



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

This Form ADV Part 2A (“Brochure”) serves as an update to the Brochure of Clearlake Capital Group, L.P. dated December 14, 2017. This Brochure contains no material changes from the Brochure dated December 14, 2017. Item 8 has expanded upon the description of risks associated with an investment in a Client (as defined below).

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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. (collectively, “Fund III”);
- Clearlake Capital Partners IV, L.P. and its parallel fund, Clearlake Capital Partners IV (Offshore), L.P. (collectively, “Fund IV”);
- Clearlake Capital Partners V, L.P. and its parallel funds Clearlake Capital Partners V (Offshore), L.P. and Clearlake Capital Partners V (USTE), L.P. (collectively, “Fund V”);
- 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 V, 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”);
- Clearlake Capital Partners I Co-Investment Fund, LLC (the “Fund I Co-Investment Fund”); and
- Snowbird Co-Investment Partners, LLC (the “Snowbird Co-Investment Fund” and, together with the Fund I Co-Investment Fund, the “Co-Investment Funds” and, together with the Fund I Co-Investment Fund, the Funds and any other fund or account to which Clearlake may provide investment advisory services from time to time, the “Clients”).

The term “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 Fund I 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 and the Snowbird

Co-Investment Fund through its subsidiary Clearlake Capital Management IV, L.P., provides investment advisory services to Fund V through its subsidiary Clearlake Capital Management V, 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 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 also be deemed to the “non-member manager” of a Client in the case of the Co-Investment Funds and any other Client that is a limited liability company.

As of March 29, 2018, Clearlake had approximately \$7,781,953,443 assets under management, all of which is managed by Clearlake on a discretionary basis.¹ Clearlake does not manage any Client assets on a non-discretionary basis.

ITEM 5 FEES AND COMPENSATION

Compensation and Fee Schedules

Clearlake (or the applicable investment advisory entity, as described above) is compensated for its investment advisory services by each of the Funds through the payment of a management fee as set forth in each Funds’ Management Agreement (as defined below). Management Fees are typically in the range of 1.5-2 percent per annum of capital commitments, actively invested capital or net asset value of the applicable fund (collectively, the “Management Fees”). The advisory relationship between each Client and the relevant Clearlake investment advisory entity is governed by their respective investment management agreement (each, a “Management Agreement”). Management Agreements are generally negotiated among related parties and, as such, their terms, including the fees payable to Clearlake, may not be as favorable to the Clients as if they had been negotiated with an unaffiliated, unrelated third party. 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 Funds.

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

¹ Regulatory assets under management is calculated as of December 31, 2017 as adjusted for material transactions through March 29, 2018.

amounts in such Client and other considerations 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 (or bear no) 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.

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) and other related persons who invest his or her own capital in any Client does not bear or pay any Management Fees, Carried Interest or Incentive Allocation.

All investors and prospective investors should review the limited partnership agreements or other governing agreements of each Client (as amended or restated from time to time, 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.

Other Fees and Expenses

As set forth in the Fund Agreements, each Client generally bears expenses relating to its operations. These expenses vary by Client, but typically will include, among other things: 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 and 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)² but excluding investment professionals

² 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.

employed by Clearlake engaged primarily in the investment activities of the Client)), filing, information services and professional fees, travel expenses (which may include private, first or business class air travel, lodging, ground transportation, and travel meals), business development, entertainment and all other fees, costs and expenses related to the evaluation, discovery, investigation, development, acquisition, monitoring or disposition of potential or actual investments (whether or not consummated and whether or not incurred prior to the Client's initial closing); (ii) fees, costs and expenses incurred in connection with the carrying or management of investments, including interest and related expenses and custodial, trustee, record keeping and other administration fees, operations fees and expenses and reconciliation expenses; (iii) fees, costs and expenses incurred in implementing or maintaining third-party or proprietary software tools, programs or other technology for the benefit of the Client (including, without limitation, any and all costs and expenses of any investment, books and records, portfolio compliance and reporting systems, including, without limitation, consultant, consumer relations management, software licensing, data management and recovery services fees and expenses); (iv) fees, costs and expenses incurred in connection with the incurrence of leverage and indebtedness, including, without limitation, borrowings (including, without limitation, fees, costs, and expenses incurred in obtaining lines of credit, loan commitments and letters of credit for the account of the Client and in guaranteeing the obligations of any portfolio companies or 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, ERISA, cyber, crime 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), (x) fees and expenses (and damages), including accounting, regulatory, administrative and 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 related to the activities of the Clients, their alternative investment vehicles, their parallel partnerships and any other entities through which they make investments, including, without limitation, relating to capital raising activities, investment activities and ongoing operations (but not in connection with ongoing compliance-related matters and regulatory filings necessary for the Manager's operation as an investment adviser, other than related to Form PF and other similar regulatory filings in respect of the Client's activities), in respect of U.S. federal, state, local, non-U.S. or other law and regulation (including, for example, under applicable "blue sky" rules and regulations, 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); (xi) fees, costs and expenses related to the organization or maintenance of any special purpose vehicle, including without limitation any travel expenses (including airfare, lodging, ground transportation, and travel meals) related to any such entity and the salary and benefits of any personnel (including personnel of the manager or its affiliates) reasonably necessary and/or advisable for the maintenance and operation of any such entity, or other overhead expenses in connection therewith (to the extent not subject to any reimbursement of such costs and expenses by portfolio companies or other third parties and not capitalized as part of the acquisition price of the transaction); (xii) 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); (xiii) fees, costs and expenses, including travel expenses (which may include private, first or business class air travel), 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; (xiv) fees, costs and expenses relating to defaults by investors in the payment of any capital contributions; (xv) out-of-pocket fees, costs and expenses for transactions not consummated; (xvi) 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; (xvii) 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); (xviii) 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; (xix) 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); (xx) 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); (xxi) expenses related to the Client's indemnification obligations pursuant to the Fund Agreements; (xxii) administration fees payable to an administrator of the Client or any other person providing administrative or similar services to the Client; (xxiii) 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; (xxiv) the Management Fees payable pursuant to the Fund Agreements; (xxv) expenses incurred in connection with compliance with side letters and most favored nations processes; (xxvi) 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 (xxvii) any fees, costs and expenses of the Client, its manager or their respective affiliates approved by the Client's advisory board.

Clearlake and its affiliates from time to time incur fees, costs, and expenses on behalf of one or more Clients. 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. Notwithstanding the foregoing, Clearlake may in the future develop policies and procedures to address the allocation of expenses that differ from its current practice.

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, 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. 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 below. 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 Fund V, 100%, in COP (P), 100%, and in the Evergreen Fund, 100%, of the remaining portion of the Fee Income that is allocable to the applicable Fund is used to reduce or offset the

Management Fees otherwise payable by the applicable Client by an identical amount. 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. 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 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 thereon, 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 thereon.

Side-by-Side Management

Subject to the terms of each Clients’ applicable Fund Agreements, Clearlake may commence the operation of another pooled investment fund with overall objectives substantially similar to those of a 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 Funds, 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 Funds. The investors in the Clients may include corporations, endowments, foundations, trusts, estates, private investment funds, individuals, governmental entities and corporate and governmental pension and profit sharing plans.

Interests in the Clients are offered pursuant to the exemptions from registration under the Securities Act of 1933, as amended (the "Securities Act") and the Clients are exempt from registration as investment companies under the Investment Company Act of 1940 (as amended, the "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, initiating dialogue about potential acquisitions with the management teams or owners of such companies and formulating and researching investment theses of such companies. On certain occasions, an investment is made in a public company, in which case publicly filed corporate documents are also inspected by Clearlake. In the course of undertaking transactions, Clearlake consults with professional advisers, including lawyers, 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.

Risks

Investing in the Clients involves a high degree of risk that investors should carefully consider before making an investment. 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:

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. 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. 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.

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.

Highly Competitive Market for Investment Opportunities: The activity of identifying, completing and realizing attractive investments to be pursued as part of the Clients' investment programs is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions as well as the prevailing regulatory and political climate. In particular, in light of changes in such conditions, including changes in the availability and cost of debt financing, certain types of investment opportunities may not be available to the Clients on terms that are as attractive as the terms on which opportunities were available to previous investment programs sponsored by Clearlake. The Clients will be competing for investment opportunities with a significant number of other investors, including, without limitation, other investment partnerships and corporations, business development companies, sovereign wealth funds, domestic and international public pension plans, the public debt and equity markets, individuals, financial institutions and other financial investors investing directly or through affiliates. Furthermore, over the past several years, an ever-increasing number of tactical opportunity, special situations and related investment funds have been formed and many such existing funds have grown substantially in size, including private equity funds investing in stressed, distressed, special situations, private equity and similar strategies resulting in an unprecedented amount of capital available for private equity investment. Additional funds with similar objectives may be formed in the future by other unrelated parties.

Some of these competitors may have more relevant experience, greater financial, technical, marketing and other resources, more personnel, higher risk tolerances, different risk assessments, lower return thresholds, lower cost of capital, synergistic cost savings and access to funding sources unavailable to Clearlake and the Clients. Consequently, competition for appropriate investment opportunities has increased, and it is possible that competition for appropriate investment opportunities may continue to increase, thus reducing the number of investment opportunities available to the Clients and adversely affecting the terms, including without limitation, pricing, upon which investments can be made. There can be no assurance that the Clients will be able to locate, consummate and exit investments that satisfy the Clients' target equity size range, rate of return objectives or realize upon their values or that they will be able to invest fully their committed capital. To the extent that the Clients encounter competition for investments, returns to investors may decrease.

In addition, Clearlake's investment strategies in certain sectors may depend on its ability to enter into satisfactory relationships with joint venture partners or operating executives. There can be no assurance that Clearlake's current relationship with any such partner or operator will continue (whether on currently applicable terms or otherwise) with respect to the Clients or that any relationship with other such persons will be able to be established in the future as desired with respect to any sector or geographic market and on terms favorable to the Clients.

Enhanced Scrutiny and Regulations of Private Funds and Financial Services Industries: The Clients' ability to achieve their investment objectives, as well as the ability of the Clients to conduct their operations, is based on laws and regulations which are subject to change through legislative, judicial or administrative action. Future legislative, judicial or administrative action could adversely affect the Clients' ability to achieve their investment objectives, as well as the ability of the Clients to conduct their operations.

The alternative asset management and financial services industries are subject to enhanced governmental scrutiny and/or increased regulation, including provisions under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Dodd-Frank Act imposes a number of restrictions on the relationship and activities of banking organizations with private equity funds and hedge funds and other provisions that will affect the private equity industry, either directly or indirectly. Included in the Dodd-Frank Act is the so-called "Volcker Rule," which takes the form of new Section 13 of the Bank Holding Company Act of 1956. Among other things, the Volcker Rule prohibits any "banking entity" (generally defined as any insured depository institution, any company that controls such an institution, a non-U.S. bank that is treated as a bank holding company for purposes of U.S. banking law, and any affiliate or subsidiary of the foregoing entities), as principal, from sponsoring or acquiring or retaining an ownership interest in a private equity fund or hedge fund that is not subject to the provisions of the Investment Company Act in reliance upon either Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

Although Clearlake is currently registered and the managers are relying advisers under the U.S. Advisers Act, the enactment of these reforms and/or other similar legislation could nonetheless have an adverse effect on the

private investment funds industry generally and on Clearlake and/or the Clients specifically, and may impede the Clients' ability to effectively achieve their investment objectives. As registered investment advisers under the U.S. Advisers Act, the managers are required to comply with a variety of periodic reporting and compliance-related obligations under applicable federal and state securities laws (including, without limitation, the obligation of the managers and their affiliates to make regulatory filings with respect to the Clients and their activities under the U.S. Advisers Act (including, without limitation, Form PF)). In light of the heightened regulatory environment in which the Clients and the managers operate and the ever-increasing regulations applicable to private investment funds and their investment advisors, it has become increasingly expensive and time-consuming for the Clients, the managers and their affiliates to comply with such regulatory reporting and compliance-related obligations. For example, Form PF requires that Clearlake report the regulatory assets under management of the Clients, and because the Clients are required to bear the Clients' expenses relating to compliance-related matters and regulatory filings, the Clients' may bear the costs and expenses of initial and ongoing Form PF compliance applicable to the Clients, including costs and expenses of collecting and calculating data and the preparation of such reports and filings. Such expenses are likely to be material, including on a cumulative basis over the life of the Clients. Any further increases in the regulations applicable to private investment funds generally or the Clients and/or the managers in particular may result in increased expenses associated with the Clients' activities and additional resources of the managers being devoted to such regulatory reporting and compliance-related obligations, which may reduce overall returns for the investors and/or have an adverse effect on the ability of the Clients to effectively achieve their investment objective.

Furthermore, various federal, state and local agencies have been examining the role of placement agents, finders and other similar service providers in the context of investment by public pension plans and other similar entities, including investigations and requests for information, and in connection therewith, new and/or proposed rules and regulations in this arena may increase the possibility that the general partners and their affiliates may be exposed to claims and/or actions that could require an investor to withdraw from the Clients. Relatedly, Clearlake may be required to provide certain information regarding some of the investors in the Clients to regulatory agencies and bodies in order to comply with applicable laws and regulations.

The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and/or on Clearlake or the Clients, specifically. Therefore, there can be no assurance that any continued regulatory scrutiny or initiatives will not have an adverse impact on Clearlake or otherwise impede the Clients' activities. The current regulatory environment in the United States may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act. In this regard, the full scope of the current U.S. President's legislative agenda is not yet fully known, but may include certain deregulatory measures for the U.S. financial services industry, including changes to the Volcker Rule, capital and risk retention requirements, the Financial Stability Oversight Council's authority and other aspects of the Dodd-Frank Act.

In addition to the U.S. legislation described above, other jurisdictions, including many European jurisdictions, have proposed modernizing financial regulations that have called for, among other things, increased regulation of and disclosure with respect to, and possibly registration of, hedge funds and private equity funds. There is therefore a material risk that regulatory agencies in the U.S., Europe, Asia, or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the private equity industry, or other changes that could adversely affect private equity firms and the funds they sponsor, including the Clients.

In addition, as private fund firms and other alternative asset managers become more influential participants in the U.S. and global financial markets and economy generally, the private fund industry has been subject to criticism by some politicians, regulators and market commentators. The negative perception of the private fund industry in certain countries could make it harder for the Clients to successfully bid for and complete investments.

Each prospective investor is strongly urged to consult its own legal advisors with respect to the consequences under applicable regulatory regimes regarding banks and other financial institutions and investors therein of the purchase and ownership of Interests in the Clients.

European Union Alternative Investment Fund Managers Directive: The European Union Alternative Investment Fund Managers Directive (the “Directive”) imposes requirements on non-European Economic Area (“EEA”) investment fund managers (“AIFMs”) which market alternative investment funds (“AIFs”) to professional investors within the EEA.

These requirements have the potential to adversely affect a Client, including by (i) affecting the range of investment and realization strategies that the Client is able to pursue, (ii) limiting the territories in which the Client may seek investors, and (iii) materially adding to the costs associated with compliance, monitoring and reporting. Restrictions on early distributions or reductions in capital in respect of EEA-based portfolio companies (so-called “anti-asset-stripping” rules) may limit the use of certain investment and realization strategies, such as dividend recapitalizations and reorganizations by the Client. Some member states do not currently allow the marketing of AIFs by non-EEA AIFMs. Some member states impose additional requirements which make it disproportionately burdensome to market a non-EEA AIF in that member state. Certain competitors may not be subject to the Directive’s requirements, with the result that the Client may be at a relative disadvantage. Where Clearlake has marketed an AIF in a member state in compliance with the national private placement regime and that marketing has resulted in investors in that member state investing in the AIF, Clearlake’s ongoing compliance with the reporting and other requirements of that member state will continue at least until all of such investors dispose of their interests in the AIF. Compliance with these requirements may therefore result in significant additional costs for the Clients. In the future, it may be possible for non-EEA AIFMs to market an AIF within the EEA pursuant to a pan-European marketing “passport” instead of under national private placement regimes, provided that the AIFM complies with all relevant provisions of the Directive. If the applicable non-EEA investment fund manager sought to comply with the requirements needed to use the passport, this could have other adverse effects including, among other things, increasing the regulatory burden and costs of operating and managing a Client and its investments.

The implementation of the AIFMD could also expose Clearlake to disparate or conflicting regulatory requirements under the laws of the United States. The foregoing risks could adversely affect the Clients.

United Kingdom Exit from the European Union: On March 29, 2017, the United Kingdom (the “UK”) formally notified the European Council of its intention to withdraw from the European Union (the “EU”). Under the process for leaving the EU contemplated in article 50 of the Treaty on the European Union (the “TEU”), the UK will remain a member state until a withdrawal agreement is entered into or, if later (and no extension is agreed), two years following the notification of the intention to leave. It is likely that the UK will remain a member state subject to EU law with privileges to provide services under the single market directives until at least March 29, 2019. Given the size and importance of the UK’s economy, uncertainty about its legal, political and economic relationship with Europe may be a source of instability, or otherwise adversely affect international markets, arrangements for trading or other existing cross-border co-operation arrangements for the foreseeable future, including during negotiations and beyond the date of the UK’s withdrawal from the EU. The decision of the UK to leave the EU could have adverse consequences on the Clients, the performance of its investments and its ability to fulfil its investment objectives.

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, generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions contemplated as part of the Clients’ investment strategy. Investors in a Client could experience losses on their investment, including a loss of all capital. 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. Accordingly, an investment in a Client should only be considered by prospective investors for whom a speculative, illiquid and long-term investment is an appropriate component of a larger investment program and 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.

Nature of Distressed Investments: The Clients may invest in equity and 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 to generate 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.

The Clients may also invest in obligations or securities that are rated below investment grade by recognized rating services and in unrated securities. Securities rated below investment grade and unrated securities are generally expected to offer a higher current yield than that available from higher grade issues but typically involve greater risk. Securities rated below investment grade and unrated securities are typically subject to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, such instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of such securities, especially in a market characterized by a low volume of trading. In addition, the secondary market for high yield securities, which is concentrated in relatively few market makers, may not be as liquid as the secondary market for more highly rated securities. As a result, the market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and ask prices may be greater than expected in respect of non-distressed securities. Accordingly, a Client could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded.

Investments in Debt: The Clients may invest in debt, which could include leveraged loans, high yield bonds or other instruments or securities. Investing in debt can create various risks for such Client. For example, debt investments will typically not provide the holders with any governance rights, and so a Client's ability to influence the success of the portfolio company may be significantly limited. In addition, the market for selling debt may not be as liquid as the market for selling public equity securities, which may impair the ability of a Client to sell the investment at the opportune time.

Bank Loans: The Clients' investment program may include investments in bank loans and participations acquired through a process of transfer, assignment, participation or otherwise in the secondary market. These obligations are subject to unique risks, which are in addition to the underlying borrower credit risk, including: (i) the possible invalidation of an investment transaction as a preference or transaction at an undervalue or fraudulent conveyance (or the equivalent under local law) in the context of the insolvency of the selling institution; (ii) lender-liability type claims by the issuer or creditors of the obligations; (iii) adverse consequences resulting from the additional risk assumed with respect to an institution making a participation (as opposed to a transfer or assignment) available to such Client, particularly where that institution is of lower credit quality; (iv) environmental liabilities that may arise with respect to collateral securing the obligations; (v) the possible invalidity of any transfer, assignment or participation by virtue of non-adherence to the required method of transfer or breach of transfer or assignment prohibitions or claims arising from unauthorized information disclosure; and (vi) limitations on the ability of such Client to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, Clearlake 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 may be borne by such Client.

The means by which a Client acquires an interest in a loan will be determined by the terms applicable to that loan and the governing law of that loan. Transfers, assignments, novations and participations are usually concluded without recourse to the selling institutions and the selling institutions will generally make no representations or warranties about the underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans. In addition, a Client will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower. Because of certain terms in a loan agreement including lender eligibility requirements and confidentiality provisions, the unique and customized nature of the loan agreement and the private syndication of the loan, loans are not purchased or sold as easily or as quickly as are publicly traded securities.

Bridge Loans: From time to time, a 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 Clients 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 Client's investments constitute participations in purchased loans (however acquired), such Client 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: A Client may make control investments that allows it to acquire control or exercise influence over management and the strategic direction of a portfolio company (including, but not limited to, assets, projects and/or businesses in which the Client invests). 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. The exercise of control over an investment could expose the assets of a Client to contingent liabilities and/or other liabilities and claims by the relevant portfolio companies, its shareholders and its creditors. While Clearlake intends to manage Clients in a manner that will seek to minimize the exposure of these risks, the possibility of successful claims cannot be precluded.

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. There can be no assurance that such rights will be available or that such rights will provide sufficient protection of such Client's rights. Moreover, certain countries in which such Client intends to invest either directly through the portfolio company or indirectly through its subsidiary do not have well-developed legal systems and bodies of commercial law and provide inadequate legal remedies for breaches of contract, which could adversely affect such Client's minority investments and rights under governing agreements. In such cases, such Client will typically be significantly reliant on the existing management, board of directors and other equity holders of such investments, who may not be affiliated with the Client and whose interests may conflict with its interests.

Litigation: It is likely that many of the investments in which a Client may invest may involve various types of restructurings, foreclosures or other activist efforts, which 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, the Clients and one or more of their respective affiliates may be named as defendants in civil proceedings. Furthermore, the adoption of new or enhancement of existing laws and regulations may increase the risk to the Client of litigation still more. Any such litigation would likely have a negative financial impact on Clearlake and/or the Clients. For instance, the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Clients and would reduce the Clients' 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: A 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.

Use of Leverage: A Client's investments may often involve varying degrees of leverage, which could magnify the impact of circumstances such as unfavorable market or economic conditions, operating problems and other changes that affect a Client's investments or their respective industries, resulting in a more pronounced effect of such circumstances on the profitability or prospects of such investments. In using leverage, these investments may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair their ability to finance or otherwise pursue their future operations or otherwise satisfy additional capital needs. Moreover, rising interest rates may significantly increase investments' interest expense, causing losses and/or the inability to service debt levels. If an investment cannot generate adequate cash flow to meet its debt obligations, a Client may suffer a partial or total loss of capital invested in such investment. To the extent there is not ample availability of financing for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders) a Client's ability to consummate certain transactions could be impaired.

Borrowing: Subject to certain limitations set forth in the applicable Fund Agreements, a Client has broad authority to borrow, make guarantees and provide other credit support 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 all 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.

In addition, a Client may need to refinance its outstanding debt as it matures. There is a risk that a Client may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms

of the existing loan agreements. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. These risks could adversely affect a Client's financial condition, cash flows and return on its investments.

Because a Client or its subsidiaries may engage in portfolio financings where investments are cross-collateralized or cross-defaulted, multiple investments may be subject to the risk of loss. As a result, a Client could lose its interests in performing investments in the event such investments are cross-collateralized or cross-defaulted with poorly performing or non-performing investments.

Recourse debt, which a Client reserves the right to obtain, may subject other assets of a Client to the risk of loss and the Partner's capital commitments to be called or a Client's assets to be sold to satisfy such debt. Full or partial recourse debt may also limit the ability of a Client to effect a debt restructuring at or prior to maturity of the debt.

To the extent that a Client co-invests with any vehicles managed or controlled by Clearlake, including any other Client or Other Account, a Client may incur indebtedness and guarantee obligations together with such vehicles on a joint and several or cross-collateralized basis (which may be on an investment-by-investment or portfolio-wide basis). While such arrangements may be joint and several with respect to a Client, such arrangements are not expected to impose reciprocal joint and several obligations on such vehicles. As a result of the incurrence of indebtedness on a joint and several or cross-collateralized basis, a Client may be required to contribute amounts in excess of its pro rata share, including additional capital to make up for any shortfall if such vehicles are unable to repay their pro rata share of such indebtedness. Moreover, a Client could also lose its interests in performing investments in the event such performing investments are cross-collateralized with poorly performing or non-performing investments.

A Client's incurrence of fund-level debt (subject to the limitations set forth in a Client Agreement), such as debt resulting from bridge, subscription and asset-backed facilities, exposes a Client to refinancing, recourse and other risks. With respect to any asset-backed facility entered into by a Client (or an affiliate thereof), a decrease in the market value of a Client's investments would increase the effective amount of leverage and could result in the possibility of a violation of certain financial covenants pursuant to which a Client must either repay the borrowed funds to the lender, which could, subject to any limitations set forth in the Fund Agreement, require investors in such Client to make additional capital contributions in respect of such borrowings, or suffer foreclosure or forced liquidation of the pledged assets. Liquidation of a Client's investments at an inopportune time in order to satisfy such financial covenants could adversely impact the performance of a Client and could, if the value of its investments had declined significantly, cause a Client to lose all or a substantial amount of its capital. Moreover, if additional capital contributions were required to satisfy such financial covenants, such capital contributions would effectively reduce the amount of capital available for other investments and could adversely affect the diversification of a Client's portfolio. In the event of a sudden, precipitous drop in the value of a Client's assets, a Client might not be able to dispose of assets quickly enough to pay off its debt, resulting in a foreclosure or other total loss of some or all of the pledged assets. Fund-level debt facilities typically include other covenants such as, but not limited to, covenants against a Client incurring or being in default under other recourse debt, including certain Fund guarantees of asset-level debt, which, if triggered, could cause adverse consequences to a Client if it is unable to cure or otherwise mitigate such breach.

Also, in light of the distress in the global financial markets, any bankruptcy, insolvency or default by a counterparty to a Client could result in a loss of a Client's investments, including, for example, where fund assets and securities are re-hypothecated or otherwise held by such counterparties and become subject to general claims of their creditors.

Subscription Facility and Capital Calls. In accordance with applicable Fund Agreements, a general partner of a Client may fund the making of investments with proceeds from drawdowns under one or more revolving credit facilities (the collateral for which can be, for example, the undrawn capital commitments of investors) prior to calling commitments. The interest expense and other costs of any such borrowings will be expenses of the applicable Client and, accordingly, decrease net returns of such Client. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return, which will begin accruing when capital

contributions to fund such investments, or repay borrowings used to fund such investments, are actually made. In light of the foregoing, the general partners have an incentive to cause Clients to borrow in this manner in lieu of drawing down commitments. As a general matter, use of leverage in lieu of drawing down commitments amplifies returns (either negative or positive) to investors in the Client.

Illiquidity of Investments: There may be little or no active market for many of the securities and other obligations owned by a Client. Consequently, a Client may not be able to dispose of an investment when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Dispositions of investments may be subject to legal, contractual, and other limitations on transfer, the absence of an established market for the investments, or other restrictions that would interfere with sales of investments or adversely affect the terms that could be obtained upon any disposition thereof. Such restrictions may apply even after the term of the Client has ended or the Client has otherwise been dissolved. In the event of a portfolio company initial public offering, if a Client has designated a member of the board of directors or otherwise exercises control over such portfolio company, the securities of such portfolio company held or being acquired by a Client may be restricted and subject to lock-up or otherwise designated as control securities under Rule 144 of the Securities Act. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. As such, restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Because the markets for such securities are still evolving, liquidity in these securities is limited and liquidity with respect to lower-rated and unrated subordinated classes may be even more limited.

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, type of security or geographic region, 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, where applicable, 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. The Co-Founders may serve in the future on one or more investment committees for various Clearlake strategies. Conflicts of interest may arise in allocating management time, services, or functions as well as in allocating investment opportunities, and the applicable manager and the ability of the members of the investment team to access other professionals and resources within Clearlake for the benefit of the Clients may be limited.

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 Clients, its portfolio investments or its partners. For example, a 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 partner 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 a Client's investment performance.

Moreover, increased scrutiny and newly proposed legislation applicable to private investment funds and their sponsors may also impose significant administrative burdens on the applicable manager and may divert time and attention from portfolio management activities. In addition, and in particular in light of the changing global

regulatory climate, a Client may be required to register under certain foreign laws and regulations, and need to engage distributors or other agents in certain non-U.S. jurisdictions in order to market interests to potential investors. The effect of any future regulatory change on a Client could be substantial and adverse. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies.

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 partner 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 Technology Industries: Clients may make investments in portfolio companies involved in technology industries. Concentration in those industries may involve risks greater than those generally associated with more diversified funds and may experience significant fluctuations in returns. The technology sector is challenged by various factors, including rapidly changing market conditions and participants, new competing products and services, and improvements in existing products and services. Some of the Client's portfolio companies may compete in this volatile environment. In addition, certain countries in which a Client may invest may have less developed laws regarding the protection of intellectual property rights. There is no assurance that products or services sold by such portfolio companies will not be rendered obsolete or adversely affected by competing products and services, new technologies or other challenges, or that such portfolio companies or the Client will be able to adequately enforce intellectual property rights. Instability, fluctuation or an overall decline within technology industries may not be balanced by investments in other industries not so affected. In the event that the technology sector declines or a Client is unable to adequately enforce its intellectual property rights, returns to investors may decrease.

Investments in the Communications Industry: Clients may make investments in portfolio companies involved in the communications industry. Communications companies in developed and emerging countries are undergoing significant changes mainly due to evolving levels of governmental regulation or deregulation as well as the rapid development of communication technologies. Competitive pressures within the communications industry are intense, and the securities of communications companies may be subject to significant price volatility. In addition, because the communications industry is subject to rapid and significant changes in technology, the companies in this industry that a Client may invest in will face competition from technologies being developed or to be developed in the future by other entities, which may make such companies' products and services obsolete.

Investments in Energy Industries: Clients may make investments in portfolio companies involved in the energy sector. Such portfolio companies will be subject to many unique and acute risks. Significant among such risks is commodity price risk, including, without limitation, the price of oil, gas and other commodities, and the results of its operations and cash flows may depend, in some cases to a significant extent, upon prevailing or improving market prices for energy commodities (such as oil and gas). While prevailing market prices have recovered from their recent historical lows in early 2016, commodity prices have been, and are likely to continue to be, volatile and subject to wide fluctuations (as evidenced by the most recent precipitous decline in the price of oil throughout 2015 and early 2016) and such volatility may continue in response to changes in the global supply of and demand for such commodities. In addition, the energy sector is challenged by various factors, including rapidly changing market conditions and participants, new competing products and services and improvements in existing products and services. There is no assurance that such portfolio companies will succeed in this volatile environment.

In addition, the energy sector is subject to comprehensive U.S and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, decreased revenues, restrictions and delays that could materially and adversely affect a Client's investments and the prospects of the Client. There can be no assurance that (i) existing regulations applicable to investments generally or the portfolio companies will not be revised or reinterpreted; (ii) new laws and regulations will not be adopted or become applicable to portfolio companies; (iii) the technology and equipment selected by portfolio companies to comply with current and future regulatory requirements will meet such requirements; (iv) such portfolio companies' business and financial conditions will not be materially and adversely affected by such future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws and regulations; or (v) regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies. In addition, in many instances, the operation or acquisition of energy assets may involve an ongoing commitment to or from a government agency. The nature of these obligations exposes the

owners of infrastructure investments to a higher level of regulatory control than typically imposed on other businesses.

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.

Forward Trading: A Client may invest in forward contracts and options thereon, which, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward contracts may be entered into, for among other reasons, to hedge exchange risk exposure. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The participants who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by a Client due to unusually high trading volume, political intervention or other factors. The imposition of controls by government authorities might also limit such forward (and futures) trading to less than that which the applicable manager would otherwise recommend, to the possible detriment of a Client. Market illiquidity or disruption could result in major losses to a Client.

"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/Co-Investors: 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.

Clearlake has adopted guidelines governing the offering of co-investment opportunities to limited partners of a Fund pursuant to which Clearlake may, to the extent it believes in its sole discretion that it is appropriate to do so, offer limited partners of a Client the opportunity to co-invest in a transaction in which a Client has made, or will make, an investment, subject to any restrictions contained in the Fund Agreements of the relevant Client or any side letter or other terms negotiated with respect to such Client. Clearlake may (or may not) in its discretion charge carried interest, management fees or other similar fees or incentive compensation to co-investors (which compensation will be retained by Clearlake or its affiliate and not considered Fee Income). Such guidelines do not apply to co-investment opportunities that Clearlake may choose to offer to persons (i) who are not limited partners of a Client, or (ii) who are Operating Advisors of Clearlake or members of Clearlake's Executive Council who may hold a limited partner interest(s) in the Clients. If Clearlake determines to offer to one or more persons who are not limited partners of a Fund (e.g., third parties, Clearlake's Operating Advisors or members of Clearlake's Executive Council) the opportunity to co-invest in a transaction in which a Fund has made, or will make, an investment, the guidelines governing the offering of co-investment opportunities to limited partners of a Client will only apply to the extent there is any co-investment opportunity remaining after the allocation to such other persons and to the extent determines it is appropriate to offer such remaining co-investment opportunity to limited partners of such Fund.

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. Operating Expenses associated with a co-investment vehicle organized in connection with a particular portfolio investment may be borne by the applicable portfolio investment (rather than the co-investment vehicle itself), and therefore, indirectly by the investors in such portfolio investment, including, without limitation, the applicable Client and such co-investment vehicle. 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 or certain categories of fees, costs and expenses that constitute Operating Expenses. 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 based on such co-investors' ratable share (or proposed share) of a particular investment (based on its investment (or proposed investment) therein), and such Fee Income allocated to such co-investors will not be treated as Fee Income under the applicable Fund's governing documents and will be retained by and be for the benefit of Clearlake or its affiliate. (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.

Currency and Exchange Rate Risks: Although a Client's investments, and income received by such Client with respect to such investments, are expected to be denominated primarily in U.S. dollars, certain investments may be made in currencies other than U.S. dollars. In addition, the books of such Client will be maintained, and capital contributions to and distributions from the Client are expected to be made, in U.S. dollars. To the extent the Client's investments are made in currencies other than U.S. dollars, changes in currency exchange rates, costs of conversion and exchange control regulations may adversely affect the dollar value of investments, interest and dividends received by the Client, gains and losses realized on the sale of such investments and the amount of distributions, if any, to be made by the Client in respect of such investments. Moreover, the Client will incur costs or could experience substantial delays when, or be prohibited from, converting one currency into another. While the applicable general partner may enter into hedging transactions designed to reduce such currency risks, there can be no assurance that any such transactions would achieve their intended results. Further,

such hedging transactions could result in diminished returns (or increased losses on capital) to the extent overall returns are less than the Client's costs or losses associated with such hedging transactions.

Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Risk of Fraud in Portfolio Companies: Before making investments, Clearlake will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to Clearlake's reduced control of the functions that are outsourced. In addition, if Clearlake is unable to timely engage third-party providers its ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, Clearlake will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that Clearlake carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. There can be no assurance that attempts to provide downside protection with respect to investments, including pursuant to risk management procedures and environmental, social and governance guidelines, will achieve their desired effect.

There can be no assurance that Clearlake will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor the investment on an ongoing basis or that any risk management procedures implemented by Clearlake will be adequate. In the event of fraud by any portfolio company or any of its managers or affiliates, a Client may suffer a partial or total loss of capital invested in that portfolio company. There can be no assurances that any such losses will be offset by gains (if any) realized on a Client's other investments. An additional concern is the possibility of material misrepresentation or omission on the part of the portfolio company or the seller. Such inaccuracy or incompleteness may adversely affect the value of a Client's securities and/or instruments in such portfolio company. The Client will rely upon the accuracy and completeness of representations made by portfolio companies and/or their former owners in the due diligence process to the extent reasonable when it makes its investments, 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.

Risks of Third-Party Service Providers: Certain of the Client's and Clearlake's operations interface with and/or depend on third parties, and the Client or Clearlake may not be in a position to verify the risks or reliability of such third parties. The Client may suffer adverse consequences from actions, errors or failure to act by such third parties, and will have obligations, including indemnity obligations, and limited recourse against them.

Cybersecurity Risks: Clearlake, the Clients and/or their respective service providers and portfolio companies 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/or their service providers and portfolio companies use to service the Clients' operations; or operational disruption or failures in the physical infrastructure or operating systems that support Clearlake, the Clients and/or their respective service providers and portfolio companies. Cyber-attacks against or security breakdowns of Clearlake, the Clients and/or their respective service providers and portfolio companies 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, its service providers and/or a portfolio company will not suffer losses relating to cyber-attacks or other information security breaches in the future.

Reliance on Portfolio Company Management Team: Each portfolio company's day-to-day operations will be the responsibility of such portfolio company's management team. Although Clearlake will be responsible for monitoring the performance of each investment, there can be no assurance that the existing management team, or any successor, will be able to successfully operate the portfolio company in accordance with a Client's investment thesis and plans. Additionally, portfolio companies need to attract, retain and develop executives and members of their management teams. The market for executive talent can be, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, a Client may be adversely affected thereby.

Risk of Acquiring Asset-Backed Loans and Participations: Asset-backed loans acquired by a Client may be at the time of their acquisition, or may become after acquisition, non-performing for a wide variety of reasons. Such non-performing asset-backed loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial writedown of the principal of such loans. However, even if a restructuring were successfully accomplished, a risk exists that upon maturity of such asset-backed loan, replacement "takeout" financing will not be available. Purchases of participations in asset-backed loans raise many of the same risks as investments in asset-backed loans and also carry risks of illiquidity and lack of control. It is possible that Clearlake may find it necessary or desirable to foreclose on collateral securing one or more asset-backed loans purchased by a Client. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of an asset-backed loan including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some jurisdictions, foreclosure actions can take up to several years or more to conclude. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Registration under the U.S. Commodity Exchange Act: Registration with the U.S. Commodity Futures Trading Commission (the "CFTC") as a "commodity pool operator" or any change in a Client's operations necessary to maintain Clearlake's ability to rely upon an exemption from registration could adversely affect a Client's ability to implement its investment program, conduct its operations and/or achieve its objectives and subject a Client to certain additional costs, expenses and administrative burdens. Furthermore, any determination by Clearlake to cease or to limit investing in interests which may be treated as "commodity interests" in order to comply with the regulations of the CFTC may have a material adverse effect on a Client's ability to implement its investment objectives and to hedge risks associated with its operations.

Risks Arising from Potential Control Group Liability: Under ERISA, upon the termination of a tax-qualified single employer defined benefit pension plan, the sponsoring employer and all members of its "controlled group" will be jointly and severally liable for 100% of the plan's unfunded benefit liabilities whether or not the controlled group members have ever maintained or participated in the plan. In addition, the U.S. Pension Benefit Guaranty Corporation (the "PBGC") may assert a lien with respect to such liability against any member of the controlled group on up to 30% of the collective net worth of all members of the controlled group. Similarly, in the event a participating employer partially or completely withdraws from a multiemployer (union) defined benefit pension plan, any withdrawal liability incurred under ERISA will represent a joint and several liability of the withdrawing employer and each member of its controlled group.

A "controlled group" includes all "trades or businesses" under 80% or greater common ownership. This common ownership test is broadly applied to include both "parent-subsidiary groups" and "brother-sister groups" applying complex exclusion and constructive ownership rules. However, regardless of the percentage ownership that a Client holds in one or more of its portfolio companies, a Client itself cannot be considered part of an ERISA controlled group unless such Client is considered to be a "trade or business."

While there are a number of cases that have held that managing investments is not a "trade or business" for tax purposes, in 2007 the PBGC Appeals Board ruled that a private equity fund was a "trade or business" for ERISA controlled group liability purposes and at least one U.S. Federal Circuit Court has similarly concluded that a

private equity fund could be a trade or business for these purposes based upon a number of factors including the Fund's level of involvement in the management of its portfolio companies and the nature of any management fee arrangements.

If a Client were determined to be a trade or business for purposes of ERISA, it is possible, depending upon the structure of the investment by the Client and/or its affiliates and other co-investors in a portfolio company and their respective ownership interests in the portfolio company, that any tax-qualified single employer defined benefit pension plan liabilities and/or multiemployer plan withdrawal liabilities incurred by the portfolio company could result in liability being incurred by a Client, with a resulting need for additional capital contributions, the appropriation of Client assets to satisfy such pension liabilities and/or the imposition of a lien by the PBGC on certain Client assets. Moreover, regardless of whether or not the Client were determined to be a trade or business for purposes of ERISA, a court might hold that one of a Client's portfolio companies could become jointly and severally liable for another portfolio company's unfunded pension liabilities pursuant to the ERISA "controlled group" rules, depending upon the relevant investment structures and ownership interests as noted above.

U.S. Federal Income Tax Reform: Recently enacted tax reform legislation, the Tax Cuts and Jobs Act (the "Tax Reform Bill"), has resulted in fundamental changes to the U.S. Internal Revenue Code of 1986. Among the numerous changes included in the Tax Reform Bill are (i) a permanent reduction to the corporate income tax rate, (ii) a partial limitation on the deductibility of business interest expense, (iii) an income deduction for individuals receiving certain business income from "pass-through" entities, (iv) a partial shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system (along with a transitional rule which taxes certain historic accumulated earnings and rules which prevent tax planning strategies which shift profits to low-tax jurisdictions) and (v) a suspension of certain miscellaneous itemized deductions, including deductions for investment fees and expenses, until 2026. The impact of the Tax Reform Bill on a Client is uncertain and could be adverse. Prospective investors should consult their own tax advisors regarding potential changes in tax laws.

Compliance with Anti-Money Laundering Requirements: In response to increased regulatory concerns with respect to the sources of funds used in investments and other activities, investors in a Client may be requested to provide additional documentation verifying, among other things, such investors' identity and source of funds used to purchase the interests in the Client. Clearlake may decline to accept a subscription on the basis of such information that is provided or if this information is not provided. Requests for documentation and additional information may be made at any time during which an investor holds an interest. Clearlake may be required to provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying the investors that the information has been provided. Clearlake will take such steps as it determines are necessary to comply with applicable law, regulation, orders, directives or special measures. These steps may include prohibiting an investor from making further contributions of capital to a Client, depositing distributions to which an investor would otherwise be entitled to in an escrow account or causing the exclusion of an investor from such Client.

OFAC and FCPA Considerations: Economic sanction laws in the United States and other jurisdictions may prohibit Clearlake, Clearlake's investment professionals and a Client from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may restrict a Client's investment activities.

In some countries, there is a greater acceptance than in the United States of government involvement in commercial activities, and of corruption. Clearlake, Clearlake's investment professionals and Clients are committed to complying with the U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, a

Client may be adversely affected because of its unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for a Client to act successfully on investment opportunities and for portfolio companies to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has recently significantly expanded the reach of its anti-bribery laws. While Clearlake has developed and implemented policies and procedures designed to ensure compliance by Clearlake and its personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of Clearlake's policies and procedures, affiliates of portfolio companies, particularly in cases where a Client or another Clearlake sponsored fund or vehicle does not control such portfolio company, may engage in activities that could result in FCPA violations. Any determination that Clearlake has violated the FCPA or other applicable anti-corruption laws or anti-bribery laws could subject Clearlake to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect Clearlake's business prospects and/or financial position, as well as a Client's ability to achieve its investment objective and/or conduct its operations.

Pay-to-Play Laws, Regulations and Policies: In light of controversies and highly publicized incidents involving money managers, a number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation with respect to a government plan investor for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. If the Clearlake fails to comply with such pay-to-play laws, regulations or policies, even in a minor respect, such non-compliance could have an adverse effect on the Clients by, for example, providing the basis for the withdrawal of the affected government plan investor.

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 Funds, 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.

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. The nature and amount of compensation paid to Clearlake by the Other Accounts or an investor may differ from that paid by other Clients or investors, even those investing in similar investments. While Clearlake allocates fees, costs and expenses among the Clients and Other Accounts according to the expense allocation policies and procedures for such Clients and in such manner as Clearlake considers fair and reasonable, the actual allocations of fees, costs, and expenses may present an actual or potential conflict of interest. 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.

There can be no assurance that Clearlake will identify or resolve all conflicts of interest in a manner that is favorable to the Clients. The following discussion enumerates certain potential conflicts of interest, but is not intended to be an exclusive list of all such conflicts.

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 generally 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.

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, 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.

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. Furthermore, placement agents may seek to do business with and earn fees or other commissions from other investment funds and their portfolio companies and other Clearlake affiliates. Examples of such business may include without limitation, the provision of financing or other investment banking services, lending or arranging credit and provision of prime brokerage. Investors may wish to take such payment arrangements and conflicts of interest into account when considering and evaluating any recommendations by placement agents relating to interests in the Client.

Service Providers and Other Counterparties: The service providers, counterparties or their affiliates (including any lenders, brokers, attorneys, consultants, IT structure and service providers and investment banking firms) of a Client, the applicable general partner, the applicable manager or any of their affiliates may be affiliates of or investors in the Client and/or sources of investment opportunities and co-investors or counterparties therein, or a portfolio company of the Client or a portfolio company of an Other Account. Additionally, certain employees of Clearlake may have family members or relatives employed by such advisors and service providers, or may have an interest in such advisors and service providers. This may influence Clearlake, the applicable general partner, the applicable manager or any of their affiliates in deciding whether to select such a service provider or have other relationships with Clearlake. Notwithstanding the foregoing, investment transactions for a Client that requires the use of a service provider will generally be allocated to service providers on the basis of best execution, the evaluation of which includes, among other considerations, such service provider’s provision of certain investment-related services and research that Clearlake, the applicable manager, general partner or any of their affiliates believe to be of benefit to the Client.

Clearlake, the applicable general partner, the applicable manager, a Client and the portfolio companies may engage common service providers from time to time. In such circumstances, there may be a conflict of interest between Clearlake, the applicable general partner or the manager, on the one hand, and the Client and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that Clearlake, the applicable general partner or manager will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees or better terms, that it would not receive absent the engagement of such service provider by the Client and/or the portfolio companies. In certain circumstances, advisors and service providers, or their affiliates, charge different rates or have different arrangements for services provided to Clearlake, the applicable general partner or its affiliates as compared to services provided to the Client and/or the portfolio companies, which result in Clearlake or the applicable general partner or its affiliates receiving a more favorable rates or arrangements with respect to services provided to it by a common service provider than those payable by the Client and/or the portfolio companies, or Clearlake, the

applicable general partner or its affiliates receiving a discount on services even though the Client and/or the portfolio companies receive a lesser, or no, discount. For example, Clearlake, its affiliates, the Client, the Other Accounts and/or their portfolio companies may enter into agreements or other arrangements with service providers, vendors and other similar counterparties from time to time whereby such counterparty may charge lower rates and/or provide discounts or rebates for such counterparty's products and/or services depending on certain factors, including without limitation, volume of transactions entered into and potential transactions to be entered into with such counterparty by Clearlake, its affiliates, the Client, the Other Accounts and/or their portfolio companies in the aggregate. Additionally, the Clients, Other Accounts and their respective portfolio companies and/or Clearlake itself will from time to time engage investment banks or other similar financial advisors in connection with specific projects. In most cases, the costs and expenses of these third parties will be borne (directly or indirectly) by the Clients, Other Accounts and their limited partners (and not Clearlake). However, one of the tangible and/or intangible benefits from these relationships includes general referral of investment opportunities, which opportunities may inure to the benefit of Other Accounts and/or Clearlake (and not necessarily the parties bearing the cost of the particular engagement that created, enhanced or supported the underlying relationship that came to produce such opportunities in the first place).

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 "clawback" obligation of the applicable general partner, if 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.

Termination Fees: Transaction and monitoring fees may be established upon the initial consummation of an investment by a Client. The terms of such monitoring fee agreements may provide for a periodic fee which may be fixed or determined based on the performance of the portfolio company and, under certain circumstances (such as an initial public offering or strategic exit), the applicable manager or its affiliates may be entitled to a termination fee with respect to such arrangements. In many cases with respect to the implementation of such arrangements, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such transaction, monitoring or termination fees and other related terms in the applicable agreement with the portfolio company. Except as set forth in applicable Fund Agreements, the investors in a Client will not receive the benefit of certain fees received by the applicable general partner and its affiliates from portfolio companies in connection with the purchase, monitoring or disposition of investments or in connection with unconsummated transactions (e.g., transaction, directors', consulting, management, investment banking, closing, topping, break-up and other similar fees).

Other Fees: As described under "Fees and Compensation—Transaction-Based Compensation" above, and as set forth in the Fund Agreements of the Clients, 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 will 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: Clearlake, 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 and will not result in reductions of or offsets to the Management Fee. 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.

Portfolio Company Relationships: A Client’s portfolio companies may be counterparties or participants in agreements, transactions, or other arrangements with other portfolio companies of such Client, Other Accounts or other Clearlake affiliates that, although Clearlake determines to be consistent with the requirements of such Clients’ Fund Agreements, may not have otherwise been entered into but for the affiliation with Clearlake, and which may involve fees and/or servicing payments to Clearlake or its affiliates that are not subject to the Management Fee offset provisions described herein. For example, Clearlake may, in the future cause portfolio companies to enter into agreements regarding group procurement, benefits management, data management and/or mining, technology development, purchase of title and/or other insurance policies (which may be pooled across portfolio companies and discounted due to scale) and other similar operational initiatives that may result in fees, commissions or similar payments and/or discounts being paid to the applicable manager or its affiliates, or a portfolio company, including related to a portion of the savings achieved by the portfolio company. Moreover, Clearlake, the applicable manager and their affiliates are often eligible to receive favorable terms for procurement due in part to the involvement of a Client’s portfolio companies in such arrangements, and any discounted amounts will not be subject to the Management Fee offsets or otherwise shared with the relevant Clients. In addition, portfolio companies of Other Accounts may do business with, support, or have other relationships with competitors of a Client’s portfolio companies, and in that regard investors should not assume that a company related to or otherwise affiliated with Clearlake will only take actions that are beneficial to or not opposed to the interests of such Client and its portfolio companies.

Moreover, in connection with seeking financing or refinancing of portfolio companies and their assets, it may be the case that better financing terms are available when more than one portfolio company provides collateral, particularly in circumstances where the assets of each portfolio company are similar in nature. As such, rather than seeking such financing or refinancing on its own, a portfolio company of a Client may enter into cross collateralization arrangements with another portfolio company of such Client or portfolio companies of one or more Other Accounts. While Clearlake would expect any such financing arrangements to generally be non-recourse to the Client and Other Accounts, as a result of any cross-collateralization, the Client could also lose its interests in otherwise performing investments due to poorly performing or non-performing investments of Other Accounts.

It is also possible that a counterparty, lender or other unaffiliated participant in a transaction or relationship with respect to a particular portfolio company requires or desires facing a group of portfolio companies, which may result in (i) any portfolio company of a Client or a portfolio company of an Other Account being solely liable

with respect to its own and such third party for such other Client's portfolio company's share of the applicable obligation and therefore, being required to contribute amounts in excess of its pro rata share, including additional capital to make up for any shortfall if such vehicles are unable to repay their pro rata share of such indebtedness and/or (ii) any of the Client's portfolio companies and such Other Account's portfolio companies being jointly and severally liable for the full amount of such applicable obligation or liable on a cross-collateralized basis on an investment-by-investment or portfolio wide basis, in each case which may result in the Client's portfolio companies and such Other Account's portfolio company entering into a back-to-back or other similar reimbursement agreement.

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.

Investments Alongside Other Clearlake Funds: A Client may also co-invest with Other Accounts (including co-investment or other vehicles in which Clearlake or its personnel invest and that co-invest with Other Accounts) in investments that are suitable for both such Client and Other Accounts. Even if the Client, such Other Account and/or co-investment or other vehicles invest in the same securities, conflicts of interest may still arise. For example, it is possible that as a result of legal, tax, regulatory, accounting or other considerations, the terms of such investment (including with respect to price and timing) for the Client and/or such Other Account may not be the same. Additionally, the Client and/or such Other Account may have different expected termination dates and/or investment objectives (including target return profiles) and Clearlake, as a result, may have conflicting goals with respect to the price and timing of disposition opportunities. Moreover, while Clearlake will generally seek to use reasonable efforts to avoid cross-guarantees and other similar arrangements, it is possible that a counterparty, lender or other unaffiliated participant in such transaction requires or desires facing only one fund entity or group of entities, which may result in (i) any of the Client and/or such Other Account (including co-investment vehicles formed for third party investors and/or Clearlake personnel) being solely liable with respect to its own and such third party for such other funds' or vehicles' share of the applicable obligation and/or (ii) any of the Client and/or such Other Account and/or vehicles being jointly and severally liable for the full amount of such applicable obligation, in each case which may result in the Client and/or such Other Account entering into a back-to-back or other similar reimbursement agreement. In such situations it is not expected that any of the Client and/or such Other Account would be compensated (or provide compensation to the other) for being primarily liable vis-à-vis such third-party counterparty. Furthermore, as a result of the incurrence of indebtedness on a joint and several or cross-collateralized basis, the Client may be required to

contribute amounts in excess of its pro rata share, including additional capital to make up for any shortfall if such vehicles are unable to repay their pro rata share of such indebtedness.

To the extent a Client holds or acquires securities or instruments that are different (including with respect to their relative seniority) than those held or acquired by such Other Accounts, Clearlake and its affiliates may be presented with decisions when the interests of the two funds are in conflict. In that regard, actions may be taken for the Other Accounts that are adverse to the Client. In addition, it is possible that in a bankruptcy proceeding a Client's interest may be subordinated or otherwise adversely affected by virtue of such Other Accounts' involvement and actions relating to its investment.

Transactions with Potential and Actual Investors and Co-Investors: Prospective investors should note that Clearlake and its affiliates from time to time engage in transactions with prospective and actual investors and co-investors that entail business benefits to such investors. Such transactions may be entered into prior to, or coincident with, an investor's admission to a Client (or commitment to co-invest) or during the term of their investment. The nature of such transactions can be diverse and may include benefits relating to the Client, Other Accounts and their respective portfolio companies. Examples include the ability to co-invest alongside the Client and Other Accounts, investments in Other Accounts, sales of companies to investors and recommendations to underwriters for allocations in initial public offerings or loans to co-investors (or joint venture partners) by Clearlake or Other Accounts.

Personnel: Clearlake may hire short-term or long-term personnel (or interns or consultants) who are relatives of or are otherwise associated with an investor, portfolio company or a service provider. Although reasonable efforts are made to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee that Clearlake can control for all such potential conflicts of interest, and there may continue to be an ongoing appearance of a conflict of interest. For example, certain employees and other professionals of Clearlake have family members or relatives that are actively involved in the private equity industry and/or have business, personal, financial or other relationships with companies in the private equity industry (including the investment banks, advisors and service providers described above), which gives rise to potential or actual conflicts of interest. For example, such persons might be employees, officers, directors or owners of companies or assets which are actual or potential investments of a Client or other counterparties of the Client and its portfolio companies and/or assets. Moreover, in certain instances, the Client or its portfolio companies may purchase or sell companies or assets from or to, or otherwise transact with, companies that are owned by such family members or relatives or in respect of which such family members or relatives have other involvement. In most such circumstances, the applicable Fund Agreement will not preclude the Client from undertaking any particular investment activity and/or transaction. To the extent Clearlake determines appropriate, conflict mitigation strategies may be put in place with respect to a particular circumstance, such as internal information barriers or refusal, disclosure or other steps determined appropriate by the applicable general partner.

Valuation Matters: The fair value of all investments or of property received in exchange for any investments will be determined by Clearlake in accordance with Clearlake's valuation policies and procedures pursuant to the applicable Fund Agreement. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of investments will affect the amount and timing of the applicable general partner's carried interest and, under certain circumstances, the amount of Management Fees payable to the applicable manager. Valuations are subject to determinations, judgments and opinions and other third parties or investors may disagree with such valuations. The valuation of investments may also affect the ability of Clearlake to raise a successor fund to the Client. As a result, there may be circumstances where Clearlake is incentivized to determine valuations that may be higher than the actual fair value of investments.

Insurance: Clearlake will cause a Client to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for, insurance to insure the Client, the applicable general partner, the applicable manager, Clearlake and/or their respective directors, officers, employees, agents, representatives, members of the Advisory Board and other indemnified parties, against liability in connection with the activities of the Client. This includes a portion of any premiums, fees, costs and expenses for one or more "umbrella" or other insurance policies maintained by Clearlake that cover the Client, Other Accounts, the applicable general partner, the applicable manager and/or Clearlake (including their respective directors, officers, employees,

agents, representatives, members of the Advisory Board and other indemnified parties). Clearlake will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among the Client, Other Accounts, the applicable general partner, the applicable manager and/or Clearlake on a fair and reasonable basis, in its sole discretion, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in the Client bearing less (or more) premiums, fees, costs and expenses for insurance policies.

Participation in Co-Investments: Prospective investors should note that while Clearlake may offer co-investment opportunities in its sole discretion, it is not expected to offer co-investment with respect to all investments made by a Client. Moreover, transaction-specific returns, and an investor’s overall returns from its exposure to the Client’s investments, may be affected significantly by the extent to which investors are offered and choose to participate in co-investment opportunities. Clearlake may present co-investment opportunities to certain investors and other third-party potential co-investors at any time and with respect to any particular co-investment opportunity, at different times. Thus, one or more investors and/or other third-party potential co-investors may have a longer period of time to evaluate a co-investment opportunity relative to other potential co-investors being offered the same opportunity. In addition, Clearlake officers, employees, advisors, operating executives, and affiliates may co-invest with a Client.

There may be circumstances where an amount that would have otherwise been invested by a Client is instead offered to co-investors (e.g., due to a determination by Clearlake’s investment committee that allocating such portion to co-investors is in the Client’s best interests, for instance in order to increase diversification), which may include, without limitation Clearlake-related funds, accounts or vehicles, Clearlake officers, employees, advisors, operating executives and affiliates or third-parties and there is no guarantee for any investor that it will be offered any co-investment opportunities. As a general matter, in determining the allocation of discretionary co-investment opportunities, Clearlake generally expects to take into account various facts and circumstances it deems relevant. Such factors are likely to include, among others, whether a potential co-investor has expressed an interest in evaluating co-investment opportunities, whether a potential co-investor has a history of participating in co-investment opportunities with Clearlake, the size of the potential co-investor’s interest to be held in the underlying portfolio company as a result of the Client’s investment (which is likely to be based on the size of the potential co-investor’s capital commitment and/or investment in the Client), the timing of the investor’s commitment to the Client, the existence of accounts or vehicles formed to co-invest in investments across all or a portion of the Clearlake platform (whether or not formed in connection with the admission of an investor to the Client), whether the potential co-investor has demonstrated a long-term and/or continuing commitment to the potential success of Clearlake, the Client, or other funds or co-investments, the overall size of a co-investor’s commitments to Clients, vehicles and accounts, the expected amount of negotiations required in connection with such co-investor’s commitment and such other factors that Clearlake deems relevant under the circumstances. A portion of such co-investment opportunities may also be offered to consortiums of private equity investors. Prospective investors should also note that, except as may be otherwise agreed in advance with an investor, investors are not required to participate in co-investments offered by the applicable general partner. The allocation of co-investment opportunities will in many or all cases involve a benefit to Clearlake including, without limitation, fees or carried interest from the co-investment opportunity, capital commitments to the Client and capital commitments to other Clients. There can be no assurances with respect to the amount of any investment opportunity that will be allocated to the Client. In addition, co-investors generally will not share in broken deal expenses (all of which may be borne by the Client, even if a portion of such investment would have been or was offered for co-investment).

Additional Potential Conflicts: Clearlake officers, directors, members, managers and employees of may trade in securities for their own accounts, subject to restrictions and reporting requirements as may be required by law or otherwise determined from time to time Clearlake, as applicable. For the avoidance of doubt, the Client may sell investments to any third party, including investors in the Client, other investment vehicles managed or sponsored by Clearlake and investors in any such vehicles.

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, however, subject to the following sentences, it is possible that a broker will (or will seek to) provide soft dollar benefits to Clearlake. 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.