



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. (together with its related persons, "Clearlake"). 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

No material changes have been made to this Form ADV Part 2A (this “Brochure”) since March 31, 2015, when Clearlake Capital Group, L.P. filed its annual update to this Brochure.

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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, value private equity and opportunistic debt investments across the capital structure in small and medium-sized companies in both control and non-control scenarios. Clearlake is led and principally owned by José E. Feliciano and Behdad Eghbali (the “Co-Founders”), who hold their ownership interests in Clearlake indirectly through its general partner, CCG Operations, LLC.

Clearlake provides investment advisory services to the following privately offered investment funds as of the date of this Brochure:

- 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. (collectively, “Fund II”);
- 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. (collectively, “Fund III”);
- Clearlake Capital Partners IV, L.P. and its parallel fund, Clearlake Capital Partners IV (Offshore), L.P. (collectively, “Fund IV”);
- Clearlake Opportunities Partners (P), L.P., its parallel fund, Clearlake Opportunities Partners (P-Offshore), L.P., the parallel fund’s mini-master fund, Clearlake Opportunities Partners (P) Mini-Master Fund, L.P.), and their master fund, Clearlake Opportunities Partners (P) Master Fund, L.P. (collectively, “COP (P)” and, together with Fund IV, Fund III, Fund II and Fund I, the “Closed End Funds”);
- Clearlake Opportunities Partners (E), L.P., its parallel fund, Clearlake Opportunities Partners (E-Offshore), L.P., the parallel fund’s mini-master fund, Clearlake Opportunities Partners (E) Mini-Master Fund, L.P.), and their master fund, Clearlake Opportunities Partners (E) Master Fund, L.P., together with Clearlake Opportunities Partners (E-C), L.P., its parallel fund, Clearlake Opportunities Partners (E-C) Offshore, L.P., and their master funds, Clearlake Opportunities Partners (E-C) Master Fund I, L.P. and Clearlake Opportunities Partners (E-C) Master Fund II, L.P. (collectively, the “Evergreen Fund” and, together with COP (P), the “Opportunities Funds” and, together with the Closed End Funds, the “Funds”); and
- Clearlake Capital Partners I Co-Investment Fund, LLC (the “Co-Investment Fund” and, together with the Funds and any other fund or account to which

Clearlake may provide investment advisory services from time to time, the “Clients”).

Each of the terms “Fund I,” “Fund II,” “Fund III,” “Fund IV,” “COP (P),” “Closed End Funds,” “Evergreen Fund,” “Opportunities Funds,” “Funds,” and “Clients” will be deemed to include their respective alternative investment vehicles, if and as applicable.

As of the date of this Brochure, Clearlake provides investment advisory services directly to Fund I and the Co-Investment Fund, provides investment advisory services to Fund II through its subsidiary Clearlake Capital Management II, L.P., provides investment advisory services to Fund III through its subsidiary Clearlake Capital Management III, L.P., provides investment advisory services to Fund IV through its subsidiary Clearlake Capital Management IV, L.P. and provides investment advisory services to the Opportunities Funds through its subsidiary Clearlake Capital Management Opportunities, L.P. Each such investment advisory entity is deemed to be an investment adviser registered under the U.S. Investment Advisers Act of 1940 (as amended, the “Advisers Act”) because each such investment advisory entity is an affiliate of Clearlake, is subject to Clearlake’s supervision and control for compliance purposes and is a “relying adviser” of Clearlake in reliance upon the SEC’s Staff’s No-Action Letter to the American Bar Association dated January 18, 2012 (the “2012 NAL”). In addition, each general partner of a Client is a “related person” of Clearlake and a special purpose vehicle formed to act as the general partner of such Client. In reliance on the 2012 NAL, each such related person is covered by Clearlake’s registration as an investment adviser with the SEC and deemed to be registered with the SEC. References in this Brochure to the “general partner” of a Client will mean the “non-member manager” of Client in the case of the Co-Investment Fund and any other Client that is a limited liability company.

As of March 29, 2016, Clearlake had \$3,513,060,769 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, in the case of the Closed End Funds, and up to 1.75% per annum of the net asset value of the Fund, in the case of the Evergreen Fund (collectively, the “Management Fees”), in each case, pursuant to the applicable Fund Agreements (as defined below). 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 Closed End Funds is subject to a carried interest of between 10% to 20% of profits payable to the general partner of a Closed End Fund (the “Carried Interest”) after a

return of all capital contributions and an 8% preferred return thereon to the investors in such Closed End Fund. The Evergreen Fund is subject to an incentive allocation of 20% of the aggregate realized and unrealized net capital appreciation and profits, generally calculated on an annual (or potentially longer) basis and at other times, such as when withdrawals and/or distributions are made from the Evergreen Fund, payable to the general partner of the Evergreen Fund (the “Incentive Allocation”) after a 6% preferred return has been achieved (on a realized or unrealized basis) with respect to the capital account of an investor in the Evergreen Fund. The Carried Interest and the Incentive Allocation are separate and distinct from the Management Fees paid to Clearlake for advisory services.

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

In accordance with common industry practice, one or more of the Clients or its general partner may enter into letter agreements with certain investors whereby in consideration for agreeing to invest certain amounts in such Client and other consideration deemed material to such Client, such investors may be granted rights, benefits and privileges that are not otherwise afforded to other investors, including, without limitation, the right to receive reports from such Client on a more frequent basis or to receive reports that include information not provided to other investors, the right to pay a reduced Carried Interest, Incentive Allocation and/or Management Fee, the right to receive a share of the Carried Interest, Incentive Allocation and/or Management Fees earned by such Client’s general partner and/or manager, and such other rights as may be negotiated between such Client, its general partner and its manager, on the one hand, and such investors, on the other hand. In some cases, these investors may also directly or indirectly (through an affiliate) provide financing, insurance or other advisory services to one or more Clients and/or one or more of their respective portfolio companies.

All investors and prospective investors should review the Fund Agreements and offering 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 Agreements. Upon termination, any prepaid, unearned Management Fees will be promptly refunded or otherwise not payable, and any earned, unpaid Management 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.

Generally, any eligible Clearlake partner, member, employee, officer or director (or their respective family trusts or other estate planning vehicles) who invests his or her own capital in any Client does not bear or pay any Management Fees, Carried Interest or Incentive Allocation.

Other Fees and Expenses

Each Client will bear legal, organizational, offering and travel expenses (which may include private, first-class or business class travel), including the out-of-pocket expenses, of personnel of the Client's general partner and advisors incurred in connection with the formation and marketing of the Client and related entities, up to a specified dollar cap. Each Client will also pay any and 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 or issuer (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)¹ but excluding investment professionals employed by Clearlake engaged primarily in the investment activities of the Client)), filing, information services and professional fees, 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,

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 issuers and provide Clearlake additional insights into the operating dynamics of businesses.

including, without limitation, consultant, software licensing, data management and recovery services fees and expenses); *provided*, that the fees, costs and expenses contemplated by this clause (iii) will only be borne by the Client to the extent that its general partner has reasonably determined that the incurrence of any such fees, costs and expenses is reasonably required for the purpose of satisfying such general partner's reporting or compliance obligations under applicable law, the applicable Fund Agreement or any side letter between any investor and such general partner or otherwise in connection with the Client's investment activities, including, without limitation, for the purposes of portfolio company monitoring and operational improvements; (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 issuers or their affiliates), dollar rolls, reverse purchase agreements, credit facilities, securitizations, margin financing and derivatives and swaps; (v) expenses incurred in connection with the Client'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, including independent experts and third-party professionals appointed by the Client's advisory board; (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 Client's general partner and manager, Clearlake, their respective affiliates and related entities, any other persons acting on behalf of the Client 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) of such general partner, manager and Clearlake and any of their respective affiliates in connection with ongoing compliance, filing and reporting obligations under applicable "blue sky" rules and regulations (excluding, for the avoidance of doubt, any Manager Regulatory Expenses (as defined below), the Foreign Account Tax Compliance Act, the European Alternative Investment Fund Managers Directive 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 Client, its general partner, 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 limited partnership agreements or other governing agreements of the Clients (as amended or restated from time to time, the "Fund Agreements"); (x) fees, costs and expenses incurred in connection with the winding up, termination, dissolution or liquidation of the Client, its

general partner or any alternative investment vehicle or special purpose entity (including any parallel fund vehicles); (xi) fees, costs and expenses, including travel expenses, of personnel of the Client's general partner and its advisors, and other expenses, in each case, incurred in connection with the ongoing marketing and offering of interests in the Client, including preparation and negotiation of side letters; (xii) fees, costs and expenses relating to defaults by investors in the payment of any capital contributions; (xiii) out-of-pocket fees, costs and expenses for transactions not consummated; (xiv) fees, costs and expenses incurred in connection with any restructuring, modifications, revisions or amendments to the applicable Fund Agreements of a Client and its 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 Client, its general partner, manager and/or Clearlake; (xv) 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); (xvi) 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; (xvii) fees, costs and expenses incurred in connection with distributions to investors and in connection with any meetings with investors called by the Client or any meetings of a committee established pursuant to the applicable Fund Agreements (including the Client's advisory board or a conflicts review agent) (and ancillary activities related thereto, including any legal counsel appointed on behalf of such advisory board pursuant to the applicable Fund Agreements) or the annual meeting of investors (including travel, meal and lodging expenses of Clearlake, its representatives and members of the Client's 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); (xviii) reasonable third-party fees, costs and expenses incurred in connection with computing the value of the assets of the Client (including, without limitation and as applicable, fees, costs and expenses associated with advisors, independent pricing services and third-party valuation consultants); (xix) expenses related to the Client's indemnification obligations pursuant to the Fund Agreements; (xx) administration fees payable to an administrator of the Client or any other person providing administrative or similar services to the Client; (xxi) fees, costs and expenses incurred by the Client, its general partner, Clearlake or their respective affiliates or employees or any service provider for, or resulting from, any hedging transactions of the Client; (xxii) the Management Fees payable pursuant to the Fund Agreements; (xxiii) expenses incurred in connection with compliance with side letters and most favored nations processes; (xxiv) travel, costs and expenses incurred in connection with organizing and maintaining special purpose vehicles (including rent, salaries and ancillary costs of such entities, and costs and expenses of administrators of such entities); and (xxv) any fees, costs and expenses of the Client, its manager or their respective affiliates approved by the Client's advisory board.

"Manager Regulatory Expenses" means expenses incurred in connection with ongoing compliance-related matters and regulatory filings necessary for a Client's manager's operation as investment adviser; provided, however, that Manager Regulatory Expenses shall not include any expenses incurred in connection with compliance by the Client, its general or its manager with any reporting, disclosure, filing or other regulatory or

legal requirements related to the Client's activities (including, without limitation, capital raising activities, investment activities and ongoing operations).

Certain expenses borne by a Client may have the effect of benefiting one or more investors or group of investors in such Client without benefiting all investors in such Client. If any operating expenses are incurred for the account or for the benefit of more than one Client, Clearlake will allocate such operating expenses among the Clients in such manner as Clearlake considers fair and reasonable.

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

Transaction-Based Compensation

From time to time, Clearlake or its affiliates or supervised persons may receive certain fee income (in the form of cash or non-cash consideration), including origination fees, management fees, consulting fees, commitment fees, closing fees, restructuring fees, transaction fees, advisory fees, monitoring fees, directors' fees, investment banking fees, break-up fees or other similar fees realized with respect to investments or proposed or unconsummated 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 even 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 (including any unconsummated transactions). In Fund I, 100%, in Fund II, 80%, in Fund III, 80% (and up to 100% under certain circumstances described in the applicable Fund Agreements), in Fund IV, 100%, in COP (P), 100%, and in the Evergreen Fund, 100%, of the remaining portion of the Fee Income is used to reduce or offset the Management Fees otherwise payable by the applicable Client 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, its general partner, its manager, Clearlake or any of their respective affiliates in connection with an investment, (ii) fees and expenses that comprise or constitute "Operating Expenses" of a Fund, and (iii) salary, fees, carried interest, incentive allocation or other compensation of any nature paid by any portfolio company or issuer to any individual who acts as an officer of or in an active management role at such portfolio company or issuer (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, Operating Advisors and other members of Clearlake's Executive Council) but excluding investment professionals employed by Clearlake engaged primarily in the investment activities of a Fund). If more than one Client has participated in an investment or would have participated in an unconsummated investment generating a Fee Income, then only such portion of such Fee Income that is fairly allocable to each such Client based on the nature of the transaction giving rise to such Fee Income will be included in the applicable Management Fee offset described above. Complete information regarding the use and distribution of Fee Income is found in the applicable Fund Agreements.

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 or an Incentive Allocation based on the investment performance of the Funds. The Carried Interest and the Incentive Allocation 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 investors by way of capital call notices and quarterly or annual reports. Additionally, the Co-Founders 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 certain Funds, the general partner of such a Fund may be required to contribute the relevant amount (on a net after-tax basis) to such 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, taking into account all investments made by such Fund. The Incentive Allocation that is payable in the case of the Evergreen Fund is not subject to such a “clawback” arrangement; however, in the case of certain of the investment vehicles comprising the Evergreen Fund, the general partner of such investment vehicles is required to maintain an escrow arrangement at the level of such investment vehicles such that a portion of the Incentive Allocation otherwise allocable to such general partner is required to be held back and not distributed to such general partner until the Client distributes to an investor an amount equal to such investor’s capital contribution plus the 6% preferred return therein, or until the general partner of such Client reasonably determines in good faith that the Client has (or would have) realized a cumulative amount attributable to such investor, in cash, equal to all of such investor’s capital contributions plus the 6% preferred return therein.

Side-by-Side Management.

Subject to the investment by a Closed End Fund of a specified portion of such Closed End Fund’s capital commitments, Clearlake may commence the operation of another pooled investment fund with overall objectives substantially similar to those of such Closed End Fund. 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 accordance with its investment allocation policies and procedures.

From time to time, Clearlake may provide concurrent advisory services to Clients, including the Co-Investment Fund, that charge different rates of Carried Interest, Incentive Allocations, Management Fees or other types of compensation. The potential for Clearlake’s related persons to receive greater Carried Interest, Incentive Allocations 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 Client that pays a higher Carried Interest, Incentive Allocation or Management Fee.

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 (*e.g.*, 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 "Investment 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," each as defined in the Investment Company Act, or a "non-U.S. person," as defined under Section 902 of the Securities 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 an investor to participate in a Fund is \$5,000,000; however, the general partner 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 Agreements and offering documents of each Client for complete information on minimum investment requirements for participation in such 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 Fund is a privately offered fund that makes investments primarily in distressed and special situations opportunities in small and medium-sized companies in both control and non-control scenarios. Special situations investment opportunities are created when industries go through transitions and companies undergo transformation, experience challenging situations, or face capital scarcity. Clearlake's 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 or issuers is due diligence performed on such companies, which involves among other activities, inspecting the books and records of the company, interviewing management and analyzing 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 third-party lawyers, accountants and other professional advisers.

The Fund Agreements and offering 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 confidential private placement memorandum or other disclosure 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, while certain markets have stabilized, market uncertainty continues in North America, South

America, Europe and Asia, 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 Clients 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 Clients and these or similar events may affect the ability of Clients to execute its investment strategies.

Competition for Investment Opportunities: The Clients will compete for the acquisition of investments with many other investors, some of whom will have greater resources than the Clients. Such competitors may include other private investment funds as well as individuals, financial institutions and other institutional investors. Further, over the past several years, an ever-increasing number of private investment funds with objectives similar to those of the Clients have been formed (and many existing funds have grown in size). Additional funds with similar investment objectives may also be formed in the future by other unrelated parties. Some of the foregoing competitors may have more relevant experience, greater financial, technical, marketing and other resources, more personnel, higher risk tolerances, difference risk assessments, lower return thresholds, lower cost of capital, synergistic cost savings and access to funding sources unavailable to the Clients. Increased competition for appropriate investment opportunities may reduce the number of opportunities available to the Clients and adversely affect the terms, including, without limitation, pricing, upon which portfolio investments can be made. Such competition may be particularly acute with respect to participation by the Clients in auction proceedings. In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. Therefore, identification of attractive investment opportunities is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense.

Enhanced Scrutiny and Regulations of Private Funds and Financial Services Industries: The growth of the private funds industry, and the increasing size and reach of private equity transactions, as well as the increasing attention to private funds, has prompted additional governmental and public attention to the private funds industry and its practices, some of which may, directly or indirectly, apply to the Clients and/or Clearlake. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act provided significant changes to the structure of federal financial regulation and substantive requirements that apply to a broad range of market participants (including private funds), including mandating significant changes to the authority of the Federal Reserve and 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 funds and their portfolio companies and issuers, as well as impose taxes and other additional costs.

Costs and expenses of regulatory matters relating to a Client's activities, including, without limitation, costs and expenses relating to audits, reviews, examinations, investigations, and/or litigations involving a Client or Clearlake, will be expenses of a Client and, to the extent that any such costs or expenses relate to the activities of more than one Client, such expenses will be borne on a *pro rata* basis or such other basis as Clearlake determines to be equitable.

No Assurance of Investment Return: The Clients' task of identifying and evaluating investment opportunities, managing such investments and realizing a significant return for investors is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize on such investments successfully. There is no assurance that a Client will be able to invest its capital on attractive terms or generate returns for its investors. Investors in a Client could experience losses on their investment. There may be little or no near-term cash flow available to the investors from a Client and there can be no assurance that a Client will make any distribution to the investors. Partial or complete sales, transfers or other dispositions of investments that may result in a return of capital or the realization of gains, if any, may not occur for a number of years after an investment is made. An investment in a Client should only be considered by prospective investors who can afford a loss of their entire investment. There can be no assurance that projected or target returns for the Clients will be achieved.

Investments in Equity Securities: The Clients may invest in equity or equity-like securities and there is no limitation on the type, size or operating experience of the companies in which the Clients may invest. Investments in equity securities of small or medium-sized market capitalization companies will have more limited marketability than the securities of larger companies. In particular, securities of smaller companies may have greater price volatility. All of the Clients' investments in stocks will be subject to normal market risks. While diversification among issuers may mitigate these risks, the Clients are not required to diversify their respective investments in equity securities; and investors must expect fluctuations in value of equity securities held by the Clients based on market conditions. Because equity securities rank lower in the capital structure of an issuer, such investments may subject investors to additional risks not applicable to debt securities. In addition, holders of equity securities may be wiped out or substantially reduced in value in a bankruptcy proceeding or corporate restructuring.

Other Equity and Non-Distressed Investments: The general partner of a Client is authorized to cause such Client to make investments other than in distressed securities. Such investments may include, without limitation, publicly traded equity securities, post-reorganization securities, special situation equities, securities of U.S. and non-U.S. issuers, private debt or equity securities, convertible securities, warrants, futures, options, real estate securities and risk arbitrage, which involve special risks. Investments in publicly traded equity securities typically will be based primarily on fundamental research regarding the issuer and its industry. However, the market price of a publicly-traded equity security can be adversely affected by a wide variety of broad macroeconomic and market factors unrelated to the financial condition and prospects of the issuer. For example, a Client's investments in securities of publicly-traded companies may be sensitive to movements in the stock market and trends in the overall economy. Because equity securities rank lower in the

capital structure of an issuer, such investments may subject investors to additional risks not applicable to debt securities. Special-situation equities are event-driven and may be subject to greater volatility than other equity securities. Investments in U.S. and non-U.S. jurisdictions and issuers may be less liquid and subject to greater price volatility than investments in U.S. markets and issuers. Dividends and interest paid by foreign issuers may be subject to withholding and other foreign taxes. In addition, there may be higher brokerage, custodial and other transactional costs and less governmental regulation of the securities markets (including less publicly available information about foreign issuers and a lack of uniform accounting standards), as well as risks associated with economic and political developments, different legal systems and currency conversions. Emerging-market debt securities are not required to meet any rating standards and may not be rated for creditworthiness by any internationally recognized credit rating organization. Emerging-market debt securities rated in the lower and lowest rating categories of internationally recognized credit rating organizations and unrated securities of comparable quality are predominantly speculative with respect to the capacity to pay interest and repay principal in accordance with their terms and generally involve a greater risk of default and volatility in price than securities in higher rating categories. Futures and options involve risks of pricing differences between the market value of the underlying securities and the futures and options and a possible lack of a liquid secondary market for a futures or options contract and the resulting inability to close a futures or options position, which could adversely affect a Client. Real estate securities may be subject to the risks associated with direct ownership of real estate, including market, credit and regulatory risks. Risk arbitrage is subject to high risk because of the uncertainty of the outcome of an arbitrage situation, which may depend on the outcome of litigation, changes in the terms of a transaction or regulatory developments or actions. If an evaluation by the manager of a Client of an anticipated outcome of an arbitrage situation should prove incorrect, such Client could experience substantial losses as a result of a decline in the market value of securities in which such Client holds a long position or an increase in the value of securities in which such Client holds a short position. Furthermore, a Client may hold significant equity investments in post-organization portfolio companies, which pose different risk/reward and risk mitigation profiles than do distressed debt securities.

Capital Structure Investments: The investment activities of one Client could give rise to potential conflicts between the interests of other Clients. For example, Clearlake may acquire securities or other financial instruments of an issuer for one Client which are senior or junior securities or financial instruments of the same issuer that are held by, or acquired for, another Client (*e.g.*, one Client may acquire senior debt while another Client may acquire subordinated debt or equity). For example, in the event such issuer enters bankruptcy, the Client holding securities which are senior in bankruptcy preference may have the right to aggressively pursue the issuer's assets to fully satisfy the issuer's indebtedness to the Client, and as a fiduciary, Clearlake would have an obligation to pursue such remedy on behalf of the Client. As a result, a Client holding assets of the same issuer which are more junior in the capital structure may not have access to sufficient assets of the issuer to completely satisfy its bankruptcy claim against the issuer and may suffer a loss. Clearlake has adopted certain procedures designed to mitigate some of these potential conflicts.

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.

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. In analyzing each bank loan or participation, the general partner of the Client compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Client.

Bridge Loans: From time to time, the Client may lend to portfolio companies or issuers on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such bridge loans will typically be convertible into more permanent, long-term security; however, for reasons not always in the Client's control, such long term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Client.

Loan Origination: Clients may seek to originate loans, including, but not limited to, secured and unsecured notes, senior and second lien loans, mezzanine loans and other similar investments. The Client may subsequently offer such investments (or portions thereof) for sale to its affiliates or to third parties, which could include certain other investment funds managed by Clearlake or its affiliates. However, there is no assurance that the Client will complete any such sale as anticipated. In determining the target amount to allocate to such investments, the Client may take into consideration the fact that it may sell, assign or offer participations in such investments to its affiliates or third parties as described above. If the Client is unable to sell, assign or successfully close transactions for the loans that it originates, it will be forced to hold its interest in such loans for an indeterminate period of time. This could result in the investments of the Client being over-concentrated in certain borrowers.

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.

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. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investments can be adversely impacted by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. 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. Similarly, the Client may purchase creditor claims subsequent to the commencement of a bankruptcy case, which may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller that may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. 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. As the Client will indemnify any person serving on a committee on its behalf for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on the Client's investment in a reorganization.

Control Investments: Clearlake may make control 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 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. The Client may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations and warranties or disclosure documents turn out to be incorrect, inaccurate

or misleading. These arrangements may result in contingent liabilities, which will be borne by the Client.

Non-Control Investments: A Client may hold non-controlling interests or minority positions in a number of issuers and, therefore, may have a limited ability to protect its position in such issuers. Where practicable and appropriate, shareholder rights or similar rights in non-corporate vehicles may protect such Client's interests. It is also possible that the Co-Founders and other Clearlake personnel will be members of creditor's committees established with respect to such Client's investments in certain issuers.

Litigation: Reorganizations can be contentious and adversarial. It is by no means unusual for participants to 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 such markets are typically not 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.

Credit Default Swaps: The Client may invest in credit default swaps. A credit default swap is a contract between two parties that transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. 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.

Short Selling: The investment program of certain Clients 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. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the applicable Client engages in short sales will depend upon its investment strategy and perception of market direction. 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. Purchasing

securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

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 and the possible loss of any corporate benefits (including, without limitation, certain voting rights) accruing to the applicable Client from the securities deposited with the approved intermediary.

Hedging Transactions: The markets in which a Client may invest are subject to fluctuations and the market value of any particular investment may be subject to substantial variation. The entire market or, particular securities traded on a market, may decline even if earnings or other factors improve since the prices of debt securities and equity securities are subject to numerous economic, political, procedural and other factors that have little or no correlation to the performance of a particular company. A Client may use a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts, for risk management purposes. When used, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Client from achieving the intended hedging effect or expose the Client to risk of loss. While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a weaker overall performance for the Client than if it had not engaged in any such hedging transaction. The manager of a Client may determine not to hedge a position and may not identify appropriate risks to hedge. Moreover, it should be noted that a Client's portfolios will always be exposed to certain risks that cannot be hedged. In connection with a hedging transaction, a Client may be required to allocate funds or provide a credit line to be used as collateral for the margin capital of the hedge. Such a requirement would tie up a portion of such Client's capital that could otherwise have been available for investment. This could cause such Client to be less invested in its core investment strategy than it would have been absent such hedging transaction and could possibly result in an adverse effect on the overall returns of such Client.

Borrowing: Subject to certain limitations set forth in the applicable Fund Agreements, a Client 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 Client 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 a Client's general partner's right to draw down on such obligations, and/or a security interest in such Client's investments. The inability of such Client 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 such Client's Fund 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, a Client may not be able to dispose of an investment when it desires to do so. Some of the securities purchased by a 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. There can be no assurance that the Clients will be able to identify or consummate investments satisfying the investment criteria of the managers of the Clients. The success of the Clients will depend on the abilities of the general partners and the managers of the Clients to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of investments. Likewise, there can be no assurance that the Clients will be able to realize upon the values of their investments or that the Clients will be able to invest their commitments.

Foreign Investments: Investments in foreign securities may involve certain special risks not typically associated with investing in U.S. securities, including the following: possibility of foreign governmental actions such as expropriation, nationalization or confiscatory taxation; the imposition or modification of exchange controls; differences between U.S. and non-U.S. securities markets, including potential price volatility in, and relative illiquidity of, some foreign securities markets; the imposition of withholding taxes on dividends, interest and gains; fluctuations in currency exchange rates and costs associated with the conversion of investment principal and income from one currency into another; different bankruptcy laws and customs; and less developed corporate laws regarding, among other things, fiduciary duties and the protection of investors. As compared to U.S. entities, 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. Also, it may be more difficult to obtain and enforce legal judgments against foreign entities than against domestic entities. The Client is not obligated to engage in any currency hedging operations, and there can be no assurance as to the success of any hedging operations that the Client may implement.

Concentration of Investments: Subject to the applicable Fund Agreements, because a significant portion of a Client's capital commitments may be invested in a single company, any single loss may have a significant adverse impact on such Client's capital. Accordingly, such 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 such Client. In addition, there may be no restriction requiring diversification by industry. To the extent a Client concentrates investments in a particular issuer, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. As a consequence, the aggregate return of such Client may be adversely affected by the unfavorable performance of one or a small number of investments. Moreover, because it is not reasonable to expect all of a Client's investments to perform well or even return capital, for such Client to achieve above-average returns, one or a few of its investments must perform very well. There are no assurances that this will be the case.

Projections: The Clients may make investments relying upon projections developed by the manager, a prospective portfolio company or issuer or other third-party source concerning such company's future performance and cash flow. Projections are inherently uncertain and subject to factors beyond the control of the manager, the portfolio company or issuer or such other sources. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company or issuer to realize projected values. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections.

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. The Client's investment flexibility may be constrained due to the inability of its manager to use such information for investment purposes. Moreover, the manager may be restricted from initiating transactions in certain securities or selling certain investments, due to its acquisition of confidential or material, non-public information, at a time when the manager would otherwise take such action.

Dependence on the Co-Founders: The Clients will be highly dependent on the continued service of the Co-Founders. In the event of death, disability, or departure of any such persons, Clearlake's business and the Clients may be adversely affected. The Co-Founders 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. In addition, the applicable general partner and manager may rely upon independent consultants in connection with its

evaluation of proposed investments. There can be no assurance that these consultants will accurately evaluate such investments.

Legal and Regulatory Risks: Legal and regulatory changes could occur during the term of a Client that may adversely affect the Client, its portfolio investments or its partners. For example, the Client expects to make investments in a number of different industries, some of which are or may become subject to regulation by one or more U.S. federal agencies and by various agencies of the states, localities and counties in which they operate. New and existing regulations, changing regulatory schemes and the burdens of regulatory compliance all may have a material negative impact on the performance of portfolio investments that operate in these industries. Neither the general nor the manager of a Client can predict whether new legislation or regulation governing those industries will be enacted by legislative bodies or governmental agencies, nor can either of them predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on the Client investment performance. In addition, Clearlake and its affiliates engage in a broad variety of activities. These activities have in the past, and may in the future, subject Clearlake or one or more of its affiliates to risks of becoming involved in litigation by third parties or may subject Clearlake or any such affiliate to investigations or proceedings initiated by governmental authorities. It is difficult to determine what impact, if any, such litigation may have on Clearlake, or any such affiliate or the Clients. As a result, there can be no assurance that the foregoing will not have an adverse impact on Clearlake, any of its affiliates or the Clients, or otherwise impede a Client's ability to effectively achieve its objectives.

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 this policy, will seek to identify and correct any trade errors in an expeditious manner. Clearlake will only remain liable for trade errors that are the result of its gross negligence or willful misconduct. The determination of whether or not a trade error has occurred will be in the sole discretion of Clearlake, and investors should be aware that, in making such determinations, Clearlake will have a conflict of interest.

Market Disruptions: The Clients may incur major losses in the event of market disruptions and other extraordinary events in which historical pricing relationships (on which the manager of a Client bases a number of its trading positions) become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The availability of credit is typically reduced during market disruptions. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Clients and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Agreements with Certain Investors: Each Client, its general and its manager may from time to time enter into agreements with one or more investors whereby in consideration for agreeing to invest certain amounts in the Client and other consideration deemed material to

the Client, such investors may be granted rights not otherwise afforded to other investors, including, without limitation, the right to receive reports from the Client on a more frequent basis or to receive reports that include information not provided to other investors, the right to pay a reduced Carried Interest, Incentive Allocation and/or Management Fee, the right to receive a share of the Carried Interest, Incentive Allocation and/or Management Fees earned by the general partner and/or the manager, and such other rights as may be negotiated between the Client, its general partner and its manager, on the one hand, and such investors, on the other hand. Such agreements will have the effect of establishing rights under, or altering or supplementing the terms of, the applicable Fund Agreement with respect to such investors. To the extent that compliance with any of the provisions of any such agreement would cause the Client, its general partner, its manager or any of their respective affiliates to violate their respective fiduciary obligations to other clients or to violate any applicable laws, any non-compliance with any such provisions will not be deemed to be a breach of such letter agreements.

Investments in Less Established Companies: A Client 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 Client, securities of less established companies may be subject to more abrupt and erratic market price movements than those of larger, more established companies.

Investments in Public Companies: A Client may invest in public companies or take private companies public. Investments in public companies may subject the Client to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, movements in the stock market and trends in the overall economy, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Client to dispose of such securities at certain times (including due to the possession by the Client of material non-public information), increased likelihood of shareholder litigation against such companies' board members, which may include Clearlake personnel, regulatory action by U.S. and non-U.S. regulators and increased costs associated with each of the aforementioned risks.

“Widening” Risk: For reasons not necessarily attributable to any of the risks enumerated above (for example, supply/demand imbalances or other market forces), the prices of the

assets in which a Client invests may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even more “undervalued” levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk.

Misrepresentation, Fraud and Misconduct: Of significant concern in lending and investing is the possibility of material misrepresentation or omission by a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the investment or may adversely affect the ability of a Client to perfect or effectuate a lien on the collateral securing the investment. A Client generally relies upon the accuracy and completeness of representations made by counterparties, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Third-Party Involvement: The general partner of a Client may, from time to time, depending on the type of investment opportunity, in its discretion, offer co-investment opportunities to (i) co-investment vehicles (formed to invest in issuers of portfolio investments, a predetermined subset thereof or otherwise), (ii) limited partnerships, other pooled investment vehicles or managed accounts that are affiliates of the general partner or which are managed by an affiliate of the general partner, (iii) any of the investors in the Client or (iv) any other person or entity, including, without limitation, persons or entities who the general partner believes will be of benefit to the Client or one or more issuers or who may provide a strategic, sourcing or similar benefit to Clearlake, the Client, an issuer or one or more of their respective affiliates, due to industry expertise or otherwise (and may also organize one or more entities to invest in the Client or to co-invest alongside the Client to facilitate personal investments by such persons or entities). The manager of a Client may, but will be under no obligation to, provide co-investment opportunities to investors in the Client. Any such co-investment opportunity may be provided on such terms and conditions as the general partner of the Client and the investors in the Client participating therein agree.

The commitment of co-investors may be substantial and such investments may involve risks not present in investments where such co-investors are not involved. Co-investors will typically bear their *pro rata* share of fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments and may be required to pay their *pro rata* share of fees, costs and expenses related to potential investments that are not consummated, such as breakup fees or broken deal expenses. Although Clearlake endeavors to allocate such fees, costs and expenses on a fair and reasonable basis, there can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately. In addition, co-investors may not agree to pay or otherwise bear fees, costs or expenses related to unconsummated co-investments. In such event, such fees, costs and expenses will be considered operating expenses of and be borne by a Client. Investments made with co-investors also may involve a portion of Fee Income allocated to such co-investors. (See also “Other Fees” under Item 11 below.) Further, it is possible that a co-investor may experience financial, legal or regulatory difficulties, may at any time have economic or business interests or goals that are inconsistent with those of a Client, may take a different view from

Clearlake as to the appropriate strategy for an investment, or may be in a position to take action contrary to such Client's investment objectives. Finally, a Client may in certain circumstances be liable for the actions of its co-investors.

In those circumstances where such co-investors involve a company's management group, such co-investors may receive compensation arrangements relating to the investment, including incentive compensation arrangements.

Cybersecurity Risks. Clearlake, the Clients and their respective service providers are susceptible to cybersecurity risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that Clearlake, the Clients and their service providers use to service the Clients' operations; or operational disruption or failures in the physical infrastructure or operating systems that support Clearlake, the Clients and their service providers. Cyber-attacks against or security breakdowns of Clearlake, the Clients or their service providers may adversely impact the Clients and their investors, potentially resulting in, among other things, financial losses; the inability of us or the investors to transact business and the Clients to process transactions; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. The Clients and Clearlake may incur additional costs for cybersecurity risk management and remediation purposes. In addition, cybersecurity risks may also impact issuers of securities in which the Clients invest, which may cause a Client's investment in such issuers to lose value. There can be no assurance that Clearlake, a Client or its service providers will not suffer losses relating to cyber-attacks or other information security breaches in the future.

ITEM 9 DISCIPLINARY INFORMATION

Clearlake and its Co-Founders 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 or managing member of each of the Clients.

Certain of Clearlake’s principals, including the Co-Founders, may serve as officers, advisors, directors or in comparable management functions for portfolio companies or issuers in which the Clients invest, or provide other services to portfolio companies or issuers, and may receive compensation in connection therewith. Any such compensation may constitute “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 or issuer, 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, such as the Co-Investment Fund, may be formed to invest alongside one or more Funds. As discussed below under “Conflicts of Interest” under Item 11 below, 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 the Closed End Funds.

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 policy of Clearlake that no person employed by Clearlake will 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 by such personnel, or by certain of their family members as set forth in the Code, 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 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.

From time to time, Clearlake employees may be offered and utilize discounts or special offers not otherwise available to the public from a Clearlake portfolio company or other business relationship. Any discounts or special offers received that are not generally provided to the employees of the portfolio company must be approved in advance in writing by the CCO.

Clearlake will provide a copy of its Code 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 advisory services to other entities and clients, including other collective investment vehicles (collectively, the "Other Accounts"), which may also follow investment programs substantially similar to that of such Client. Such Other Accounts may pursue, within a specific business or geographic sector, an investment program that invests in financial instruments (including, without limitation, corporate securities, loans and asset-backed investments) of a type acquired by such Client. The applicable manager of a particular Client and/or the Clearlake Affiliates may also provide investment advisory services to Other Accounts that follow investment programs that differ from such Client; however, such Client and Other Account may participate in the same investments. 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 that 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. Other present and future activities of the applicable general partner and/or manager of a particular Client and/or the

Clearlake Affiliates may give rise to additional conflicts of interest. In the event that a conflict of interest arises, the applicable general partner and/or manager of a particular Client will attempt to resolve such conflicts in a fair and equitable manner over time.

While there may be limitations set forth in Clients' Fund Agreements with respect to Clearlake's ability to form or sponsor such Other Accounts, the formation and management of such Other Accounts could create a conflict of interest in that the time and effort of the officers and employees of the general partner and the manager of a particular Client and the Clearlake Affiliates will not be devoted exclusively to the business of such Client, but will be allocated between the business of such Client and the management of the Other Accounts. In addition to the above, except as set forth herein and in the Fund Agreements and offering documents of the Clients, Clearlake may be permitted to engage in other investment and business activities. Such activities may raise conflicts of interest for which the resolution may not be currently determinable.

Allocation of Investment Opportunities: Subject to the applicable Fund Agreements and Clearlake's investment allocation policies and procedures, any investment opportunity suitable for a Client that is presented to the general partner and the manager of such Client and to the Co-Founders will be offered to such Client, except for: (i) investment opportunities related to any existing portfolio holdings of the general partner and the manager of such Client or the Co-Founders; (ii) investment opportunities declined by such Client; (iii) investment opportunities that are within the investment parameters of another Client, including, for the avoidance of doubt, any follow-on investment opportunity relating to any existing investment of such other Client or any other pre-existing investment fund sponsored by the Co-Founders or their respective affiliates or other investment funds permitted to be organized by the Co-Founders or their respective affiliates under the Fund Agreements of the Clients; (iv) investment opportunities presented to the Co-Founders in their respective capacity as directors of public or private companies and in similar circumstances where pre-existing fiduciary duties apply; and (v) suitable investment opportunities that are within the investment parameters of any pooled investment fund or similar entity permitted to be formed under the Fund Agreements of the Clients. Notwithstanding the foregoing, with respect to any investment opportunity that may be within the investment parameters of multiple Clients, such opportunity will be allocated in accordance with Clearlake's allocation policies and procedures. The Clients may also co-invest in certain opportunities in accordance with Clearlake's allocation policies and procedures.

Cross Transactions: From time to time, the general partner of a Client may seek to effect a purchase or sale of an investment (a "cross transaction") between the Client and one or more Other Accounts. The Client may, in particular, but without limitation, enter into cross transactions in connection with the acquisition of loans or other debt instruments or participations in such investments from Other Accounts or Clearlake proprietary accounts that were involved in their origination. Subject to the applicable Fund Agreements, to the extent that such transactions may be viewed as "principal transactions" due to the ownership interest in the prospective portfolio company or issuer by the general partner of the Client, its affiliates and their respective personnel, the manager of the Client will either not effect such transaction or comply with the requirements of Section 206(3) of the Advisers Act,

including that the manager of the Client will notify the Client (or a conflicts committee of the Client) in writing of the transaction and obtain the consent of the Client (or a conflicts committee of the Client). Subject to the applicable Fund Agreements, from time to time, Clearlake may, out of its proprietary assets, acquire an asset of a portfolio company of a Client or an asset of an issuer of securities held by a Client on terms negotiated with the management of such portfolio company or issuer. These transactions do not constitute “principal transactions” or cross transactions that are subject to the restrictions applicable to such transactions.

Placement Agents: Clearlake may engage one or more placement agents in the placement of interests for a Client. As such, the placement agents may be compensated for certain capital commitments made to the Client, except in situations where such compensation is expressly prohibited by applicable law. All fees due to the placement agents that are paid by the Client may reduce the Management Fees otherwise payable by the investors by an identical amount or will be paid directly by the general partner of the Client or its affiliates. The prospect of receiving, or the receipt of, placement fees may provide the placement agents and/or their salespersons with an incentive to favor sales of interests in the Client, and in funds whose affiliates make similar compensation available, over sales of interests of funds (or other fund investments) with respect to which the placement agents receive either no such additional compensation or lower levels of additional compensation. Such payment arrangements, however, will not change the price that an investor pays for interests in the Client or the amounts that the Client receives to invest on behalf of an investor. Investors may wish to take such payment arrangements into account when considering and evaluating any recommendations by placement agents relating to interests in the Fund.

Time and Attention of the Clearlake Investment Professionals: The Clearlake investment professionals will devote such time and attention to the conduct of a Client’s business as such business will reasonably require. However, there can be no assurance, for example, that such investment professionals will devote any minimum number of hours each week to the affairs of the Client or that they will continue to be employed by Clearlake. In the event that such investment professionals cease to be actively involved with the Client, investors in the Client will be required to rely on the ability of Clearlake to identify and retain other investment professionals to conduct the Client’s business.

Investments by Co-Founders and Clearlake Investment Professionals: The Co-Founders 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 applicable Fund Agreements and offering documents of each Client. Generally, investments and disposals are made on the same economic terms for all 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.

However, as discussed in Item 5 above, Clearlake's related persons will not bear Management Fees, Carried Interest or Incentive Allocation with respect to such investments.

Diverse Investor Base: The investors in the Clients may include taxable and tax-exempt entities and may include persons or entities organized in multiple jurisdictions. The various types of investors may have conflicting investment, tax and other interests with respect to their investment in the Clients. When considering a potential investment, the general partner of a Client will generally consider the investment objectives of the Client, as a whole, not the investment objectives of any investor, fund vehicle or parallel fund individually. Consequently, the general partner of a Client may make decisions from time to time that may be more beneficial to one type of investor or Fund vehicle than another.

Advisory Board: An advisory board may be established with respect to a particular Fund, which would consist of voting and non-voting representatives of certain limited partners unaffiliated with Clearlake, who review certain matters involving a potential conflict of interest. The General Partner of a particular Fund may designate a non-voting member to the advisory board of such Fund to act as non-voting chairman of such advisory board.

Certain Other Fees Paid to Clearlake Affiliates: Clearlake Affiliates may originate debt for the benefit of a Client. In such circumstances, Clearlake Affiliates may receive nominal origination fees, structuring and other fees from various loan recipients in exchange for originating such transactions. Such fees will not constitute Fee Income and may exceed out-of-pocket expenses.

Effect of Management Fee, Carried Interest and Incentive Allocation: The Management Fee payable by a Client to its manager and the Carried Interest and Incentive Allocation that a general partner of a Client may receive under the Client's Fund Agreements would not have been established on the basis of an arm's length negotiation and may affect the determinations of the general partner in various ways. For example, the existence of a general partner's Carried Interest or Incentive Allocation may create an incentive for the general partner to (i) make riskier or more speculative investments on behalf of the Client than would be the case in the absence of such performance-based compensation and (ii) dispose of the Client's investments at a time and in a sequence that would generate the most Carried Interest or Incentive Allocation, even though the capital commitment by the general partner to the Client and the giveback obligation of the general partner, of any, should tend to reduce these incentives. The Management Fee may incentivize the general partner of a Client to cause such Client to continue to hold an investment longer than it may have in the absence of such Management Fee.

Management Fee Waiver: The manager of a Client or Clearlake itself may from time to time elect to waive in advance a portion of the Management Fee that would otherwise be due from the Client. As a result of any such waiver, the capital contributions funded by the investors in the Client that would otherwise have been used to fund the payment of such Management Fees are instead invested into one or more of the Client's investments (such program, the "Management Profits Interest Program"). In connection with the foregoing, the manager of the Client, only in respect of its rights to receive distributions of profits, (the "MPI Entity"), will receive the right to an interest in future distributions of profits, if any,

from those investments made or appreciating after such election. This election also allows certain employees of the manager of the Client or Clearlake to waive a portion of their respective share of future income from the MPI Entity and receive, in lieu of a cash distribution, a profits interest in the Client. The manager of the Client or Clearlake immediately distributes amounts received with respect to the Management Profits Interest Program to such employees. Upon realization of such an investment, the MPI Entity or its assignees will generally receive an amount equal to its notional capital contributions in such investment and proportionate profits thereon, but only to the extent of available profits. The application of the Management Profits Interest Program may create an incentive for the manager of a Client to make riskier or more speculative investments on behalf of the Client than it might otherwise make in the absence of such a program. Furthermore, although management profits interest programs are used extensively across the alternative assets industry, the terms and structure of such programs have become subject to enhanced political, governmental and regulatory scrutiny. This may result in additional administrative expenses or costs for the Client.

Other Fees: As described under “Fees and Compensation—Transaction-Based Compensation” above, Clearlake may receive certain Fee Income. While the receipt of Fee Income may create a conflict of interest for the Fund to pursue certain investments solely for purposes of receiving such Fee Income, the Management Fee offset described therein should have the effect of mitigating such conflict. If more than one Client has participated or would participate in an unconsummated investment generating a Fee Income, then only such portion of such Fee Income that is fairly allocable to the Client based on the nature of the transaction giving rise to such Fee Income will be included in the Management Fee offset applicable to such Client. The amount of Fee Income allocated to a Client pursuant to the foregoing sentence will then be further allocated among the Management Fee-bearing investors in such Client. Fee Income that is not allocated to such Client and, in turn, not allocated to the Management Fee-bearing investors in such Client, will not be applied to reduce the Management Fee otherwise payable by such Client and may be returned for the benefit of Clearlake. Certain fees may be allocated to co-investors that invest alongside a Fund. Such fees may be allocated to Clearlake but not to such Fund and will not constitute “Fee Income” and therefore will not result in reductions or offsets to the Management Fee.

Consultants and Senior Advisors: The Clients and/or their respective portfolio companies or issuers may retain consultants and advisors, including, without limitation, individuals who act as an officer of or in an active management role at any portfolio company or issuer, 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, Operating Advisors and other members of Clearlake’s Executive Council), in each case, to conduct due diligence, provide industry analysis, and provide ongoing consulting services to the Fund and/or such portfolio companies or issuers. The costs and expenses of such dedicated consultants and advisors will generally be borne by a Client, or its portfolio companies or issuers and will not constitute Fee Income. Such consultants and advisors may also provide services to Clearlake, the Other Accounts and their respective portfolio companies or issuers, in which case the costs and expenses of such services will be allocated in accordance with the services provided, and if more than one such entity benefits from a particular service, the costs and expenses of such service will be

allocated among them in an equitable manner. Such compensation may take the form of grants of equity or other incentive compensation arrangements by portfolio companies or issuers. For administrative convenience, Clearlake may retain such consultants and advisors for the benefit of a Client, the Other Accounts and/or their respective portfolio companies or issuers and obtain reimbursement from such Client, the Other Accounts and/or their respective portfolio companies or issuers, as applicable. The consultants and advisors engaged by the Clients and/or their respective portfolio companies or issuers should be expected to change from time to time.

Clearlake Personnel as Directors of Portfolio Companies or Issuers: Conflicts of interest may arise because Clearlake personnel may serve as directors of certain of a Client's portfolio companies or issuers or other legal entities in which the Client has invested. In instances where the Client is not the sole shareholder of the applicable portfolio company or issuer or other legal entity, in addition to any fiduciary duties that such Clearlake personnel owe to the Client, as directors of portfolio companies or issuers or other legal entities, such Clearlake personnel may owe fiduciary duties to the shareholders of the portfolio companies or issuers or other legal entities and to persons other than the Client. In addition, such Clearlake personnel may serve as directors of, and owe fiduciary duties to the shareholders of, more than one portfolio company or issuer or other legal entity in the same industry. In general, such director positions are often important to the Client's investment strategy and may have the effect of enhancing the ability of Clearlake personnel to manage investments. However, such positions may place Clearlake personnel in a position where they must make a decision that is either not in the best interests of the Fund or not in the best interests of the shareholders of a portfolio company or issuer or other legal entity. Should Clearlake personnel make a decision that is not in the best interest of the shareholders of a portfolio company or issuer, such decision may subject the general partner and the manager of the applicable Client, the Clearlake Affiliates and/or the applicable Client to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In addition, because of the potential conflicting fiduciary duties, the manager of a Client may be restricted in choosing investments for the Client, which could negatively impact returns received by the Client.

Representing Creditors and Debtors: The general partner and the manager of a Client and their affiliates may represent creditors or debtors in proceedings under relevant bankruptcy or insolvency codes or prior to such filings. From time to time, the manager and its affiliates may serve as advisor to creditor or equity committees. This involvement, for which the manager and their affiliates may be compensated, may limit or preclude the flexibility that the Client may otherwise have to participate in restructurings, or the Client may be required to liquidate any existing positions of the applicable issuer.

ITEM 12 BROKERAGE PRACTICES

Subject to the investment objectives, policies and restrictions of each Client, as set forth in the applicable Fund Agreements and offering 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, and investors are not permitted to direct Clearlake to use a particular broker or dealer to execute portfolio transactions on behalf of a Client.

Selection of Broker-Dealers

Clearlake's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution on transactions effected for Clients. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors will be considered as they are deemed relevant. These factors include, but are not limited to, Clearlake's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived soundness of the broker or dealer selected and other brokers or dealers considered; Clearlake's knowledge of actual or apparent operational problems of any broker or dealer; the broker's or dealer's execution services rendered on a continuing basis and in other transactions; the reasonableness of spreads or commissions; and the research services and products furnished by the broker or dealer, if any.

In seeking to obtain best execution, Clearlake generally will not seek in advance competitive bidding for the most favorable commission rate or spread applicable to any particular portfolio transaction or to select any broker or dealer on the basis of its purported or "posted" commission rate. Clearlake will endeavor to be aware of the current level of the charges of eligible brokers or dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. Although Clearlake generally seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and would thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Research and Soft Dollar Arrangements

Clearlake does not generally have any soft dollar arrangements with any brokers whereby Clearlake can direct a broker to pay for external research services from a soft dollar account. No member, officer, director (or other person occupying a similar status or performing similar functions) or employee of Clearlake, or any other person who provides investment advice on behalf of Clearlake and is subject to the supervision and control of Clearlake, may agree with a broker to engage in soft dollar transactions without the express permission of the CCO. If and to the extent that Clearlake has any soft dollar arrangements, any such arrangement will be in compliance with Section 28(e) of the U.S. Securities and Exchange Act of 1934, as amended.

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 Agreements and offering 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 Agreements. 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 applicable Fund Agreements and offering documents, Clearlake has discretionary authority designated to it pursuant to the Fund Agreements 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 Agreements, and any letter agreements 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 Co-Founders, 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 Co-Founders, its employees and with persons having an interest in the outcome of the vote. When a proxy raises material conflicts of interests, the Co-Founders, 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 Co-Founders, 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 or issuers 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 or issuers 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.