

Item 1 – Cover Page

Graycliff Partners LP

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This ADV Part 2A or Brochure provides information about the qualifications and business practices of Graycliff Partners LP (the "Firm"). If you have any questions about the contents of this Brochure, please contact Steven Schaefer, our Chief Financial Officer at 212-300-2908 or by email to sschaefer@graycliffpartners.com. 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 the Firm is also available at the SEC's website www.adviserinfo.sec.gov (click on the link "Investment Adviser Search", select "Investment Adviser Firm" and type in our Firm name "Graycliff Partners LP". The search results will provide you with both Parts 1 and 2A of our Form ADV.

Item 2 - Material Changes

When Graycliff Partners LP initially registered with the SEC as an Investment Adviser in November 2011, the Firm had no operating history and no assets under management. As of December 31st, 2011, Graycliff now has regulatory assets under management of approximately \$1.3 billion and is therefore a *large advisory firm*.

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Item 4 - Advisory Business

Graycliff Partners LP (the "Firm") is a limited partnership organized under the laws of the State of Delaware, with its primary place of business in New York City. The Firm commenced its operations in 2011. The Firm identifies investment opportunities and participates in the acquisition, monitoring and disposition of its investments. The Firm currently provides investment advisory services primarily on a sub-advisory basis for managed accounts and pooled investment vehicles. The Firm plans to extend its activities to provide investment advisory services for private limited partnerships and other pooled investment vehicles for which it would serve as investment adviser and for which it or its affiliates would serve as general partner or in a similar capacity.

As of December 31st, 2011, the Firm manages approximately \$1.3 billion of non-discretionary commitments across five principal strategies. The first and second types of investments focus on direct equity and mezzanine investments, respectively, primarily in lower middle market companies in the U.S. The third type focuses on Latin American investments in direct equity transactions. The fourth type involves fund of funds investments in U.S. and Latin American based private equity funds, and the last type involves mezzanine and equity investments in U.S. real estate.

The principal direct owner of the Firm is its general partner, Graycliff Partners GP LLC, and the principal indirect owners of the Firm are James Marley, Stephen Hindmarch and David Mullen.

The Firm will tailor its advisory services to the individual needs of its clients, which are pooled investment vehicles and banks and other financial institutions. It will make and manage each investment in accordance with the purposes, terms, restrictions and limitations set forth in the governing documents of, or advisory agreement with, each of its clients, as applicable. Each client's governing documents, or advisory agreement, as applicable, may contain certain restrictions on the types of investments that may be made. For clients that are pooled investment vehicles, the needs of individual investors in the clients is not the basis of investment decisions by the Firm. Investment advice is provided directly to the clients that are pooled investment vehicles, and not to individual investors in the clients.

The Firm does not participate in wrap fee programs.

Item 5 - Fees and Compensation

All fees charged by the Firm are negotiable in the Firm's sole and absolute discretion. Fees will be charged on a fixed annual dollar amount basis for certain pools of capital, and on a percentage asset basis for others. Regarding the latter, management fees will

be based on total committed capital amounts during the investment period, and will be based on invested capital thereafter; the annual fee charged will depend on the specific investment type but ranges from 0.25% to 2%. Clients will be invoiced directly on a quarterly basis for all fees incurred.

The Firm may charge its clients fees quarterly in advance or in arrears depending on the specific agreement with each client. Fees payable for any period shorter than a full quarter will be pro rated based on the number of days in the period. If a Firm client pays the Firm a fee for any period that is determined by the Firm to be more than the amount the client should have paid for the period, the Firm will refund the excess payment or offset subsequent fees by the amount of the excess payment, depending on the specific agreement with the client.

In addition, the Firm will receive a performance fee as described in Item 6.

In addition to paying management and performance fees, the Firm's clients and their investors may also be subject to other investment expenses such as registration and custodial fees, commissions and related costs, interest costs, insurance costs, indemnification and litigation costs, taxes, duties and other governmental charges, legal fees, internal and external accounting fees, audit and tax preparation fees, and transaction and due diligence expenses (whether or not the transaction or investment is consummated). Investors will be allocated their pro rata share of such additional fees and expenses for the time period they are invested.

The Firm and its affiliates may receive certain transaction and similar fees from entities in which a client invests. In certain instances, a portion of the management fees payable by clients of the Firm may be reduced by the net proceeds of all such fees allocable to that client.

Neither the Firm nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

Item 6 – Performance-Based Fees and Side-by-Side Management

In the case of clients that are pooled investment vehicles or managed accounts, a performance fee may be charged, generally of up to 20% of the excess of distributions to clients or investors in a pooled vehicle over invested capital, a specified return to investors, fees and expenses. Neither the Firm nor any of its supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee on a side-by-side basis.

The fact that the Firm or its supervised persons may in part be compensated based on the performance of investments may create an incentive for the Firm to recommend investments to or make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of a performance-based compensation arrangement. However, the Firm will provide its investment advisory services to each of its clients in accordance with the investment strategy disclosed in the client's offering materials or advisory agreements, as applicable, to help ensure that its clients and their investors are aware of the investment strategy and the risks associated with the strategy.

Item 7 - Types of Clients

The Firm's clients are and will be partnerships and other pooled investment vehicles and banks and other financial institutions. Investors in the partnerships and pooled investment vehicles consist primarily of:

- Banks and other financial institutions
- Corporations
- High net worth individuals
- Trusts and estates

The investors in the Firm's clients are subject to applicable suitability requirements. The Firm requires that each outside investor in a client be an "accredited investor" as defined in Regulation D under the U.S. Securities Act of 1933, as amended and a "qualified purchaser" as defined in the U.S. Investment Company Act of 1940, as amended.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

The Firm performs fundamental analysis, and targets companies in the lower middle market in the strategies described in Item 4. The Firm believes this sector of the economy presents an attractive investment opportunity due to (1) lower entry valuations and more exit opportunities, (2) opportunities for substantial growth and (3) general scarcity of available capital. The Firm targets transactions involving management & leveraged buyouts, acquisitions, consolidations, divestitures, growth capital, recapitalizations and generational transfers. The Firm seeks meaningful alignment with management (economically and fundamentally) and chooses businesses with strong free cash flow generation.

The Firm's multi-manager or fund of funds investment strategies generally target investments that, based on the Firm's fundamental analysis, are expected to (1)

outperform the broader public markets and comparable alternative investments and (2) provide opportunities for substantial capital appreciation.

The Firm's real estate investment strategies generally focus on opportunistic transactions where the Firm believes the underlying assets have been undermanaged and undercapitalized. The Firm believes that these transactions generally provide a better risk-adjusted return. The Firm may also invest in more stabilized income producing assets and select hospitality transactions.

The Firm's personnel generally meet on a weekly basis to discuss potential and pending transactions. If discussions have advanced beyond the preliminary evaluation stage, a brief memorandum to the entire team is prepared. Should the transaction reach the stage where the transaction team proposes to move forward with a transaction, it will prepare a detailed memorandum on the transaction for the Firm's investment committee and convene a meeting of the Firm's investment committee. The Firm's investment committee will then discuss the opportunity in depth with the transaction team and decide whether to authorize the transaction. In addition to the general investment thesis, deal tactics and potential exit strategies will also be discussed.

Although private equity investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk that can result in substantial losses. Investing in securities involves risk of loss that clients should be prepared to bear. These risks include the following:

- Lack of end market demand (due to either general macroeconomic or sector specific distress)
- Internal cost overruns
- Changes in legal, fiscal, and regulatory regimes
- Dependence on key personnel
- Illiquidity of investment
- Lack of client control
- Currency risk

Investors should carefully consider the following risks prior to investing in any private equity fund.

Risks of Private Equity Investments

The investment portfolio will generally consist of securities issued by companies whose securities are not publicly traded. Although private equity investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk that can result in substantial losses.

Availability of Investment Opportunities

The business of identifying and structuring private investments is competitive and involves a high degree of uncertainty. In addition, the availability of investment opportunities generally will be subject to market conditions and the prevailing regulatory or political climates. As such, there can be no assurances that the Firm will be able to identify and complete attractive investments.

Future and Past Performance

The performance of prior investments recommended by or made on behalf of Firm clients by the Firm's investment professionals is not necessarily indicative of future results. On any given investment, loss of principal is possible.

Concentration of Investments

The Firm may advise clients to make multiple investments in one industry or one industry segment. As a result, the investment portfolios could become concentrated and aggregate returns may be affected substantially by the performance of a few holdings.

Investments in Junior Securities

The Firm generally will advise clients to invest in the most junior securities in a company's capital structure and, therefore, is subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment.

Leverage

Investments with a leveraged capital structure will be subject to increased exposure to adverse economic factors, such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of the company or its industry. If an investment is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the equity could be significantly reduced or even eliminated.

Long-Term Investments

The return of capital and the realization of gains, if any, will occur only upon the partial or complete disposition of an investment. Most investments will not be sold or distributed for a number of years after they are made. Prior to such time, there generally will be no current return on those investments.

Risks of Realization of Investments; Illiquidity

Given the nature of the investments recommended by or made on behalf of Firm clients by the Firm, there is a significant risk that the Firm's clients will be unable to realize their investment objectives by sale or other disposition at attractive prices or otherwise will be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the companies in which it has invested, changes in national or international economic or political conditions (including acts of

war, terrorism or other calamity or crisis), adverse conditions in national or global financial or capital markets, or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made or operate.

Non-Controlling Investments

Some investments may be minority positions in companies in which the Firm and its clients have no right to appoint a director or otherwise exert significant influence or protect its position. In such cases, the Firm will rely significantly on the management teams and boards of directors of such companies, which may include representation by other investors whose interests may conflict with those of the Firm's clients.

Limitations on Transfer; No Market For Investor Interests

Investors in the Firm's clients will not be permitted to transfer or pledge their interests without the consent of the general partner or managing member of the client. Furthermore, the transferability of interests is subject to certain restrictions contained in the relevant governing documents of the client and will be affected by restrictions imposed under applicable securities laws. In general, withdrawals by investors are not permitted. There is currently no efficient market for interests in private equity funds, and it is not expected that one will develop.

Non-United States Investments

Certain companies in which the Firm's clients invest may be based and may operate outside the United States. Investments in non-United States securities involve certain risks not typically associated with investing in United States securities, including risks relating to: (a) currency exchange matters, including fluctuations in the rate of exchange between the United States dollar and the various other currencies; (b) differences between the United States and non-United States securities markets, including potential price volatility in and relative liquidity of some non-United States securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (c) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; and (d) the possible imposition of non-United States taxes on income and gains recognized with respect to such securities.

Consequences of Failure to Make Payment in Full

If an investor in one of the Firm's clients fails to fund any installment of its capital commitment or to make any other payment when due, the defaulting investor may be required, among other things, to forfeit a substantial portion of its capital account in the client and its rights to future profits (but not losses) that otherwise would have been allocable to the investor in the client. The general partner or managing member of the client may designate a person or entity to assume the entire unpaid balance of the

defaulting investor's capital commitment and succeed to all of the rights of the defaulting investor's interest. In addition, the general partner or managing member of the client may take other actions provided in the governing documents of the client and pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by the defaulting investor.

Imposition of Tax Regardless of Cash Distributions

Investors in the Firm's clients will be required to recognize for United States income tax purposes their pro rata share of taxable net income, whether or not they received distributions that cover such tax liabilities. Taxable income may be generated for an investor even though the value of the investor's interest has declined.

For a more detailed discussion of material information relating to the Firm's clients, including, without limitation, risks and conflicts associated with their investment strategies, please refer to the private offering memoranda of HSBC Private Equity Investors Cayman L.P., HSBC Private Equity Access Fund, L.P., HSBC USA Private Equity Investments Limited, HSBC Latin America Private Equity Investors L.P., HSBC Latin America Institutional Fund, L.P., HSBC Latin America Private Equity Investments Limited, HSBC Latin America Partners, L.P., and HSBC Private Equity Partners II USA LP.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of its management. The Firm has no information to disclose applicable to this Item.

Item 10 - Other Financial Industry Activities and Affiliations

The origins of the Firm date back to 1991, when certain employees were involved in the creation of Midland Montagu Private Equity and its successor firm, HSBC Capital (USA) Inc. ("HCUS"). HCUS is an indirect, wholly-owned subsidiary of HSBC Holdings plc ("HSBC"). In 2011, the majority of the employees of the Firm left HCUS and joined the Firm. HSBC remains a strategic investor in the Firm's investment strategies and HCUS has engaged the Firm as a subadvisor for its US and Latin American private equity strategies. HCUS also retained the Firm to serve as its investment manager with respect to certain proprietary assets. The Firm has formed a majority controlled affiliate based in São Paulo, Brazil that acts as a sub-advisor to certain clients.

The Firm has a number of investment strategies as described in Item 4, with varying clients across those strategies. This could naturally create conflicts of interest allocating resources and investments among the Firm's clients. Conflicts could also arise between subadvisory and third-party fund management responsibilities.

The Firm will devote such time as shall be necessary to provide investment advice to, and conduct the business affairs of, as applicable, each of its clients in an appropriate manner. However, personnel of the Firm will work on several projects at any time and, therefore, conflicts may arise in the allocation of personnel and other management resources. The Firm is not required to advise or manage any one client as its sole and exclusive function, and the Firm and its partners, agents, officers, directors and employees may engage in or possess any interests in business ventures and may generally engage in other activities independently or with others.

Not all investments which are consistent with the applicable client's investment objectives will be presented exclusively to one client. In some instances, investments may be made available to and shared with other clients managed or advised by the Firm, and thus the entire investment opportunity may not be available to a particular client. The allocation of investment opportunities among clients for which such investment opportunities may be suitable is determined in accordance with the governing documents or advisory agreements of the relevant clients, as applicable.

To the extent any matter relating to a client involves a conflict of interest and is not otherwise provided for in the client's governing documents or advisory agreement, as applicable, the Firm shall generally address such conflict by consulting with the Firm's investment committee and the client's advisory committee or the investors.

Neither the Firm nor any of its management persons are registered, or have applications pending to register, as futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of any of the foregoing or as broker-dealers or registered representatives of broker-dealers.

The Firm does not receive compensation directly or indirectly from other investment advisers for recommending or selecting other investment advisers for its clients and has no business relationships with such advisers that create a material conflict of interest.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Firm recognizes and believes that high ethical standards are essential for its success and to maintain the confidence of its clients and their investors. The Firm believes its interests are best served by adherence to the principle that clients' interests

come first. The Firm's personnel are required to act in accordance with the implied contractual covenants of good faith and fair dealing in respect of their dealings with clients. The Firm's personnel must also comply with all federal securities laws.

The Firm's Chief Compliance Officer is responsible for identifying, reviewing, and resolving potential and actual conflicts of interest with the Firm's clients. The Firm's Chief Compliance Officer is responsible for designing procedures, where applicable, to address the potential or actual conflicts. All of the Firm's employees have the duty to report any material potential or actual conflicts of interest to the Firm's Chief Compliance Officer. All material conflicts of interest are reviewed and resolved by the Firm's Chief Compliance Officer.

The Firm has adopted a formal Code of Ethics which outlines policies and procedures to ensure both the Firm and its employees comply with their fiduciary obligations to their clients. Accordingly, the Firm has imposed certain restrictions on personal investing activities. A copy of our code of ethics is available upon request.

The Firm, its affiliates and employees may make investments in or alongside its clients that are pooled investment vehicles. As a consequence, conflicts of interest may arise in connection with decisions made by the Firm, including with respect to the nature or structuring of investments made by the Firm's clients, that may be more beneficial for one investor in any of the Firm's clients than for another investor, especially with respect to investors' individual tax situations. In selecting, structuring and managing investments appropriate for the Firm's clients, the Firm will consider the investment and tax objectives of its clients and not the investment, tax or other objectives of any investors in the Firm's clients individually.

The Firm, its affiliates and employees may in limited other circumstances invest in the same securities that it recommends to clients by co-investing with its clients. The conflict of interest that may arise from such co-investment is mitigated by specified co-investment procedures that must be followed before the Firm, its affiliates or employees may make such co-investment.

The Firm's Code of Ethics prevents the personnel of the Firm from buying or selling securities at or about the same time as client transactions other than as described above. Trades will not be permitted in a security if it relates to a company on the Firm's restricted list, which will include any company under consideration for investment by the Firm for a client and any company about which the Firm has inside information.

Item 12 - Brokerage Practices

Not applicable.

Item 13 - Review of Accounts

The Firm's investment committee meets on a quarterly basis to perform formal reviews of existing portfolio companies and investments. Such reviews are conducted by the Firm's principal owners (currently James Marley, Stephen Hindmarch and David Mullen). Other key investment staff and the Chief Financial Officer also participate in the review of accounts.

Investors in the Firm's clients generally will receive quarterly reports which will include investment performance and overall market commentary. Investors in the Firm's clients may also receive annual audited financial statements.

Item 14 - Client Referrals and Other Compensation

Currently, neither the Firm nor any related person directly or indirectly compensates any person for client referrals, but the Firm may in the future enter into traditional arrangements with independent placement agents to compensate such agents for client referrals.

The Firm does not receive any economic benefits from any person or entity other than the Firm's clients for providing investment advice or other investment advisory services to the Firm's clients.

Item 15 - Custody

The Firm does not have custody of any client funds or securities.

Item 16 - Investment Discretion

The Firm does not have investment discretion in connection with its advisory services, but it maintains the authority to manage certain of its clients' accounts on a discretionary basis, subject to and in accordance with any investment guidelines, limitations, other provisions and terms set forth in the applicable governing documents of the clients or advisory agreements, as applicable.

Item 17 - Voting Client Securities

Due to the nature of the Firm's investment programs and the types of investments recommended or made on behalf of its clients, the Firm would rarely, if ever, be requested to vote the proxies of traditional operating companies. Nonetheless, the Firm has adopted proxy voting policies and procedures designed to ensure that proxies are properly voted and that any conflicts of interest are addressed appropriately. The general policy is to recommend voting proxy proposals and to vote proxy proposals, as well as any amendments, consents or resolutions relating to client securities (collectively, "proxies"), in a manner that serves the best interests of client accounts, as determined by the Firm in its discretion, taking into account various factors, including, without limitation, the impact on the value of the securities. Clients may request a copy of the Firm's proxy voting policies and procedures and the proxy voting record by contacting the Firm.

Item 18 - Financial Information

The Firm has no financial commitment(s) that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.