



Public Investment Memorandum

Clearlake Capital Partners VII, L.P.

Private Equity Fund Commitment

Darren C. Foreman, CAIA

Director, Private Equity

G. Anthony Meadows, CAIA, CPA.CITP

Portfolio Manager

December 23, 2021

Executive Summary:

PSERS' Investment Office Professionals ("IOP"), together with Hamilton Lane Advisors, L.L.C. ("Hamilton Lane"), recommend to the Board a commitment of up to a combined \$100 million plus reasonable normal investment expenses, in Clearlake Capital Partners VII, L.P. (the "Fund"), and/or related investment vehicles.

Clearlake Capital Group, L.P. ("Clearlake" or the "Firm") is raising their 7th fund to invest in small- and medium sized companies primarily in the industrials, technology, and consumer industries.

Fund Name	Clearlake Capital Partners VII, L.P.
Firm Name	Clearlake Capital Group, L.P.
Target Fund Size / Hard Cap	\$10.0 billion / \$13.75 billion
Recommended Commitment Amount	\$100.0 million
Existing Relationship	Yes
Source of Funds	Private Equity Distributions
Asset Class / Sub Asset Class	Private Equity / Buyout
Investment Office Oversight	Charles J. Spiller, Deputy CIO / Non-Traditional Investments Darren C. Foreman, Director G. Anthony Meadows, Portfolio Manager
External Consultant Oversight	Hamilton Lane Advisors, L.L.C.

Firm Overview:

Clearlake was established in 2006 and is currently managed by José E. Feliciano and Behdad Eghbali (the "Co-Founders"). Based in Santa Monica, California, Clearlake's team consists of over 80 professionals, including 35 investment professionals.¹ Clearlake has been a Registered Investment Adviser with the Securities and Exchange Commission since March 2012. Clearlake has over \$55 billion assets under management² and its senior investment principals have led or co-led over 300 transactions, including transactions while at prior firms. In June 2020, as part of its long-term strategy to integrate private equity, credit, special situations, and distressed capabilities into an all-weather investment approach, Clearlake acquired a majority stake in WhiteStar, a manager of structured credit and collateralized loan obligations (CLOs).

Market Opportunity:

Clearlake believes that there continues to be an attractive opportunity for special situations and value private equity investing in North America, particularly in small- and medium-sized companies. These companies have historically faced unique challenges across different phases of the economic and credit cycle, as they often have fewer available financing options and a general lack of managerial and/or financial resources to take their companies to the next level. As a result, these companies frequently present more compelling opportunities for value creation, and in many cases, at below-market purchase multiples. As it relates to Clearlake's specific industry sector focus (industrials, technology, and consumer), companies in these sectors are undergoing constant change, and Clearlake's extensive experience and relationships across these sectors should set them apart from other distressed investment firms and lead to strong deal flow.

¹ Includes Fred Ebrahemi, Partner, Chief Operating Officer and General Counsel ("COO/GC"), Pedro Urrutia, Partner and Managing Director, Chief Financial Officer ("CFO"), and seven new investment professionals scheduled to begin in 2022.

² Includes estimated assets under management ("AUM") at September 30, 2021 for Clearlake, WhiteStar Asset Management, and Trinitas Capital Management. Estimated AUM is adjusted for recent transactions and recently closed capital commitments.

Portfolio Fit:

A commitment to the Fund will be allocated to the Buyout bucket of PSERS' Private Equity portfolio. The table below summarizes PSERS' projected Private Equity Portfolio exposure, as of June 30, 2021, inclusive of a recommended \$100.0 million commitment to the Fund:

Investment Type	Market Value	Unfunded ¹	Total Exposure	%	Pending Current Commitments		
					Jan 2022	Total Exposure	%
Buyout	\$ 8,780	\$ 4,511	\$ 13,291	71.9%	\$ 200	\$ 13,491	72.3%
Growth Equity	1,487	775	2,262	12.3%	-	2,262	12.1%
Venture Capital	1,066	309	1,375	7.5%	-	1,375	7.4%
Internal Co-invest	1,203	320	1,523	8.3%	-	1,523	8.2%
Total	\$ 12,536	\$ 5,915	\$ 18,451	100.0%	\$ 200	\$18,651	100.0%

¹Includes commitments approved through December 2021

Investment Strategy:

Clearlake pursues a flexible investment strategy targeting mid-market companies that are undergoing complex financial, operational, or structural change, for which it believes the Firm's expertise and value investing approach can generate compelling risk-adjusted returns. The Fund will focus primarily on North American, middle-market companies within its target industry sectors (industrials, technology, and consumer), but will opportunistically seek to take advantage of market dislocations, out-of-favor industries, and companies in transition across different phases of the economic cycle. Investment opportunities often involve corporate transitions, including transformational acquisitions, carve-outs or divestures; companies experiencing legal, regulatory or operational challenges; and restructurings, turnarounds or bankruptcies. Clearlake anticipates that the Fund VII portfolio will be comprised of approximately 18 to 22 core investments and several toehold investments. Fund VII will target equity investments of \$500 million to \$750 million in target companies with enterprise values typically ranging between \$1 billion to \$2+ billion.

Clearlake takes a value-add approach by identifying private equity investment opportunities or fulcrum securities that provide the ability to control or exercise significant influence in distressed situations. Clearlake's operational improvement approach has evolved into a proprietary framework called *O.P.S.*[®] (Operations, People, and Strategy). Through *O.P.S.*[®], Clearlake executes upon its investment thesis to implement change post investment in conjunction with its Executive Council, a network of operating executives and consultants who will, at times, participate in various advisory or direct capacities with portfolio companies and provide Clearlake additional insights into the operating dynamics of an underlying business.

Senior Investment Team:

Clearlake is led by its two managing partners, José E. Feliciano and Behdad Eghbali, who co-founded the Firm in 2006. Clearlake's team consists of 80+ professionals, including 35 investment professionals.³ Clearlake's investment professionals include two Managing Partners, five additional Partners, six Managing Directors, one Principal, and four Vice Presidents. The Firm's senior investment professionals (VP and above) average over 18 years of experience. The table below summarizes the experience of Clearlake's two managing partners:

Name	Title	Yrs. Experience Clearlake / Total	Prior Experience
José E. Feliciano	Managing Partner & Co-Founder	15 / 26	Tennenbaum Capital Partners, govWorks, Inc., Goldman Sachs & Co.
Behdad Eghbali	Managing Partner & Co-Founder	15 / 23	TPG Capital, Venus Capital Management, Turbolinux, Jefferies, Morgan Stanley

³ Includes Fred Ebrahemi, Partner, Chief Operating Officer and General Counsel ("COO/GC"), Pedro Urrutia, Partner and Managing Director, Chief Financial Officer ("CFO"), and seven new investment professionals scheduled to begin in 2022.

Investment Highlights:

- Experienced and Cohesive Investment Team
- Strong Investment Performance Across Prior Funds
- Recycling of Invested Capital
- Co-Investment Opportunities
- Flexible Investment Strategy

Investment / Risk Considerations:

- Minority Investors in Clearlake
- Increased Fund Size / Growth of Team to Manage Increasing Assets Under Management
- COVID-19 & Supply Chain
- Terms

PSERS History & Performance:

PSERS previously committed \$561 million across five funds and five co-investments sponsored by Clearlake. As of June 30, 2021, Clearlake represented \$748 million of PSERS' total exposure (NAV plus unfunded commitments). The table below summarizes PSERS' performance with Clearlake as of June 30, 2021 (in millions):

Fund	Vintage Year	Original Commitment	Contributions	Distributions	NAV	Net IRR	Net MoC
Clearlake Capital IV	2015	\$ 57.5	\$ 86.6	\$ 109.8	\$66.1	33.1%	2.0x
Clearlake Capital V	2017	100.0	105.3	84.7	154.9	55.8%	2.3x
Clearlake Opportunities II	2019	100.0	25.4	0.3	37.2	31.0%	1.5x
Clearlake Capital VI	2020	150.0	72.8	1.3	106.0	84.0%	1.5x
Clearlake Flagship Plus	2020	75.0	14.1	0.1	18.5	32.3%	1.3x
Funds Sub-Total		482.5	304.2	196.2	382.7	42.9%	1.9x
Co-Investments		78.6	63.1	20.6	117.9	35.3%	2.2x
Clearlake Total		\$ 561.1	\$ 367.3	\$ 216.8	\$500.6	41.1%	2.0x



Investment Committee Disclosure:

Relationship with Hamilton Lane:	<p>Twenty-six discretionary Hamilton Lane clients and commingled products have committed an aggregate \$549.7 million across prior Clearlake funds. Additionally, nineteen discretionary Hamilton Lane clients and commingled products have made co-investments alongside Clearlake totaling approximately \$372.6 million.</p> <p>To-date, fifteen discretionary clients have closed commitments to Fund VII totaling \$328 M. Five advisory clients have also closed with commitments totaling \$634 M.</p>
Introduction Source:	Existing Relationship
Placement Agent:	<p>In accordance with Board policy, neither Clearlake, nor any of its principals, employees, agents, or affiliates has compensated or agreed to compensate, directly or indirectly, any Person or entity to act as a Placement Agent in connection with any investment by PSERS.</p> <p>Any placement fees charged to the Fund in connection with securing commitments from other investors (excluding PSERS) will result in a corresponding reduction to management fees.</p> <p>As confirmed by PSERS' Office of Chief Counsel on December 9, 2021, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy.</p>
Political Contributions:	None Disclosed
PA Presence:	Yes
Potential Conflicts:	We are not aware of Clearlake having any material conflicts.
Litigation Disclosure:	Clearlake receives communications from regulators and may be involved in litigation from time to time in the ordinary course of business. At this time and to the best of Clearlake's knowledge, the Firm and its funds are not involved in any fraud related litigations, legal or regulatory complaints, criminal litigations, arbitrations, reparations, regulatory checks or opinions, or other activities that Clearlake believes could lead to negative publicity or have a material effect on Clearlake or the Fund.
First Time Fund With PSERS:	No
PSERS Allocation Implementation Committee Approval:	December 23, 2021



Hamilton Lane

October 15, 2021

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

Re: Clearlake Capital Partners VII, 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 \$10 billion in commitments from limited partners for its seventh fund, Clearlake Capital Partners VII, L.P. (the "Fund"). Clearlake held a first close on 9/29/21. The General Partner will commit at least the lesser of 2.0% or \$200 million of commitments to invest in or alongside the Fund.

Clearlake expects to target 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 including traditional buyouts, structured equity, junior and senior debt, corporate carve-outs, bankruptcy restructurings, rescue financings and other tactical and special situations. Through its flagship funds, the General Partner targets majority, control-oriented investments where it can exert significant influence and create value through active leadership and governance. The Fund will target approximately 18 to 22 equity investments in the range of \$500 million to \$750 million. Clearlake has consistently generated attractive returns with its recent funds generating top-quartile or near top-quartile returns across all metrics.

Clearlake Capital Partners VII's investment thesis can be summarized as follows:

- Established organization with significant investment and operating expertise
- Flexible approach to transaction type across core target sectors
- Attractive performance across prior funds with demonstrated focus on downside protection

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.



Hamilton Lane

Detailed due diligence including interviews with industry peers and private equity professionals. The on-site due diligence was conducted July 2, 2021; the fund was approved by Hamilton Lane's Investment Committee on July 19, 2021, and the recommendation to PSERS was issued October 15, 2021.

- 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.
- The strategy proposed for the Fund is appropriate for the private equity 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 – 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 Capital Partners VII, 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 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