



Hamilton Lane

February 23, 2022

Board of Trustees
Commonwealth of Pennsylvania
Public School Employees' Retirement System
5 North 5th Street
Harrisburg, PA 17101

Re: Clearlake Opportunities Partners III, L.P.

Dear Trustees:

Clearlake Capital Group, L.P. (“Clearlake,” “General Partner”) was founded in 2006 as a sector-focused investment firm specializing in private equity, special situations, and opportunistic credit. The investment team is experienced in Clearlake’s target sectors and possesses significant operating, turnaround and restructuring expertise. The senior investment team is cohesive and has worked together for a meaningful amount of time with an average tenure of 10 years at Clearlake. The investment team is further supported by its in-house Operations, People, Strategy (“O.P.S.”) Group and network of Executive Council members who augment Clearlake’s sourcing, diligence, and value creation abilities. The General Partner has been thoughtful about growing its team in line with growth in AUM as evidenced by several recent additions and promotions. Clearlake promotes alignment by distributing carried interest across the platform and to investment professionals down to the vice president level. Clearlake is targeting \$1.5 billion in commitments from limited partners for its third opportunities fund, Clearlake Opportunities Partners III, L.P. (the “Fund”). Clearlake held a first close on November 17, 2021. The General Partner will commit at least the lesser of 2.0% or \$30 million of commitments to invest in or alongside the Fund.

Clearlake has pursued a consistent investment strategy, targeting businesses within the technology, industrials, and consumer sectors, representing areas where its senior investment professionals specialize and have developed significant expertise. Within its core sectors, Clearlake maintains the ability to target high quality, growth-oriented companies as well as value-oriented, operationally challenged businesses that lack the managerial or financial resources to execute operational changes. Clearlake employs a flexible approach to investment structuring and is agnostic with regard to entry point, enabling it to capitalize on attractive market opportunities and maintain downside protection. The General Partner expects to invest in a variety of opportunities with a primary focus on structured capital, secondary market debt and other special situation investments. Clearlake’s flexible approach across special situations investments allows it to capitalize on evolving market conditions and structure deals with appropriate risk-return profiles. Clearlake intends to focus on businesses located in the U.S. with an opportunistic approach to international investments. Through its opportunities funds, the General Partner seeks to make non-control investments where it can maintain an active sponsorship and implement its value-investing approach. While it targets non-control investments, the General Partner maintains significant operating and strategic capabilities and, in some cases, will seek representation on a company’s board of directors to enhance value. The Fund will target approximately 18 to 22 core investments in the range of \$50 million to \$100 million per investment. As of September 30, 2021, the General Partner had generated consistent top-quartile or near top-quartile performance on a net IRR and TVPI basis across Funds I and II.

Clearlake Opportunities Partners III’s investment thesis can be summarized as follows:

- Established organization with significant investment and operating expertise
- Flexible strategy and all-weather approach to identify and capitalize on attractive opportunities
- Attractive performance across prior funds with demonstrated focus on downside protection



Hamilton Lane

Hamilton Lane's recommendation is based upon the following analytical factors and is made within the context of Commonwealth of Pennsylvania, Public School Employees' Retirement System's ("PSERS") investment guidelines.

Detailed due diligence including interviews with industry peers and private equity professionals. The on-site due diligence was conducted June 30, 2021; the fund was approved by Hamilton Lane's Investment Committee on August 2, 2021, and the recommendation to PSERS was issued February 23, 2022.

- Evaluation of the composition of the investment team, how they work together, compensation structure and other factors that help determine whether a group is likely to be able to replicate past successes as currently configured.
- Detailed operational due diligence including interviews with Clearlake's back-office team, to review the controls and processes surrounding the firm's finance, fund administration, tax, legal, compliance, IT, HR, and accounting functions.
- Evaluation of the Fund's proposed investment strategy within the context of the current investment environment.
- Confirmation that the strategy proposed for the Fund is appropriate for the private credit portfolio.

The individuals at Hamilton Lane who were involved in the due diligence process for the Fund are:

John Stake – Co-Head of Fund Investments, Conshohocken Office

Jeff Sowden – Sr. Associate, Conshohocken Office

Lauren Hennigan – Analyst, Conshohocken Office

Based on the above, Hamilton Lane recommends that PSERS commit up to \$100 million, plus reasonable normal investment expenses, to Clearlake Opportunities Partners III, L.P. (and/or related investment vehicles). Hamilton Lane makes this recommendation considering the General Partner's qualifications and PSERS' overall investment guidelines. This recommendation is made in the context of the attached investment recommendation for Clearlake Opportunities Partners III, L.P.

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives, and circumstances may not be identical to those of PSERS. The scope of this recommendation is limited to the investment merits of the Fund. Hamilton Lane does not provide legal or other non-investment-related advice.

Sincerely,

Michael Koenig,
Chief Client Officer

Corina English,
Principal