Agreements (including the LP advisory board) (and ancillary activities related thereto) or the annual meeting of investors (including travel, meal and lodging expenses of Clearlake, its representatives and members of the LP advisory board and other reasonable expenses of the investors as determined in Clearlake’s reasonable discretion, in each case incurred in connection with attending the annual meeting); (xvii) fees, costs and expenses incurred in connection with computing the value of the assets of the Fund (including, without limitation and as applicable, fees, costs and expenses associated with advisors, independent pricing services and third party valuation consultants); (xviii) expenses related to the Fund’s indemnification obligations pursuant to the Fund Agreements; (xix) administration fees payable to an administrator of the Fund or any other person providing administrative or similar services to the Fund; (xx) fees, costs and expenses incurred by the Fund, its general partner, Clearlake or their respective affiliates or employees or any service provider for, or resulting from, any hedging transactions of the Fund; (xxi) the management fees payable pursuant to the Fund Agreements; and (xxii) expenses incurred in connection with compliance with side letters and most favored nations processes.

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 origination, management, consulting, monitoring, commitment, closing, restructuring, 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%, in Fund II, 80%, and in Fund III, 80% (and up to 100% under certain circumstances described in the Fund Documents), of the remaining portion of the Fee Income is used to reduce or offset the Management Fees otherwise payable by an identical amount. Notwithstanding the foregoing, “Fee Income” will not include, and therefore will not result in reductions or offsets to the Management Fee, (i) reimbursements by issuers of the costs or expenses incurred by a Fund or Clearlake or any of their respective affiliates in connection with an investment, (ii) fees that comprise or constitute “Operating Expenses” of a Fund, (iii) salary, fees, carried interest or other compensation of any nature paid by a portfolio company to any individual who acts as an officer of or in an active management role at such portfolio company (including, without limitation, industry executives, advisors, consultants, operating executives, senior operating advisors, subject matter experts or other persons acting in a similar capacity employed by Clearlake (including, without limitation, Clearlake’s Operating Advisors and other members of Clearlake’s Executive Council (as defined in the Fund Documents)) but excluding investment professionals employed by Clearlake engaged primarily in the investment activities of the Fund). 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, Fund II and Fund III. 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 such 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 Fund, 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 Fund. 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 \$10,000,000; 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:

General Economic Conditions and Recent Events: Various sectors of the global financial markets have been experiencing an extended period of adverse conditions. In recent years, market uncertainty has increased dramatically, particularly in the United States and Europe, and adverse market conditions have expanded to other markets. These conditions have resulted in periods of reduced liquidity, greater volatility, general widening of credit spreads and a lack of price transparency. These difficult global credit market conditions have adversely affected the market values of equity, fixed-income and other securities and these circumstances may continue or even deteriorate further. The short- and long-term impact of these events is uncertain, but could have a material effect on general economic conditions, consumer and business confidence and market liquidity. Investments made by the Fund are expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of the Fund and these or similar events may affect the ability of the Fund to execute its investment strategies.

Enhanced Scrutiny and Regulations of Private Funds and Financial Services Industries: The growth of the private equity industry, and the increasing size and reach of private equity transactions, as well as the increasing attention to hedge funds, has prompted additional governmental and public attention to the private equity industry and its practices, some of which may, directly or indirectly, apply to the Fund and/or Clearlake. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act," including the so-called "Volcker Rule") provided significant changes to the structure of federal financial regulation and new substantive requirements that apply to a broad range of market participants

(including private investment funds), including mandating significant changes to the authority of the Federal Reserve and the U.S. Securities and Exchange Commission (the “SEC”) as well as enhanced oversight and regulation of banks and non-bank financial institutions. Such regulation and oversight could result in the imposition of restrictions and constraints on the flexibility and success of private equity funds and their portfolio companies, as well as impose taxes and other additional costs.

Costs and expenses of regulatory matters relating to a Fund’s activities, including, without limitation, costs and expenses relating to audits, reviews, examinations, investigations, and/or litigations involving a Fund or Clearlake, will be expenses of a Fund and, to the extent that any such costs or expenses relate to the activities of any prior fund or other client of Clearlake, will be borne by a Fund and such other client on a pro rata basis or such other basis as Clearlake determines to be equitable.

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.

Investments in Less Established Companies: A Fund may invest a portion of its assets in the securities of less established companies, or early stage companies. Investments in such early stage companies may involve greater risks than those generally associated with investments in more established companies. For instance, less established companies tend to have smaller capitalizations and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. In the case of start-up enterprises, such companies may not have significant or any operating revenues. In addition, less mature companies could be more susceptible to irregular accounting or other fraudulent practices. Such companies may have relatively limited product lines, markets, and financial and other resources. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Furthermore, to the extent there is any public market for the securities held by a Fund, securities of less established companies may be subject to more abrupt and erratic market price movements than those of larger, more established companies.

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.

Lender Liability: Lender liability is founded upon the premise that a lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to a borrower or has assumed a degree of control over the borrower that create a fiduciary duty owed to the borrower, its creditors or shareholders. To the extent that a Fund's investments constitute participations in purchased loans (however acquired), such Fund could be subject to allegations of lender liability. For example, in the United States, there is a line of cases whereby an abrupt, arbitrary and sudden withdrawal of credit, albeit contractually justified, may result in lender liability or liability for damage to the borrower. Certain non-U.S. jurisdictions may have similar rules that could result in imposing lender liability on a Fund.

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: 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.

Borrowing: Subject to certain limitations set forth in the Fund Agreements or otherwise set forth herein, a Fund may borrow or guarantee loans or other extensions of credit for investment purposes, including, without limitation, by entering into one or more revolving credit facilities or any other debt or leverage facility or facilities or other loans or extensions of credit provided by one or more lenders, including Clearlake and their respective affiliates. In addition, a Fund may enter into arrangements with one or more lenders, including Clearlake and their respective affiliates, for cash management purposes and to provide interim financing prior to the receipt of capital contributions. Such borrowings may be secured by the obligations of investors to make capital contributions, a pledge of the Fund general partner's right to draw down on such obligations, and/or a security interest in the Fund's investments. The inability of the Fund to repay borrowings under a credit facility secured by the capital commitments of investors could enable a lender to call unfunded commitments from investors and, if investors' unfunded commitments are insufficient to repay such borrowings, investors may be required to return amounts distributed to them to fund such borrowings, subject to certain limitations set forth in the Fund's partnership agreement.

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 (vii) 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 Fund, 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, Fund II and Fund III.

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 fee 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.