CLAYTON HOLDINGS INC
Form PREM14A
May 06, 2008

QuickLinks -- Click here to rapidly navigate through this document

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# SCHEDULE 14A

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

**CLAYTON HOLDINGS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

ý Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common Stock, par value $0.01, of Clayton Holdings, Inc. ("Clayton common stock")

(2) Aggregate number of securities to which transaction applies:
22,891,224 shares, comprised of (A) 22,176,787 shares of common stock outstanding as of April 30, 2008, (B) 30,276 shares of common stock underlying deferred stock units, and (C) options to purchase 684,161 shares of common stock with exercise prices at or below $6.00.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

$6.00 (per share consideration set forth in the merger agreement).

(4) Proposed maximum aggregate value of transaction:
$133,827,968 (excludes $3,519,376 representing the aggregate exercise price of the options included in the aggregate number of securities)

(5) Total fee paid:
$5,260

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

# Clayton Holdings, Inc.

**2 Corporate Drive**
**Shelton, Connecticut 06484**
**(203) 926-5600**

**, 2008**

**MERGER PROPOSED  YOUR VOTE IS IMPORTANT**

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Clayton Holdings, Inc. which will be held at the offices of Goodwin Procter LLP, located at One Exchange Place, Boston, Massachusetts 02109, on , 2008, at , local time.

At the special meeting, we will ask you to consider and vote on a proposal to approve and adopt a merger agreement that we entered into with Cobra Green LLC and Cobra Acquisition Corp., a wholly-owned subsidiary of Cobra Green, on April 13, 2008. If our stockholders approve and adopt the merger agreement and the merger is completed, we will become a wholly-owned subsidiary of Cobra Green, and you will be entitled to receive $6.00 in cash, without interest and less any applicable withholding taxes, for each share of Clayton common stock that you own.

**After careful consideration, our board of directors, by the unanimous vote of all directors present, approved the merger agreement and determined that the merger and the merger agreement are fair to, advisable and in the best interests of our company and our stockholders. Our board of directors recommends that you vote "FOR" the approval and adoption of the merger agreement.**

The accompanying proxy statement provides a detailed description of the proposed merger, the merger agreement and related matters. We urge you to read these materials carefully.

**Your vote is very important.** Approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Clayton common stock entitled to vote at the special meeting. Therefore, failure to vote will have the same effect as a vote against the approval and adoption of the merger agreement.

**Whether or not you are able to attend the special meeting in person, please complete, sign and date the enclosed proxy card and return it in the envelope provided as soon as possible, or submit your proxy by telephone or the Internet. If you have Internet access, we encourage you to record your vote via the Internet. This action will not limit your right to vote in person at the special meeting.**

If you have any questions or need assistance voting your shares, please call our proxy solicitor, D.F. King & Co., Inc., at .

Thank you for your cooperation and your continued support of Clayton Holdings, Inc.

Sincerely,

Frank P. Filipps
*Chairman of the Board of Directors*
*and Chief Executive Officer*

This proxy statement is dated , 2008 and is first being mailed to stockholders on or about , 2008.

# Clayton Holdings, Inc.

**2 Corporate Drive**
**Shelton, Connecticut 06484**
**(203) 926-5600**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**
**To Be Held On , 2008**

To the Stockholders of Clayton Holdings, Inc.:

We will hold a special meeting of the stockholders of Clayton Holdings, Inc. at the offices of Goodwin Procter LLP, located at One Exchange Place, Boston, Massachusetts 02109, on , 2008, at , local time, to consider and act upon the following matters:

1. To approve and adopt the Agreement and Plan of Merger dated as of April 13, 2008, among Clayton Holdings, Inc. ("Clayton Holdings", "Clayton" or "we", "us", "our", "ours", etc.), Cobra Green LLC ("Cobra Green") and Cobra Acquisition Corp., a wholly-owned subsidiary of Cobra Green (the "Merger Subsidiary"), pursuant to which each holder of shares of Clayton common stock will be entitled to receive $6.00 in cash, without interest and less any applicable withholding taxes, for each share of Clayton common stock held by such holder;

2. To approve a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in favor of approval and adoption of the merger agreement; and

3. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof, including to consider any procedural matters incident to the conduct of the special meeting.

A copy of the merger agreement is attached as Annex A to the accompanying proxy statement.

Only holders of record of Clayton common stock as of the close of business on , 2008 are entitled to the notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. Approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Clayton common stock entitled to vote at the special meeting.

Whether or not you are able to attend the special meeting in person, please complete, sign and date the enclosed proxy card and return it in the envelope provided as soon as possible, or submit your proxy by telephone or the Internet. If you have Internet access, we encourage you to record your vote via the Internet. This action will not limit your right to vote in person at the special meeting. If you fail to vote by proxy or in person, it will have the same effect as a vote against the approval and adoption of the merger agreement. If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be counted as a vote "FOR" approval and adoption of the merger agreement.

**The Clayton board of directors recommends that stockholders vote "FOR" approval and adoption of the merger agreement.**

If the merger is completed, Clayton stockholders who do not vote in favor of the approval and adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares of Clayton common stock, as determined by the Delaware Court of Chancery under applicable provisions of Delaware law. A copy of the applicable Delaware statutory provisions is included as Annex C to the accompanying proxy statement, and a summary of these provisions can be found under the section entitled "Appraisal Rights" beginning on page 53 in the accompanying proxy statement.

Please note that space limitations make it necessary to limit attendance at the special meeting to stockholders as of the record date (or their authorized representatives). If you attend, please note that you may be asked to present valid photo identification. If your shares are held by a bank or broker, please bring to the special meeting your statement evidencing your beneficial ownership of common stock. The list of stockholders entitled to vote at the special meeting will be available for inspection at our principal executive offices at 2 Corporate Drive, Shelton, Connecticut 06484 during ordinary business hours at least 10 days before the special meeting.

By Order of the Board of Directors,

Steven L. Cohen
*Secretary*

Shelton, Connecticut
, 2008

**TABLE OF CONTENTS**

**SUMMARY TERM SHEET**

*This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. Accordingly, we urge you to read carefully this entire proxy statement and the annexes to this proxy statement. We have included page references parenthetically to direct you to a more complete description of the topics in this summary.*

*In this proxy statement, the terms "we," "us," "our," "our company," "Clayton" and "Clayton Holdings" refer to Clayton Holdings, Inc. and the term "Cobra Green" refers to Cobra Green LLC.*

**The Companies**

Clayton Holdings, Inc.
2 Corporate Drive
Shelton, Connecticut 06484
(203) 926-5600
www.clayton.com

Clayton Holdings, Inc. was founded in 2005 through the union of Clayton Services, Inc., a leading provider of integrated loan and portfolio analysis, operations support and consulting services to the primary, capital and investor markets, and The Murrayhill Company, a leader in the securities surveillance and credit risk management business. Clayton has since added a number of companies to its corporate structure. In each case, Clayton has expanded its offerings to provide our clients greater capabilities and deeper services in the areas of analytics, consulting and outsourcing.

Cobra Green LLC
c/o Greenfield Partners, LLC
50 North Water Street
South Norwalk, Connecticut 06854
(203) 354-5000

Cobra Green LLC, a Delaware limited liability company, was formed exclusively for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. Cobra Green has not engaged in any business except in anticipation of the merger. Cobra Green is affiliated with Greenfield Acquisition Partners V, L.P., an affiliate of Greenfield Partners, LLC.

Greenfield Partners, LLC is a private partnership that specializes in real estate and related investments on behalf of itself and a select group of private and institutional partners. Since inception in 1997, Greenfield Partners, LLC has secured in excess of $3.5 billion in equity commitments to eight (8) different investment funds and operates in both North America and abroad. The firm's most recent funds are Greenfield Acquisition Partners V, L.P. and Greenfield Land Partners II, L.P., which have equity commitments of $1.0 billion and $400 million, respectively.

Cobra Acquisition Corp.
c/o Greenfield Partners, LLC
50 North Water Street
South Norwalk, Connecticut 06854
(203) 354-5000

Cobra Acquisition Corp., which we refer to as the Merger Subsidiary, is a Delaware corporation and a direct wholly-owned subsidiary of Cobra Green. The Merger Subsidiary was formed exclusively for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. The Merger Subsidiary has not engaged in any business except in anticipation of the merger.

**The Merger (page 18)**

Upon the terms and subject to the conditions of the merger agreement, the Merger Subsidiary will be merged with and into us, and each holder of shares of Clayton common stock will be entitled to receive $6.00 in cash, without interest and less any applicable withholding taxes, for each share of Clayton common stock held by such holder immediately prior to the merger unless such holder has exercised his or her statutory appraisal rights with respect to the merger. As a result of the merger, we will cease to be a publicly traded company and will instead become a wholly-owned subsidiary of Cobra Green. You will not own any shares of the surviving corporation. The merger agreement is attached as Annex A to this proxy statement. Please read it carefully.

**The Special Meeting (page 14)**

The special meeting will be held on , 2008 at , local time, at the offices of Goodwin Procter LLP, located at One Exchange Place, Boston, Massachusetts 02109. At the special meeting, you will be asked to vote upon a proposal to approve and adopt the merger agreement that we have entered into with Cobra Green and the Merger Subsidiary. You will also be asked to vote upon a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in favor of approval and adoption of the merger agreement. You may also be asked to vote upon such other matters as may properly come before the special meeting or any adjournment or postponement thereof.

**Record Date; Stock Entitled to Vote (page 14)**

Our board of directors has fixed the close of business on , 2008, as the record date for determining stockholders entitled to notice of and to vote at the special meeting. On the record date, we had outstanding shares of common stock held by approximately stockholders of record. We have no other class of voting securities outstanding.

Stockholders of record on the record date will be entitled to one (1) vote per share of Clayton common stock on any matter that may properly come before the special meeting and any adjournment or postponement of that meeting.

**Vote Required (page 15)**

Pursuant to the requirements of the Delaware General Corporation Law and the merger agreement, approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Clayton common stock entitled to vote at the special meeting. Failure to vote, by proxy or in person, will have the same effect as a vote "AGAINST" approval and adoption of the merger agreement.

The affirmative vote of the holders of a majority of the shares of Clayton common stock present in person or by proxy and entitled to vote at the special meeting will be required to approve the adjournment, if necessary, of the special meeting to solicit additional proxies in favor of the approval and adoption of the merger agreement. Failure to vote, in person or by proxy, will have no effect on the approval of the adjournment proposal.

**Our Board's Recommendation (page 14)**

Our board of directors has (i) determined that the merger and the merger agreement are fair to, advisable and in the best interests of our company and our stockholders, (ii) approved the merger agreement, (iii) resolved to recommend that the stockholders approve and adopt the merger agreement, and (iv) directed that such matter be submitted for consideration of the stockholders of Clayton at the special meeting. **Accordingly, our board of directors recommends that our stockholders vote "FOR" approval and adoption of the merger agreement at the special meeting.**

For the factors considered by our board of directors in reaching its decision to approve the merger agreement see "The Merger  Reasons for the Merger and Recommendations of the Board of Directors" beginning on page 23 of this proxy statement.

**Opinion of Clayton's Financial Advisor (page 25 and Annex B)**

In connection with the merger, Banc of America Securities LLC, Clayton's financial advisor, delivered to Clayton's board of directors a written opinion, dated April 13, 2008, as to the fairness, from a financial point of view and as of the date of the opinion, of the per share merger consideration to be received by holders of Clayton common stock. The full text of the written opinion, dated April 13, 2008, of Banc of America Securities, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex B to this proxy statement and is incorporated by reference in this proxy statement in its entirety. **Banc of America Securities provided its opinion to Clayton's board of directors for the benefit and use of Clayton's board of directors in connection with and for purposes of its evaluation of the per share merger consideration from a financial point of view. Banc of America Securities' opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed merger.**

**Conditions to the Merger (page 47)**

Neither we nor Cobra Green nor the Merger Subsidiary is required to complete the merger unless the following conditions are satisfied or waived:

- the merger agreement shall have been approved and adopted by the affirmative vote of a majority of the outstanding shares of Clayton common stock entitled to vote on such matter;
- the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976 (the "HSR Act") shall have expired or been earlier terminated; and
- no order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the merger shall be in effect, and no statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any governmental authority that prohibits or makes illegal consummation of the merger.

Neither Cobra Green nor the Merger Subsidiary is required to complete the merger unless the following conditions are satisfied or waived:

- our representations and warranties must be true and correct, subject to certain materiality thresholds;
- we shall have performed in all material respects all obligations required to be performed by us under the merger agreement;
- subject to certain exceptions, there has been no change, event or effect that has, or reasonably would be expected to have, individually or in the aggregate, a material adverse effect on the business, operations, assets, results of operations or financial condition of us and our subsidiaries taken as a whole since the date of the merger agreement;
- holders of 10% or fewer of the issued and outstanding shares of Clayton common stock have properly exercised their appraisal rights; and
- all filings, permits, authorizations, consents or approvals related to the origination, ownership or servicing of loans that are required as a consequence of the transactions contemplated by the merger agreement and set forth therein shall have been made or obtained.

We are not required to complete the merger unless the following conditions are satisfied or waived:

- the representations and warranties of Cobra Green and the Merger Subsidiary must be true and correct, subject to certain materiality thresholds; and

- Cobra Green and the Merger Subsidiary shall have performed in all material respects all obligations required to be performed by them under the merger agreement.

**No Solicitation of Transactions; Change of Recommendation (page 45)**

We have agreed that we will not, and we will cause our subsidiaries and representatives not to, directly or indirectly:

- initiate, solicit or knowingly encourage the submission of any inquiries, proposals or offers that constitute, or would reasonably be expected to lead to, any acquisition proposal;

- engage or participate in, or knowingly facilitate any discussions or negotiations regarding, or furnish any non-public information to any person in connection with any inquiries, proposals or offers that constitute or would reasonably be expected to lead to, any acquisition proposal; or

- enter into any letter of intent, agreement in principal or other similar type of agreement relating to an acquisition proposal or enter into any agreement or agreement in principal requiring us to abandon, terminate or fail to consummate the transactions contemplated by the merger agreement or resolve, propose or agree to do any of the foregoing.

Notwithstanding the restrictions against solicitation, until the time at which our stockholders approve and adopt the merger agreement, we may respond to a *bona fide* written acquisition proposal if our board of directors, after consultation with our outside counsel, determines in good faith that the failure to respond would be inconsistent with our fiduciary obligations and our board of directors determines in good faith, after consultation with our outside legal and financial advisors, that the acquisition proposal in respect of which such action is to be taken, if consummated, is or could reasonably be expected to lead to a superior proposal. We may furnish information in response to a request by such third party in respect of such proposal if we receive from the person so requesting such information an executed confidentiality agreement on terms not less restrictive than the terms of the confidentiality agreement entered into between us and Cobra Green, provided, that, contemporaneously with furnishing any such non-public information to such third party, we furnish to Cobra Green all such non-public information not previously provided to Cobra Green.

If there are any inquiries, discussions, negotiations, proposals or expressions of interest with respect to an acquisition proposal, then we are required to promptly (but in any event within 24 hours) notify Cobra Green and provide a summary of the material terms and conditions thereof, including price, and the identity of the person making any acquisition proposal.

We have agreed in the merger agreement that our board of directors will recommend that our stockholders vote in favor of the approval and adoption of the merger agreement subject to the exceptions set forth below. We have also agreed that, subject to the exceptions set forth below, our board of directors and each committee thereof will not withdraw, amend or change, (or publicly propose to withdraw, amend or change in a manner adverse to Cobra Green), or knowingly make any public statement inconsistent with our recommendation to the stockholders or propose publicly to approve, adopt or recommend any acquisition proposal.

However, until such time as our stockholders approve and adopt the merger agreement, our board of directors may, in response to an acquisition proposal that our board of directors concludes in good faith, after consultation with our outside legal counsel and financial advisors, is a superior proposal (1) effect an adverse recommendation change, and/or (2) enter into a definitive agreement with respect

to such superior proposal. If our board of directors determines to take either of these actions, it may do so only on or after the fourth business day after Cobra Green has received written notice from us advising Cobra Green that our board of directors is prepared to take such action and at the end of such period, our board of directors determines in good faith after consultation with our outside legal counsel and financial advisors that such proposal remains a superior proposal. Also during this four (4) business day period, Cobra Green shall be entitled to deliver one or more counterproposals to the superior proposal.

The merger agreement defines a "superior proposal" to mean any *bona fide* written acquisition proposal of more than half of Clayton's assets, made by a third party that our board of directors determines in good faith, after consultation with our outside legal counsel and financial advisor, to be more favorable from a financial point of view to Clayton's stockholders than the transaction contemplated by the merger agreement.

**Termination of the Merger Agreement (page 49)**

The merger agreement may be terminated by either us or Cobra Green at any time prior to the effective time of the merger whether before or after our stockholders have approved and adopted the merger agreement:

by mutual written consent;

if the merger has not been consummated by October 31, 2008 (except in the case of certain permitted extensions);

if any order of a government authority enjoining, restraining or otherwise prohibiting the merger exists and such order has become final and nonappealable; or

if our stockholders fail to approve and adopt the merger agreement at the stockholders' meeting or any adjournment or postponement thereof.

Cobra Green can terminate the merger agreement if:

we breach or fail to perform in any material respect any of our representations, warranties, covenants or agreements made in the merger agreement, and such breach or condition is not curable by October 31, 2008 (except in the case of certain permitted extensions) or, if curable, has not been cured within 30 days of our receipt of written notice from Cobra Green of such breach or failure to perform; or

(i) our board of directors fails to include a recommendation to approve and adopt the merger agreement in the proxy statement, (ii) our board of directors has approved, endorsed or recommended, or publicly announced an intention to approve, to the stockholders an acquisition proposal (other than pursuant to the merger agreement) or otherwise made an adverse recommendation change, (iii) our board of directors fails to publicly reaffirm its recommendation of the merger agreement and the merger as promptly as practicable (but in any event within five (5) business days) after Cobra Green requests in writing that our board of directors do so, provided that Cobra Green may not make such a request on more than two (2) occasions with respect to any particular acquisition proposal and that such request may only be made in the event that we receive an acquisition proposal or material amendment to an acquisition proposal, (iv) a tender offer or exchange offer for outstanding shares has been commenced and our board of directors recommends that the stockholders tender their shares in such tender or exchange, or on or after the eleventh business day after the commencement of such tender or exchange offer, our board of directors fails to recommend against acceptance of such offer or makes no recommendation or states an inability to make a recommendation; (v) we have delivered a determination notice to Cobra Green that our board of directors intends

to make an adverse recommendation change or intends to terminate the merger agreement to enter into a superior proposal; or (vi) we fail to convene and hold the stockholders' meeting in accordance with the merger agreement.

We can terminate the merger agreement if:

Cobra Green or the Merger Subsidiary breaches or fails to perform in any material respect any of its representations, warranties, covenants or agreements made in the merger agreement, and such breach or condition is not curable by October 31, 2008 (except in the case of certain permitted extensions) or, if curable, has not been cured within 30 days of Cobra Green's receipt of written notice from us of such breach or failure to perform;

Cobra Green or the paying agent have not received the equity financing within ten (10) business days of the satisfaction of all the conditions to closing (other than those conditions that are to be satisfied at the closing); or

the termination is effected prior to receipt of the requisite stockholder approval in order to enter into an agreement with respect to a superior proposal, provided, however, that before terminating the merger agreement:

we have provided Cobra Green with four (4) business days prior written notice of our decision to terminate the merger agreement, (which notification shall include in reasonable detail the material terms and conditions of the superior proposal, including the amount and form of proposed consideration and any material conditions of the superior proposal),

Cobra Green has not, as of the fourth business day, made an offer that in the reasonable judgment of our board of directors after consultation with our outside counsel and financial advisor is at least as favorable to our stockholders from a financial point of view as the superior proposal, and

we have paid or pay Cobra Green, in immediately available funds, at the time of termination, a termination fee of $6,700,000.

**Specific Performance (page 51)**

Cobra Green and the Merger Subsidiary are entitled to seek an injunction to prevent breaches of the merger agreement by us and to enforce specifically the terms of the merger agreement.

Pursuant to the merger agreement, we are not entitled to enforce specifically the terms of the merger agreement other than with respect to the confidentiality provision set forth therein.

**Effect of Termination; Liability Cap (page 50)**

Other than for certain exceptions as listed in the merger agreement, in the event of a termination of the merger agreement by either us or Cobra Green, the merger agreement will immediately become null and void and have no effect, and none of Cobra Green, the Merger Subsidiary or us, or any of the respective subsidiaries or any of the respective officers or directors will have any liability or obligation under the merger agreement. Though we and Cobra Green will not be released from any liabilities arising out of fraud or intentional and material breach, in no event will either we or Cobra Green be liable for any breach, loss or damages, under any theory or for any reason under the merger agreement, in excess of $9,000,000 in the aggregate.

In addition, should we elect to terminate the merger agreement after Cobra Green or the paying agent have not received the equity financing within ten (10) business days of the satisfaction of all of the closing conditions required by the merger agreement our sole and exclusive remedy is the

termination fee of $9,000,000 to be paid by Cobra Green within two (2) business days after the termination of the merger agreement.

**Fees and Expenses Following Termination (page 50)**

Cobra Green must pay us a termination fee of $9,000,000 within two (2) business days after the termination of the merger agreement if we terminate the merger agreement after Cobra Green or the paying agent have not received the equity financing within ten (10) business days of the satisfaction of all of the closing conditions required by the merger agreement.

We are required to pay Cobra Green a termination fee of $6,700,000 in the event that the merger agreement is terminated because:

- our board of directors (i) fails to include a recommendation to approve and adopt the merger agreement in the proxy statement, (ii) makes an adverse recommendation change, or (iii) fails to publicly reaffirm its recommendation of the merger agreement and the merger as promptly as practicable (but in any event within five (5) business days) after Cobra Green requests in writing that our board of directors do so;

- a tender offer or exchange offer for outstanding shares has been commenced and our board of directors recommends that the stockholders tender their shares in such tender or exchange, or on or after the eleventh business day after the commencement of such tender or exchange offer, our board of directors fails to recommend against acceptance of such offer or makes no recommendation or states an inability to make a recommendation;

- we have delivered a determination notice to Cobra Green that our board of directors intends to make an adverse recommendation change or intends to terminate the merger agreement to enter into a superior proposal;

- we fail to convene and hold the stockholders' meeting in accordance with the merger agreement;

- we terminate the merger agreement prior to the approval and adoption of the merger agreement by our stockholders upon the entry into a definitive agreement to effect a superior proposal in accordance with the merger agreement;

- the approval and adoption of the merger agreement by the stockholders has not been obtained, and (i) an acquisition proposal had been publicly announced at or prior to the time the merger agreement was terminated and (ii) within 12 months after such termination of the merger agreement we have consummated, or reached a definitive agreement to consummate, any acquisition proposal; or

- the merger has not been consummated by October 31, 2008 (except in the case of certain permitted extensions), and (i) an acquisition proposal had been publicly announced at or prior to the time the merger agreement was terminated and (ii) within 12 months after such termination of the merger agreement we have consummated, or reached a definitive agreement to consummate, any acquisition proposal.

**Limited Guaranty (page 7)**

We have entered into a limited guaranty with Greenfield Acquisition Partners V, L.P. pursuant to which Greenfield Acquisition Partners V, L.P. has guaranteed Cobra Green's obligation to pay us:

- a termination fee of $9,000,000 within two (2) business days after we terminate the merger agreement if Cobra Green or the paying agent have not received the equity financing within ten (10) business days of the satisfaction of all of the closing conditions required by the merger agreement; or

- any awards not to exceed $9,000,000 in the aggregate granted pursuant to a judgment of a court of the State of Delaware for a claim based on fraud or intentional and material breach of the merger agreement by Cobra Green.

7

**Voting Agreement (page 32)**

In connection with the merger, Cobra Green has entered into a voting agreement, dated as of April 13, 2008, with investment funds affiliated with TA Associates, Inc. ("TA Associates") pursuant to which, among other things, such investment funds have agreed to vote all shares of Clayton common stock beneficially owned by such funds in favor of, and against any acquisition proposal made in opposition to or in competition with, the consummation of the merger and the transactions contemplated by the merger agreement. As of the record date, the funds affiliated with TA Associates own beneficially and of record an aggregate of approximately [37.3]% of Clayton's outstanding common stock.

**Regulatory Matters (page 36)**

Under the provisions of the HSR Act, we and Cobra Green may not complete the merger until we have made certain filings with the Federal Trade Commission and the United States Department of Justice and the applicable waiting period has expired or been terminated. We and Cobra Green each filed pre-merger notifications with the U.S. antitrust authorities pursuant to the HSR Act on May , 2008 and, in accordance with the merger agreement, requested "early termination" of the waiting period. We and Cobra Green do not believe that any foreign antitrust approvals are required to consummate the merger.

As part of our mortgage loan servicing business, we are required by law to maintain state issued permits, licenses and registrations in connection with loan servicing in the various states. Many state regulations require the state's consent to a change of control of the holder of the permit, license or registration. The merger is conditioned on our ability, with the help and cooperation of Cobra Green, to obtain such consent from twelve (12) states, Puerto Rico and the District of Columbia. The merger is also conditioned on obtaining licenses from two (2) new states. We are not aware of any other state regulatory requirements that remain to be complied with in order to complete the merger, other than the filing of the certificate of merger with the Secretary of State of Delaware.

**Appraisal Rights (page 53)**

Under Delaware law, holders of Clayton common stock may have the right to receive an appraisal of the fair value of their shares of Clayton common stock in connection with the merger. To exercise appraisal rights, a Clayton stockholder must not vote for the proposal to approve and adopt the merger agreement, must deliver to Clayton a written appraisal demand before the stockholder vote on the merger agreement is taken at the special meeting, must not submit a letter of transmittal, and must strictly comply with all of the procedures required by Delaware law.

A copy of Section 262 of the Delaware General Corporation Law, or the DGCL, is also included as Annex C to this proxy statement.

**Material U.S. Federal Income Tax Consequences (page 37)**

If the merger is completed, the exchange of common stock by our stockholders for the cash merger consideration will generally be treated as a taxable transaction for U.S. federal income tax purposes under the Internal Revenue Code of 1986, as amended. Because of the complexities of the tax laws, we advise you to consult your personal tax advisors concerning the applicable U.S. federal, state, local, foreign and other tax consequences of the merger to you.

**Treatment of Equity-Based Awards (page 39)**

Upon consummation of the merger, each outstanding stock option, whether vested or unvested, will be cancelled in consideration for a cash payment, without interest and less any applicable

withholding taxes, equal to the product of (i) the excess, if any, of $6.00 over the per share exercise price for the option multiplied by (ii) the number of shares of Clayton common stock that the option holder could have purchased (assuming full vesting) upon full exercise of that option immediately prior to completion of the merger.

The merger agreement, after giving effect to the acceleration provisions of our stock option plans, further provides that upon the completion of the merger, each outstanding share of Clayton common stock and each outstanding Clayton deferred stock unit that is subject to vesting and restrictions on transfer, including restricted shares held by our executive officers and deferred stock units held by our directors, will become fully vested and free of restrictions on transfer and each holder will receive $6.00 for each such share or deferred stock unit, as applicable, less any applicable federal or state withholding tax.

Upon the completion of the merger, Clayton will pay each executive officer $6.00 for each phantom share held by such officer less any applicable federal or state withholding tax.

Except as set forth above, each right of any kind, contingent or accrued, to acquire or receive shares of common stock or benefits measured by the value of shares of common stock, and each award of any kind consisting of shares of common stock that may be held, awarded, outstanding, payable or reserved for issuance under any of our plans, will be cancelled.

**Interests of Our Directors and Executive Officers in the Merger (page 32)**

In considering the recommendation of our board of directors with respect to the merger agreement, holders of shares of Clayton common stock should be aware that our executive officers and directors have interests in the merger that may be different from, or in addition to, those of our stockholders generally. These interests may create potential conflicts of interest. Our board of directors was aware that these interests existed when it approved and adopted the merger.

***Equity-Based Awards***

Our directors and executive officers holding (i) shares of unvested restricted stock, (ii) shares of unvested deferred stock units, and (iii) phantom shares, will receive cash payments at or shortly following the closing of the merger.

***Change of Control Employment Agreements***

Each of our executive officers is party to an employment agreement with us, which may require us to make certain payments and/or provide certain benefits to such executive officers in the event of a change of control of Clayton, including the merger, followed by a qualifying termination of their employment.

## QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

*The following questions and answers briefly address some commonly asked questions about the special meeting of stockholders and the merger. These questions and answers may not address all questions that may be important to you as a stockholder. You should still carefully read this entire proxy statement, including each of the annexes.*

### The Special Meeting

**Q.** **Who is soliciting my proxy?**

A. This proxy is being solicited by our board of directors.

**Q.** **What will I be asked to vote upon at the special meeting?**

A. You will be asked to vote on the approval and adoption of the merger agreement that we have entered into with Cobra Green, pursuant to which a wholly-owned subsidiary of Cobra Green will be merged with and into us and we will become a wholly-owned subsidiary of Cobra Green. We will also be asking you to approve the adjournment, if necessary, of the special meeting to solicit additional proxies in favor of approval and adoption of the merger agreement.

**Q.** **What stockholder approvals are required for the mergers?**

A: The holders of a majority of the outstanding shares of Clayton common stock on the record date for the Clayton special meeting of stockholders must vote in favor of the approval and adoption of the merger agreement and the transactions contemplated thereby. Only holders of record of Clayton common stock at the close of business on , 2008, or the record date, are entitled to notice of and to vote at the special meeting. As of the record date, there were shares of Clayton common stock outstanding and entitled to vote at the special meeting.

**Q.** **Who is entitled to vote at the special meeting?**

A. Holders of record of shares of Clayton common stock as of the close of business on , 2008 are entitled to vote at the special meeting.

**Q.** **What should I do now?**

A. After carefully reading and considering the information contained in this proxy statement, please vote your shares by returning the enclosed proxy card. You can also attend the special meeting and vote in person. Do NOT enclose or return your stock certificate(s) with your proxy card.

**Q.** **If my shares are held in "street name" by my broker, will my broker vote my shares for me?**

A. Brokers or other nominees who hold shares of Clayton common stock in "street name" for customers who are the beneficial owners of such shares may not give a proxy to vote those customers' shares in the absence of specific instructions from those customers, commonly referred to as broker "non-votes". You should follow the procedures provided by your broker regarding the voting of your shares. These non-voted shares of Clayton common stock will not be counted as votes cast or shares voting and will have the same effect as votes "AGAINST" approval and adoption of the merger agreement. Non-voted shares of Clayton common stock will have no effect on the proposal to adjourn the special meeting, if necessary, to solicit additional proxies in favor of approval and adoption of the

merger agreement.

**Q.**

**What if I do not vote?**

A.

If you fail to vote by proxy or in person, it will have the same effect as a vote "AGAINST" approval and adoption of the merger agreement. Failure to vote will have no effect on the

proposal to adjourn the special meeting, if necessary, to solicit additional proxies in favor of approval and adoption of the merger agreement.

If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be counted as a vote "FOR" approval and adoption of the merger agreement and "FOR" approval of the adjournment proposal.

If you submit your properly signed proxy and affirmatively elect to abstain from voting, your proxy will be counted as present for the purpose of determining the presence of a quorum but will have the same effect as a vote "AGAINST" the approval and adoption of the merger agreement. With respect to the proposal to approve one or more adjournments to the special meeting, an abstention will have no effect, and the proposal will be decided by the stockholders who cast votes "FOR" and "AGAINST" that proposal.

**Q.**

**When should I send in my proxy card?**

A.

You should send in your proxy card as soon as possible so that your shares will be voted at the special meeting.

**Q.**

**May I change my vote after I have mailed my signed proxy card?**

A.

Yes. You may change your vote at any time before your proxy card is voted at the special meeting. You can do this in one of three ways. First, you can send a written, dated notice to our Secretary stating that you would like to revoke your proxy. Second, you can complete, date and submit a new proxy card. Third, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

**Q.**

**May I vote in person?**

A.

Yes. You may attend the special meeting of stockholders and vote your shares of Clayton common stock in person. If you hold shares in "street name," you must provide a proxy executed by your bank or broker in order to vote your shares at the meeting.

**The Merger**

**Q.**

**What is the proposed transaction?**

A.

Cobra Green will acquire us by merging a subsidiary of Cobra Green into us. We will cease to be a publicly traded company and will instead become a wholly-owned subsidiary of Cobra Green.

**Q.**

**If the merger is completed, what will I be entitled to receive for my shares of Clayton common stock and when will I receive it?**

A.

You will be entitled to receive $6.00 in cash, without interest and less any applicable withholding taxes, for each share of Clayton common stock that you own.

After the merger closes, Cobra Green will arrange for a letter of transmittal to be sent to each stockholder. The merger consideration will be paid to a stockholder once that stockholder submits a properly completed letter of transmittal, his, her or its stock certificates and any other required documentation.

**Q:**

**Am I entitled to appraisal rights?**

A:

Under the Delaware General Corporation Law, holders of shares of Clayton common stock who do not vote for the adoption and approval of the merger agreement have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they comply with all requirements of Delaware law, which are summarized in this proxy statement. This appraisal amount could be more than, the same as, or less than the amount a Clayton stockholder would be entitled to receive under the merger

agreement. Any holder of shares of Clayton common stock intending to exercise appraisal rights, among other things, must submit a written demand for appraisal to Clayton prior to the vote on the adoption and approval of the merger agreement and the transactions contemplated thereby and must not vote or otherwise submit a proxy in favor of adoption and approval of the merger agreement and the transactions contemplated thereby. Failure to follow exactly the procedures specified under Delaware law will result in the loss of appraisal rights. Because of the complexity of the Delaware law relating to appraisal rights, if you are considering exercising your appraisal right, we encourage you to seek the advice of your own legal counsel.

**Q.**

**Why is the board of directors recommending the merger?**

A.

Our board of directors believes that the merger and the merger agreement are fair to, advisable and in the best interests of Clayton and its stockholders and recommends that you approve and adopt the merger agreement. For a more detailed explanation of the factors that our board of directors considered in determining whether to recommend the merger, see "The Merger Reasons for the Merger and Recommendation of our Board of Directors" on page 23 of this proxy statement.

**Q.**

**Will the merger be a taxable transaction to me?**

A.

Yes. The receipt of cash for shares of our common stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. In general, you will recognize gain or loss equal to the difference between the amount of cash you receive and the adjusted tax basis of your shares of our common stock. For a more detailed explanation of the tax consequences of the merger, see "Material U.S. Federal Income Tax Consequences" on page 37 of this proxy statement. You should consult your tax advisor on how specific tax consequences of the merger apply to you.

**Q.**

**When is the merger expected to be completed?**

A.

We expect the merger to be completed in the third quarter of 2008 following satisfaction or waiver of all conditions, including expiration or termination of the waiting period under the HSR Act, receipt of certain permits, authorizations, consents and approvals related to the origination, ownership and servicing of loans, and approval and adoption of the merger agreement by our stockholders. We and Cobra Green each filed pre-merger notifications with the U.S. antitrust authorities pursuant to the HSR Act on May , 2008. We and Cobra Green do not believe that any foreign antitrust approvals are required to consummate the merger.

**Q.**

**What will happen to my shares of common stock in Clayton after the merger?**

A.

Following the effectiveness of the merger, your shares of Clayton common stock will represent solely the right to receive the merger consideration, and trading in Clayton common stock on the NASDAQ Global Market will cease. Price quotations for our common stock will no longer be available and we will cease filing periodic reports under the Securities Exchange Act of 1934.

**Q.**

**Should I send in my stock certificates now?**

A.

No. After the merger closes, Cobra Green will arrange for a letter of transmittal containing detailed instructions to be sent to each stockholder. The merger consideration will be paid to a stockholder once that stockholder submits a properly completed letter of transmittal accompanied by that stockholder's stock certificates and any other required documentation.

**PLEASE DO NOT SEND YOUR CLAYTON STOCK CERTIFICATES NOW.**

**Q.**

**What should I do if I have questions?**

A.

You should direct any questions regarding the special meeting of stockholders or the merger to our proxy solicitor, D.F. King & Co., Inc. at .

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement, and the documents to which we refer you in this proxy statement, contains forward-looking statements (as that term is defined under Section 21E of the Securities Exchange Act of 1934) about our plans, objectives, expectations and intentions. You can identify these statements by words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "may," "will" and "continue" or similar words. You should read statements that contain these words carefully. They discuss our future expectations or state other forward-looking information, and may involve known and unknown risks over which we have no control, including, without limitation:

- the requirement that our stockholders approve and adopt the merger agreement with Cobra Green and the Merger Subsidiary;
- either parties' failure to satisfy other conditions to the merger;
- the effect of the announcement of the merger on our customer and supplier relationships, operating results and business generally, including our ability to retain key employees;
- adverse changes in the mortgage-backed securities market, the mortgage lending industry or the housing market;
- the level of competition for Clayton's services;
- the loss of one or more of Clayton's largest clients;
- Clayton's ability to maintain its professional reputation;
- management's ability to execute Clayton's business strategy; and
- other risks detailed in our current filings with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K, as amended, for the year ended December 31, 2007.

See "Where You Can Find More Information" on page 59 of this proxy statement. You should not place undue reliance on forward-looking statements. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement are based on the information available to us as of the date of this proxy statement, and you should not assume that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

## THE SPECIAL MEETING OF STOCKHOLDERS

*We are furnishing this proxy statement to you, as a holder of Clayton common stock, as part of the solicitation of proxies by our board of directors for use at the special meeting of stockholders, or at any postponement or adjournment thereof.*

### Date, Time and Place of the Special Meeting

The special meeting of stockholders of Clayton will be held at the offices of Goodwin Procter LLP, located at One Exchange Place, Boston, Massachusetts 02109, on , 2008, at , local time.

### Purpose of the Special Meeting

The purpose of the special meeting is:

to vote on the proposal to approve and adopt the Agreement and Plan of Merger dated as of April 13, 2008, among Clayton, Cobra Green and the Merger Subsidiary, a copy of which is attached as Annex A to this proxy statement;

to approve a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in favor of approval and adoption of the merger agreement; and

to transact such other business as may properly come before the meeting or any adjournment or postponement thereof, including to consider any procedural matters incident to the conduct of the special me