

**PART 2A OF FORM ADV**

**FIRM BROCHURE**



HM Clipper Management, Ltd.

[www.hmclipper.com](http://www.hmclipper.com)

**March 30, 2020**

**This Brochure provides information about the qualifications and business practices of HM Clipper Management, Ltd. (referred to herein as “HM Clipper”). If you have any questions about the contents of this Brochure, please contact HM Clipper by phone at (415) 970-5800 or by email at [Compliance@HMClipper.com](mailto:Compliance@HMClipper.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority, and references in this Brochure to HM Clipper as a “registered investment adviser” are not intended to imply a certain level of skill or training.**

**Additional information about HM Clipper is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 2 -MATERIAL CHANGES

This brochure contains routine annual updates to the prior version of this Brochure.

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## ITEM 4 – ADVISORY BUSINESS

<b>Item 4.A</b>	<p><b>Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).</b></p> <p>This Brochure provides information for HM Clipper Management, Ltd., a Cayman Islands exempted limited liability company formed in 2006 (“HM Clipper”). HM Clipper’s advisory business focuses on private equity investing. HM Clipper primarily provides buyout and growth capital to middle market companies that have the potential to leverage Asia-based manufacturing or services to become global leaders in their respective industry segments. The foregoing investments are referred to herein as “Portfolio Investments” and the companies in which Portfolio Investments are made are referred to as “Portfolio Companies”. HM Clipper is owned by John-Paul Ho (the “Principal”).</p> <p>HM Clipper provides discretionary investment advisory services to Crimson Capital Partners III, L.P., a private investment fund organized as a Cayman Islands exempted limited partnership (the “Fund”). The Fund is closed to new investors. At present, the sole advisory client of HM Clipper is the Fund. The Fund is not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and the securities of the Fund are not registered under the Securities Act of 1933, as amended (the “Securities Act”).</p> <p>HML Clipper Capital Management, L.P, an affiliate of HM Clipper, serves as the general partner of the Fund (the “Affiliated General Partner”). HM Clipper and the Affiliated General Partner are together filing a single Brochure in reliance on the position expressed in the SEC’s staff’s no-action letter addressed to the American Bar Association, Business Law Section dated January 18, 2012. As such it should be noted that HM Clipper has aggregated its responses to the questions posed in this Brochure so that its responses refer to both the filing adviser, HM Clipper, and the relying adviser, the Affiliated General Partner. References to HM Clipper in this Brochure refer to HM Clipper and the Affiliated General Partner unless otherwise indicated.</p> <p>The Fund is governed by a limited partnership agreement (the “Fund Agreement”) that specifies the specific investment guidelines and investment restrictions applicable to the Fund. In addition, the private placement memorandum prepared for the investors of the Fund also contains information regarding the intended investment program for the Fund. HM Clipper, together with the Affiliated General Partner, provides investment management and administrative services to the Fund in accordance with the Fund Agreement, private placement memorandum and other offering materials. The Affiliated General Partner retains management authority over the business and affairs, including investment decisions, of the Fund.</p> <p>The investors in the Fund (the “Investors”) are primarily “qualified purchasers” (as defined in the Investment Company Act), and may include, among others, high net worth individuals, pension and profit sharing plans, trusts, endowments, estates, charitable organizations, corporations, limited partnerships and limited liability companies. Certain persons, including but not limited to, Investors, employees of HM Clipper and its affiliates, and other persons not affiliated with HM Clipper, may participate for their own account in Portfolio Investments (such participation, a “Co-investment”).</p>
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	<p>Furthermore, partners, senior executives and other senior investment professionals of HM Clipper and its affiliates have made and will make capital commitments to the Fund. Such commitments are generally not subject to management fees. In addition, such persons may also make additional Co-Investments on the same terms as the Fund in any Portfolio Investments, subject to detailed provisions as disclosed in the Fund Agreement.</p>
<b>Item 4.B</b>	<p><b>Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.</b></p> <p>HM Clipper offers advice solely with respect to the investments made by the Fund.</p> <p>HM Clipper's investment strategy primarily targets middle market companies that have the potential to leverage Asia-based manufacturing or services platforms to enhance their business.</p> <p>HM Clipper generally has broad and flexible investment authority with respect to the Fund. The Fund's investment objectives and strategy are set forth in the Fund Agreement and a confidential private placement memorandum. All Investors in the Fund are provided with a limited partner agreement and a confidential private placement memorandum and are urged to carefully review those documents.</p>
<b>Item 4.C</b>	<p><b>Explain whether (and, if so, how) you tailor your advisory services to the individual needs of <i>clients</i>. Explain whether <i>clients</i> may impose restrictions on investing in certain securities or types of securities.</b></p> <p>As noted above, the sole client of HM Clipper is the Fund. HM Clipper tailors its investment advice to the Fund in accordance with the Fund's investment objectives and strategy as set forth in the Fund Agreement and a confidential private placement memorandum. HM Clipper typically does not tailor its advisory services to the individual needs of Investors.</p> <p>The Investors in the Fund are able to negotiate the terms of the Fund Agreement in connection with their investments in the Fund. In certain cases, the Affiliated General Partner has, and may in the future, enter into side letter agreements with certain Investors in the Fund establishing rights under, or supplementing or altering the terms of, the Fund Agreement. Such rights and privileges may not be available to other Investors.</p> <p>Once invested in the Fund, Investors generally cannot impose additional investment guidelines or restrictions to the Fund.</p>
<b>Item 4.D</b>	<p><b>If you participate in <i>wrap fee programs</i> by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you</b></p>

	<p>receive a portion of the wrap fee for your services.</p> <p>Not applicable. HM Clipper does not participate in wrap fee programs.</p>
Item 4.E	<p><b>If you manage <i>client</i> assets, disclose the amount of <i>client</i> assets you manage on a <i>discretionary basis</i> and the amount of <i>client</i> assets you manage on a <i>non-discretionary basis</i>. Disclose the date “as of” which you calculated the amounts.</b></p> <p>As of December 31, 2019, the most recent available period, HM Clipper managed \$192,800,000 of client assets on a discretionary basis. The determination of this asset figure was made within 90 days of March 30, 2020. HM Clipper does not currently manage any client assets on a non-discretionary basis.</p>

## ITEM 5 – FEES AND COMPENSATION

Item 5.A	<p><b>Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.</b></p> <p>HM Clipper is compensated through the payment of management fees and performance based compensation by the Fund. The specific terms relating to the fees paid by the Fund, summarized below, are negotiated by the Investors in the Fund at the time of its formation.</p> <ul style="list-style-type: none"> <li>• <b>Management Fee:</b> As detailed in the Fund Agreement, HM Clipper receives annual management fees from the Fund based upon (i) during the commitment period, the capital commitments of the Fund; and (ii) thereafter the funded capital commitments of the fund minus the amount of certain capital contributions (as detailed in the Fund’s offering documents). The annual Management Fee for the Fund is 2.0% of the amount from (i) or (ii) above, as the case may be, payable quarterly in advance. Prior to the beginning of each year HM Clipper may waive a portion of the Management Fees payable for such year.</li> <li>• <b>Carried Interest:</b> In addition, the Affiliated General Partners may receive a performance allocation (“Carried Interest”). All distributions are split between Investors and the Affiliated General Partner as set forth in the Fund’s governing documents. The Carried Interest is generally equal to 20% of realized gains, which applies once an Investor in the Fund has received a specific preferred return (the “Return”). Investors are generally allocated all gains until they have surpassed the Return. Thereafter, gains are generally shared on an 80%/20% basis between Investors and the Affiliated General Partner.</li> <li>• <b>EMC Fee:</b> As detailed in the Fund Agreement, an affiliate of HM Clipper, the Executive Management Company (the “EMC”), advises the Fund with respect to Portfolio Company industry due diligence, management issues, internal processes and related matters for a fee. The EMC assigned its obligations to perform these services to HM Clipper and its affiliates. HM Clipper and its affiliates utilized a team of personnel, such as operating executives, industry specialists, other professionals and administrative support staff, to provide the EMC services. During the commitment period of the Fund, the Fund pays HM Clipper, as assignee of the EMC, an annual fee (the “EMC Fee”) of 0.50% of the capital commitments of the Investors invested in the Fund. After the Commitment Period, the EMC Fee is calculated based on the funded capital of the Investors. The EMC Fee is payable quarterly, in advance, and reduces any unfunded capital commitments.</li> <li>• <b>Management Fee Offset:</b> HM Clipper and/or its affiliates may receive customary fees for certain corporate finance, investment banking and advisory and monitoring services performed for Portfolio Companies or in conjunction with unconsummated transactions. Although fees from these activities will not be paid to the Fund, the Management Fee to be paid to HM Clipper will be reduced by an amount equal to 50% of the following fees (“Other Fees”): (i) break-up fees received by the Affiliated General</li> </ul>
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	<p>Partner, HM Clipper and their affiliates in connection with the Fund's uncompleted transactions and (ii) transaction fees and ongoing monitoring, advisory, consulting or similar fees received by the Affiliated General Partner, HM Clipper and their affiliates (other than HM Clipper and its affiliates and their respective employees, in their capacities as assignees of the EMC) attributable to the Fund's investments in Portfolio Companies.</p> <p>It should be noted that the fees paid by Investors are negotiable prior to an investment in the Fund, at the discretion of the Affiliated General Partner.</p>
Item 5.B	<p><b>Describe whether you deduct fees from <i>clients'</i> assets or bill <i>clients</i> for fees incurred. If <i>clients</i> may select either method, disclose this fact. Explain how often you bill <i>clients</i> or deduct your fees.</b></p> <p>HM Clipper or its affiliates deduct fees applicable to the Fund (and Investors) directly from the Fund's assets or issues capital call letters to Investors to request funds to pay specific expenses.</p> <p>The management fees are payable quarterly in advance and the Carried Interest distribution may be made when earned or at a later date.</p> <p><b>It is critical that Investors refer to the confidential private placement memorandum or other governing documents for a complete understanding of how fees are paid to HM Clipper. The information contained herein is a summary only and is qualified in its entirety by such documents.</b></p>
Item 5.C	<p><b>Describe any other types of fees or expenses <i>clients</i> may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that <i>clients</i> will incur brokerage and other transaction costs, and direct <i>clients</i> to the section(s) of your <i>brochure</i> that discuss brokerage.</b></p> <p>The Affiliated General Partner bears all the following expenses as the general partner of the Fund: costs and expenses for office space, facilities, supplies and compensation of its staff and the costs and expenses associated with the preliminary investigation of potential investment opportunities.</p> <p>The Fund pays all of the following expenses to the extent they do not constitute expenses paid by the Affiliated General Partner: (i) reasonable fees and expenses for tax advisors, attorneys and accountants, including the fees and expenses of preparing the annual audit and any reports for limited partners of the Fund; (ii) all reasonable out-of-pocket costs and expenses, if any, incurred in due diligence, negotiating, structuring, acquiring, holding, valuing, developing, advising, monitoring and disposing of actual or proposed portfolio investments, including without limitation any financing, legal, accounting, advisory, recruiting and consulting expenses in connection therewith; (iii) reasonable broken deal expenses; (iv) brokerage commissions, registration fees and expenses, custodial expenses and other investment costs actually incurred in connection with actual or potential portfolio investments; (v) interest on and fees and expenses arising out of all borrowings made by the partnership, including but not limited to, the arranging thereof; (vi) the out-of-pocket costs of any litigation, D&amp;O liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Fund; (vii) expenses of liquidating the Fund; (viii) registration expenses and any taxes, fees or other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation,</p>



	<p>settlement or review of the Fund; (ix) the fees and expenses of an administrator; (x) the expenses of an investor advisory committee, (xi) costs and expenses incurred in connection with the Fund’s legal and regulatory compliance with U.S. and non-U.S. laws and regulations (other than compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and registration pursuant to the Investment Advisers Act of 1940, as amended, including, without limitation, filings under the U.S. Securities Exchange Act of 1934, as amended (including Form 13F, Form 13H, Section 16 filings, Schedule 13D filings and Schedule 13G filings), any forms, schedules, filings, information or other documents prepared with respect to the Foreign Account Tax Compliance Act, reports to be filed with the U.S. Commodity Futures Trading Commission and reports, disclosures, filings and notifications prepared in accordance with the European Union Alternative Investment Fund Managers Directive; (xii) travel, entertainment and related expenses in connection with the Fund’s investment activities (including first class and/or business class airfare (and/or private charter, where appropriate), first class lodging, ground transportation, travel and premium meals (including closing dinners, closing “deal toys,” late night cars and dinners, social and entertainment events with portfolio company management, customers, clients, borrowers, brokers and service providers)); and (xiii) expenses incurred in connection with complying with provisions in side letter agreements, including “most favored nations” provision.</p> <p>The Affiliated General Partner and the Investors may be required to make capital contributions to the extent of their unfunded capital commitments for the payment of Fund expenses to the extent the Fund does not have sufficient funds to pay such expenses. Any amount drawn from unfunded capital commitments to pay Fund expenses will, to the extent Affiliated General Partner and limited partners receive subsequent distributions, be added to their unfunded capital commitments and be subject to recall.</p> <p>Please refer to Item 12 of this Brochure for a discussion of HM Clipper’s brokerage practices.</p> <p><b>It is critical that Investors refer to the confidential private placement memorandum and/or other governing documents for a complete understanding of expenses they may pay through an investment in the Fund. The information contained herein is a summary only and is qualified in its entirety by such documents.</b></p>
<b>Item 5.D</b>	<p><b>If your <i>clients</i> either may or must pay your fees in advance, disclose this fact. Explain how a <i>client</i> may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.</b></p> <p>As described in Item 5.B above, management fees applicable to Investors are paid quarterly in advance to HM Clipper.</p> <p>An Investor may not terminate an advisory contract prior to the end of a billing period because an Investor may not withdraw from the Fund prior to dissolution, and may not transfer any of their interest rights or obligations under the Fund without the prior written consent of HM Clipper or the Affiliated General Partner. As such, there is no need for a refund mechanism.</p>

Item 5.E	<p>If you or any of your <i>Access Persons</i> accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.</p> <p>Not applicable to HM Clipper.</p>
Item 5.E.1	<p>Explain that this practice presents a conflict of interest and gives you or your <i>Access Persons</i> an incentive to recommend investment products based on the compensation received, rather than on a <i>client's</i> needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to <i>clients</i>. If you primarily recommend mutual funds, disclose whether you will recommend “no-load” funds.</p> <p>Not applicable to HM Clipper.</p>
Item 5.E.2	<p>Explain that <i>clients</i> have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.</p> <p>Not applicable to HM Clipper.</p>
Item 5.E.3	<p>If more than 50% of your revenue from advisory <i>clients</i> results from commissions and other compensation for the sale of investment products you recommend to your <i>clients</i>, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.</p> <p>Not applicable to HM Clipper.</p>
Item 5.E.4	<p>If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.</p> <p>Not applicable to HM Clipper.</p>

## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

If you or any of your *Access Persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *Access Persons* manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *Access Persons* face by managing these accounts at the same time, including that you or your *Access Persons* have an incentive to favor accounts for which you or your *Access Persons* receive a *performance-based fee*, and describe generally how you address these conflicts.

As described in Item 5.B above, the Affiliated General Partner may receive performance-based compensation from the Fund for which it serves as general partner.

It should be noted that the possibility that the Affiliated General Partner may receive performance-based distributions creates a potential conflict of interest in that it may create an incentive for HM Clipper to make investments that are riskier or more speculative than in the absence of such performance-based distributions. Investors are provided with clear disclosure as to how performance-based distributions are charged with respect to the Fund and the risks associated with such performance-based distributions prior to making an investment.

The Affiliated General Partner, in consultation with the investor advisory committee, uses its best efforts to resolve any potential conflicts of interest created by this arrangement.

## ITEM 7 – TYPES OF CLIENTS

**Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

HM Clipper provides investment advisory services solely to the Fund as described in Item 4 above. During the period when the Fund was open to new Investors, the Fund was open only to Investors meeting certain suitability requirements. The Fund invests capital contributed to it by one or more high net worth individuals, pension and profit sharing plans, trusts, endowments, estates, charitable organizations, pooled investment vehicles, and other investors that are “accredited investors” (as defined in Regulation D under the Securities Act), qualified clients under Rule 205-3 of the Investment Advisers Act of 1940 (“Advisers Act”) and qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act. The Fund requires a significant minimum capital commitment.

**ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES  
AND RISK OF LOSS**

<p><b>Item 8.A</b></p>	<p><b>Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that <i>clients</i> should be prepared to bear.</b></p> <p>The following summarizes the methods of analysis and investment strategies used by HM Clipper in formulating investment advice. There can be no assurance that HM Clipper and the Fund will achieve their investment objectives or that the investment strategies employed by HM Clipper will be successful.</p> <p>HM Clipper’s investment strategy and process includes the following key elements:</p> <p><i>Proactive Generation of Investment Opportunities:</i> HM Clipper seeks to identify industries in which accelerating globalization opportunities and pressures are redrawing the competitive landscape. HM Clipper selects target industries based on (i) the degree to which global customers have broadened their sourcing mandate to include suppliers with Asia-based operations, (ii) the potential to reduce costs by leveraging an Asian manufacturing or services platform, (iii) the revenue potential in fast growing Asian markets, and (iv) competitive dynamics and barriers to entry.</p> <p><i>Due Diligence on a Global Basis:</i> After HM Clipper identifies a target company, it performs detailed industry, financial and customer due diligence. Beyond this customary due diligence, HM Clipper believes what helps to distinguish it from other private equity firms is its ability to assess the value that a company can realize by expanding globally or leveraging an Asian operational platform.</p> <p><i>Active Involvement Post-Investment:</i> After investing, HM Clipper professionals seek to play an active role on Portfolio Company boards and are often instrumental in advising on strategic and financial plans, recruiting key executives and outside board members, identifying strategic acquisition opportunities, and managing the exit process through a public listing or strategic sale.</p> <p>As a general matter, HM Clipper utilizes the methods of analysis and investment strategies described in the Fund’s governing documents provided to all Investors prior to the time of an investment.</p> <p><b>The information contained herein is a summary only and Investors and prospective Investors should refer to the Fund’s governing documents for a complete overview of HM Clipper’s methods of analysis and investment strategies. Investing in securities involves risk of loss that Investors should be prepared to bear.</b></p>
<p><b>Item 8.B</b></p>	<p><b>For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through</b></p>

**increased brokerage and other transaction costs and taxes.**

An investment in the Fund involves a significant degree of risk. There can be no assurance that the Fund's targeted rate of return will be achieved or that there will be any return of capital. Below is a summary of certain risks related to investment in the Fund. It is not a comprehensive list of all risks associated with investments in the securities market, some of which may also affect the Fund in extreme circumstances.

**Investment Controls**

The Fund makes Portfolio Investments in Asia. Foreign investment in the securities of companies in many of the countries in which the Fund intends to invest is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in certain companies and increase the costs and expenses of the Fund. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales by foreign investors, or the purchase or sale of foreign currency. The Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital interest and dividends paid on securities held by the Fund, and income on such securities or gains from the disposition of such securities may be subject to withholding taxes imposed by certain countries.

**Potential Market Volatility and Limited Liquidity in Asia**

Securities markets in Asia may be fragmented, smaller, less liquid and more volatile than the securities markets of the United States and certain developed countries. Securities markets in the countries in which the Fund may invest have in the past experienced substantial price volatility and no assurance can be given that such volatility will not occur in the future.

**No Assurance of Investment Returns**

The Fund's task of identifying investment opportunities in private operating companies, managing such investments and realizing a significant rate of return for investors is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize such investments successfully. There is no assurance that the Fund will be able to invest its capital on attractive terms or generate returns for its Investors. Also, the Fund will have considerable flexibility in the types of securities in which it invests and in the type of privately negotiated or other investments it makes. The Fund may make open market investments in securities of publicly traded companies. The Fund's or its affiliates' past performance provides no assurance of future success. Further, there is no assurance of any distribution to the Investors of the Fund prior to or upon liquidation, termination or dissolution of the Fund.

**Long-Term Investment**

An investment in the Fund is a long-term investment. HM Clipper anticipates a long time period between the initial capitalization of the Fund and the times when Investors receive distributions. In addition, the interests in the Fund are highly illiquid, have no public market value and are not transferable, except with the

prior consent of the Affiliated General Partner, which may be withheld at the Affiliated General Partner's sole discretion. Moreover, the interests in the Fund have not been registered under the Securities Act or other applicable securities laws. Voluntary withdrawals of interests are not permitted, except in limited instances when necessary to comply with the laws or regulations applicable to an Investor. As a result, Investors in the Fund may not be able to liquidate their investments prior to the end of the Fund's term.

#### **Lack of Liquidity of Portfolio Investments**

The Fund intends to invest primarily in companies the securities of which are not at the time of investment and may never be publicly traded. These investments may be difficult to value and to sell or otherwise liquidate and the risk of investing in such companies is generally much greater than the risk of investing in publicly traded companies. Companies whose securities are not publicly traded are not subject to the same disclosure and reporting requirements that are generally applicable to companies with publicly traded securities.

In addition, there can be no assurance that companies in which the Fund invests eventually will list their securities on a securities exchange. To the extent that there is no liquid trading market for Portfolio Investments, the Fund may be unable to liquidate Portfolio Investments or may be unable to do so at a profit. Furthermore, there can be no assurances that private purchasers for the Fund's Portfolio Investments will be found. In addition, in certain circumstances governmental or regulatory approvals may be required for the Fund to dispose of a Portfolio Investment or the Fund may be prohibited by contract or for legal or regulatory reasons from selling a Portfolio Investment for a period of time.

#### **Competition for Investments**

The Fund will be competing for investment opportunities against other groups, including institutional investors, investment managers, industrial groups and merchant banks owned by larger and well-capitalized investors. Over the past several years, an ever-increasing number of private equity funds have been formed (and many such existing funds have grown in size). Additional private equity funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources and more personnel than HM Clipper, the Fund and their affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Fund and adversely affecting the terms upon which Portfolio Investments can be made. Also, such competition may prevent the Fund from finding a sufficient number of attractive opportunities to meet its investment objectives. To the extent that the Fund encounters competition for investments, returns to Investors may decrease.

#### **Reliance on Management**

HM Clipper and its affiliates will make all decisions regarding the strategy, investments and day-to-day operations of the Fund. Except as set forth herein, Investors will have no right or power to take part in the management of the Fund. Only if a potential Investor is willing to entrust all aspects of management to HM Clipper and its affiliates should that potential Investor purchase interests in the

	<p>Fund. Moreover, the Fund's performance depends on the activities of the senior professionals of HM Clipper and its affiliates. The loss of any team member could adversely impact the Fund, and there can be no assurance that the team members will continue to work for HM Clipper and its affiliates throughout the Fund's term.</p> <p><b>Economic and Political Risks</b></p> <p>Governments of many Asian countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, governments own or control many companies, including some of the largest in their respective countries. The availability of investment opportunities for the Fund depends in part on governments in Asia continuing to liberalize their policies regarding foreign investment and to further encourage private sector initiatives. Accordingly, government actions in the future could have a significant effect on economic conditions in such countries, which could affect private sector companies and the prices and yields of Portfolio Investments. Exchange control regulations, expropriation, confiscatory taxation, nationalization, political, economic or social instability or other economic or political developments could adversely affect the assets of the Fund held in particular Asian countries.</p> <p>While the economies of certain Asian countries have experienced significant growth in the past twenty years, growth has been uneven, both geographically and among various sectors of the respective economies. The governments of many Asian countries have implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit such country's economy, but may also have a negative effect on companies in those Asian countries that the Fund may invest in. For example, the financial condition and results of operations of Asian companies that the Fund may invest in may be adversely affected by government control over capital investments or changes in tax regulations.</p> <p>The businesses of the Portfolio Companies might be affected by the developing legal system of some Asian countries. In some Asian countries, government policies and internal rules promulgated by governmental agencies related to new laws and regulations covering general economic matters may not be published in time, or at all. As a result, the Fund's Portfolio Companies may operate their businesses in violation of new rules and policies without having any knowledge of their existence. In addition, there are uncertainties regarding the interpretation and enforcement of laws, rules and policies in some Asian countries. Because many laws and regulations in these Asian countries are relatively new and the legal system of some of these Asian countries is still evolving, the interpretations of many laws, regulations and rules are not always uniform. Moreover, the relative inexperience of the judiciary in certain Asian countries in many cases creates additional uncertainty as to the outcome of any litigation, and the interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Finally, enforcement of existing laws or contracts based on existing law may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. Litigation in some Asian countries by the Fund or the Portfolio Companies may be protracted and result in substantial costs and the diversion of resources and management attention.</p>
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### **Financial Market Fluctuations**

General fluctuations in the market prices of securities may affect the value of the investments held by the Fund. Instability in the securities markets may also increase the risks inherent in the Fund's investments. The ability of the Portfolio Companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise. Additionally, the recent deterioration of the global credit markets has made it more difficult than it had been in the recent past for financial sponsors like HM Clipper and its affiliates to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling or less willing to finance new private equity investments or to only offer committed financing for these investments on less favorable terms than had been prevailing in the recent past. The Fund's ability to generate attractive investment returns for its Investors may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for their investments. Moreover, to the extent that such marketplace events continue or re-occur, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such an economic downturn could adversely affect the financial resources of corporate borrowers in which the Fund has invested and result in the inability of such borrowers to make principal and interest payments on outstanding debt when due. In the event of such defaults, the Fund may suffer a partial or total loss of capital invested in such companies, which could, in turn, have an adverse effect on the Fund's returns. Such marketplace events also may restrict the ability of the Fund to sell or liquidate investments at favorable times or for favorable prices.

### **General Economic and Market Conditions**

The private equity industry generally and the success of the Fund's investment activities will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. A sustained downturn in the U.S. or global economy (or any particular segment thereof) could adversely affect the Fund's profitability, impede the ability of the Fund's Portfolio Companies to perform under or refinance their existing obligations, and impair the Fund's ability to effectively exit its investments on favorable terms. Any of the foregoing events could result in substantial or total losses to the Fund in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a Portfolio Company's capital structure.

### **Availability of Investment Capital**

Some of the Fund's Portfolio Companies may require additional capital infusions. If the Fund does not have funds available to participate in subsequent rounds of financing, that shortfall may have a significant negative impact on both the Portfolio Company and the value of the Fund's original investment. Although it will be the policy of the Fund to maintain sufficient liquidity to allow it to participate in follow-on rounds of financings, the Fund may not provide all necessary follow-on financing; accordingly, third party sources of finance may be

	<p>required. There is no assurance that such additional sources of finance will be available, or if available, will be on terms beneficial to the Fund's interests.</p> <p><b>Lack of Diversification</b></p> <p>The Fund is subject to limited diversification requirements and may invest in a limited number of companies, regions, countries or industry sectors. To the extent the Fund concentrates its investments in a particular company, region, country or sector, it will become more susceptible to fluctuations in value resulting from adverse business or economic conditions affecting that particular company, region, country, or sector. As a consequence, the aggregate return of the Fund may be adversely affected by the unfavorable performance of one or a small number of companies or countries in which the Fund has invested.</p> <p><b>Bridge Financing</b></p> <p>From time to time, the Fund may lend to Portfolio Companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Fund's control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Fund.</p> <p><b>Risks of Certain Dispositions</b></p> <p>In connection with the disposition of an investment in a Portfolio Company or otherwise, the Fund may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Fund.</p> <p><b>Hedging Policies/Risks</b></p> <p>In connection with the financing of certain Portfolio Investments, the Fund may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the Fund may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for the Fund than if it had not entered into such hedging transactions.</p> <p><b>Non-controlling Investments</b></p> <p>The Fund may hold non-controlling interests in certain Portfolio Companies and, therefore, may have limited ability to protect its position in such Portfolio Companies. As a condition to investment in a Portfolio Company, it is expected that appropriate rights generally will be sought to protect the Fund's interests to the extent possible, but there can be no assurance that such minority shareholder</p>
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rights will be available.

### **Currency Risk**

The Fund's assets will be invested in securities of companies incorporated under the laws of various countries or other jurisdictions and the income received by the Fund may be denominated in several different currencies. However, the books of the Fund will be maintained, and capital contributions and distributions from the Fund will be made, in U.S. dollars. Accordingly, changes in currency exchange rates between the U.S. dollar and such other currencies may adversely affect the U.S. dollar value of Portfolio Investments, interest and dividends received by the Fund, gains and losses realized on the sale of Portfolio Investments and the amount of distributions, if any, to be made by the Fund. In addition, the Fund will incur costs in converting investment principal and income from one currency to another.

### **Accounting, Disclosure and Regulatory Standards**

Accounting, auditing, financial and other reporting standards, as well as regulatory standards, practices and disclosure requirements, in countries in which the Fund may invest are not equivalent to those in the United States and certain Western European countries. Accordingly, less information may be available to Investors. There is also varying degree of government regulation of securities markets in Asia, which may be substantially less developed than in the United States and other developed countries. In many Asian countries, regulations under which foreign investors, such as the Fund, may invest directly in local securities are new and evolving. There can be no assurance that regulations promulgated in the future will not adversely affect the Fund or that any regulations facilitating such investments will be continued or adopted in the future.

### **Ability to Enforce Legal Rights**

Because the effectiveness of the judicial systems in the countries in which the Fund may invest varies, the Fund (or any Portfolio Company) may have difficulty in successfully pursuing claims in the courts of such countries, as compared to the United States or other developed countries. Further, to the extent the Fund or a Portfolio Company may obtain a judgment but is required to seek its enforcement in the courts of one of the countries in which the Fund invests, there can be no assurance that such courts will enforce such judgment.

### **Leverage**

The Fund's Portfolio Investments are expected to include companies whose capital structures may have significant leverage. Although HM Clipper and its affiliates will seek to use leverage in a manner they believe is prudent, the leveraged capital structure of such Portfolio Investments will increase the exposure of the Portfolio Companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the Portfolio Company or its industry.

### **Investments in Less Established Companies**

The Fund may invest a portion of its assets in the securities of smaller, less

	<p>established companies. Investments in such companies may involve greater risks than are generally associated with investments in more established companies. The securities of such companies may be subject to more abrupt and erratic market price movements than larger, more established companies, since trading volumes for their securities are generally quite low. Less established companies tend to have a lower capitalization and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies may also have shorter operating histories on which to judge future performance. The Fund has not established any minimum size for the companies in which it will invest.</p> <p>No guarantee or representation is made that the Fund's investment program will be successful.</p> <p><b>Investors and prospective Investors are provided with a confidential private placement memorandum that contains a detailed description of the material risks related to an investment in the Fund, and are advised to carefully review <u>all</u> risk factors set forth in the confidential private placement memorandum.</b></p>
<b>Item 8.C</b>	<p><b>If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.</b></p> <p><b>Please see the response to Item 8.B above. In addition, Investors and prospective Investors are provided with a confidential private placement memorandum that contains a detailed description of the material risks related to the types of securities invested in by the Fund, and are advised to carefully review <u>all</u> risk factors set forth in the confidential private placement memorandum.</b></p>

## **ITEM 9-DISCIPLINARY INFORMATION**

HM Clipper is required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of HM Clipper or the integrity of HM Clipper's management. HM Clipper has no legal or disciplinary information to disclose at this time.

**ITEM 10 – OTHER FINANCIAL INDUSTRY  
ACTIVITIES AND AFFILIATIONS**

Item 10.A	<p>If you or any of your <i>management persons</i> are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.</p> <p>Not applicable to HM Clipper.</p>
Item 10.B	<p>If you or any of your <i>management persons</i> are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.</p> <p>Not applicable to HM Clipper.</p>
Item 10.C	<p>Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.</p> <ol style="list-style-type: none"> <li>1. broker-dealer, municipal securities dealer, or government securities dealer or broker</li> <li>2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)</li> <li>3. other investment adviser or financial planner</li> <li>4. futures commission merchant, commodity pool operator, or commodity trading advisor</li> <li>5. banking or thrift institution</li> <li>6. accountant or accounting firm</li> <li>7. lawyer or law firm</li> <li>8. insurance company or agency</li> <li>9. pension consultant</li> <li>10. real estate broker or dealer</li> <li>11. sponsor or syndicator of limited partnerships</li> </ol> <p>Through common ownership and control, HM Clipper is affiliated with Crimson Asia Capital Holdings, Ltd. and Crimson Ventures, Ltd. (together “Crimson Velocity”), which are also registered with the SEC as investment advisers. Crimson Velocity serves as investment adviser to several private investment funds the general partners of which are Crimson Capital Management, Ltd. and Crimson Velocity Management, L.P. HM Clipper is of the belief that it does not have any relationship or arrangement that is material to its advisory business with any other type of related person listed above. Notwithstanding the preceding sentence HM Clipper is of the view that the following potential conflicts of interest should be disclosed:</p> <p>The Affiliated General Partner of HM Clipper serves as general partner to the Fund and in connection therewith maintains investments in the Fund. As described in Item 6 above, the Affiliated General Partner is entitled to receive performance based compensation from the Fund, which may in certain circumstances create a conflict of interest.</p>

	<p>As described elsewhere in this Brochure, HM Clipper generally seeks to make significant investments in Portfolio Companies. HM Clipper typically seeks control or substantial minority positions in Portfolio Companies, with board representation and customary shareholder rights.</p> <p>The Principal and certain other representatives of HM Clipper serve, and may in the future serve, on the board of certain of the Portfolio Companies invested in by the Fund. HM Clipper tracks all such board positions and monitors for conflicts. HM Clipper does not believe that such directorships pose a material conflict of interest.</p> <p>As noted in Item 4 above, certain persons, including but not limited to, Investors; employees of HM Clipper and its affiliates; and other persons not affiliated with HM Clipper, may make Co-Investments. The investment advisory committee of the Fund (which is comprised of representatives of limited partners that are unaffiliated with HM Clipper) has been established in part to address potential conflicts of interests.</p>
<b>Item 10.D</b>	<p><b>If you recommend or select other investment advisers for your <i>clients</i> and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.</b></p> <p>Not applicable to HM Clipper.</p>

**ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT  
TRANSACTIONS AND PERSONAL TRADING**

Item 11.A	<p><b>If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any <i>client</i> or prospective <i>client</i> upon request.</b></p> <p>HM Clipper’s Code of Ethics (the “Code”) is designed to meet the requirements of Rule 204A-1 of the Advisers Act. The Code applies to HM Clipper’s “Access Persons.” Access Persons include, generally, any member, officer or director of HM Clipper and any employee or other Access Person of HM Clipper who, in relation to the Fund (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All HM Clipper employees are deemed to be Access Persons. In addition, certain consultants and other individuals may also be deemed to be Access Persons.</p> <p>The Code sets forth a standard of business conduct that takes into account HM Clipper’s status as a fiduciary to the Fund and requires Access Persons to place the interests of Fund above their own interests and the interests of HM Clipper. The Code requires Access Persons to comply with applicable federal securities laws. Furthermore, Access Persons are required to promptly bring violations of the Code to the attention of HM Clipper’s Chief Compliance Officer. All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and to review the Code on at least an annual basis thereafter.</p> <p>The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide HM Clipper’s Chief Compliance Officer with a list of their personal accounts and an initial holdings report listing the holdings of such personal accounts within 10 days of becoming an Access Person. In addition, HM Clipper’s Access Persons must provide annual holdings reports and quarterly transaction reports detailing, respectively, the holdings and quarterly transactions in their personal accounts in accordance with Advisers Act Rule 204A-1.</p> <p>The Code also describes HM Clipper’s duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) advisory clients. Underlying these policies and procedures are two primary principles. First, confidential information must be maintained in confidence. Second, employees of HM Clipper who possess non-public information, whether or not it is material, must not trade in the securities affected by such information, must not disclose such information to anyone who does not have a legitimate need to know it and must immediately disclose such information to the Chief Compliance Officer.</p> <p>Investors or prospective Investors may obtain a copy of the Code by emailing a request to <a href="mailto:Compliance@HMClipper.com">Compliance@HMClipper.com</a>.</p>
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Item 11.B	<p><b>If you or a <i>related person</i> recommends to <i>clients</i>, or buys or sells for <i>client</i> accounts, securities in which you or a <i>related person</i> has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.</b></p> <p><b>Examples: (1) You or a <i>related person</i>, as principal, buys securities from (or sells securities to) your <i>clients</i>; (2) you or a <i>related person</i> acts as general partner in a partnership in which you solicit <i>client</i> investments; or (3) you or a <i>related person</i> acts as an investment adviser to an investment company that you recommend to <i>clients</i>.</b></p> <p>As explained in Item 10 above, the Affiliated General Partner, which is owned by the Principal and is a related person to HM Clipper, serves as the general partner of the Fund. The Affiliated General Partner also commits capital to the Fund, and as a result every investment made by the Fund involves a purchase of securities whereby related persons of HM Clipper indirectly acquire an indirect interest in such securities.</p> <p>HM Clipper's Principal and employees also invest indirectly in the Fund and in certain cases may not be subject to the management or performance-based fees as described in Item 4.A above.</p> <p>The fact that HM Clipper's Principal and employees have financial ownership interests in the Fund creates a potential conflict in that it could cause HM Clipper to make different investment decisions than if such parties did not have such financial ownership interests. Such potential conflicts are addressed by the personal securities transaction pre-clearance and reporting requirements described in Item 11.A and 11.C.</p> <p>HM Clipper seeks to address these potential conflicts through regular monitoring of the Fund's portfolios for consistency with objectives, strategies, and target capacity. Furthermore, the Principal carefully considers the risks involved in any investments and HM Clipper provides extensive disclosure to Investors regarding the potential risks that come with an investment with HM Clipper. As stated in Item 11.A, the Code requires Access Persons to place the interests of the Fund over their own or those of HM Clipper, and all Access Persons are required to acknowledge their receipt and understanding of the Code.</p> <p>Furthermore, HM Clipper receives management and performance-based compensation. The management fees are payable without regard to the overall success or income earned by the Fund and therefore may create an incentive on the part of HM Clipper to raise or otherwise increase assets under management to a higher level than would be the case if HM Clipper were receiving a lower or no management fee. Performance-based fees may create an incentive for HM Clipper to make investments that are riskier or more speculative than in the absence of such performance-based fees.</p> <p>Finally, as described in Item 5 above, HM Clipper, the Affiliated General Partner, or a Principal or other personnel may receive certain transaction fees, advisory fees, director's fees, break-up fees or other similar fees in connection with portfolio investments of the Fund as compensation for financial advisory and similar services provided by them to the Fund's portfolio companies. Payment of such fees may create a conflict of interest because it could create an incentive for</p>
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	<p>HM Clipper or the Affiliated General Partner to cause the Fund to invest its capital in a company that will pay such a fee to HM Clipper or its affiliate.</p> <p>While the management fees payable by the Fund to HM Clipper may be offset by a portion of such fees pursuant to the Fund Agreement, HM Clipper further mitigates this conflict of interest by negotiating such fees at arm's length with such portfolio company and generally seeking to ensure that such fees are, in the good faith opinion of HM Clipper, in accordance with prevailing market rates in the relevant industry. HM Clipper does not take into consideration whether a portfolio company will pay HM Clipper or its affiliate a services fee when making an investment determination.</p>
Item 11.C	<p><b>If you or a <i>related person</i> invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a <i>related person</i> recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.</b></p> <p>HM Clipper's Access Persons are permitted to make certain securities transactions in their personal accounts. This presents potential conflicts in that an employee could make improper use of information regarding the Fund's holdings or future transactions or research paid for by the Fund. Although unlikely, an Access Person could theoretically take for himself or herself an investment opportunity available to the Fund.</p> <p>As noted in Item 4 above, employees of HM Clipper and its affiliates may make Co-Investments alongside the Fund. Such investments could create a conflict of interest because they could give HM Clipper or the Affiliated General Partner an incentive to cause the Fund to invest its capital in a company in which it would not otherwise invest, or to dispose of its investment in a company at a time or for a price which it would not otherwise recommend for the Fund absent such related person's ownership of such securities. Such Co-Investments will only be made if the terms of the Fund Agreement permit such investment. The Affiliated General Partner, in consultation with the investor advisory committee, will use its best efforts to resolve any material conflicts of interest created by this arrangement.</p> <p>HM Clipper serves as the investment advisor to the Fund and can receive additional compensation based on such investments. The Affiliated General Partner, in consultation with the investor advisory committee, will use its best efforts to resolve any material conflicts of interest created by this arrangement.</p> <p>HM Clipper manages the potential conflicts of interest inherent in Access Person personal trading by rigorous enforcement of its Code, which contains strict pre-clearance and reporting guidelines for Access Persons.</p> <p>HM Clipper requires that Access Person's transactions in certain "reportable securities" (as defined in Section 202(a)(18) of the Advisers Act) be pre-cleared with the Chief Compliance Officer. Further details are available in the Code which is available to Investors upon request.</p> <p>HM Clipper maintains a "Restricted List" with the names of issuers of securities about which HM Clipper or its affiliates (including Access Persons) have learned</p>

	<p>material, non-public information. In order to minimize the risk of improper transactions, all public Portfolio Companies in which HM Clipper or a client owns stock or controls one or more board seats, and if applicable, all of the publicly-traded affiliates of such companies, will be placed on the Restricted List. Access Persons are strictly prohibited from trading securities on the Restricted List.</p> <p>In addition, HM Clipper receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer or his designee also reviews Access Persons' personal transaction and holdings reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.</p>
<b>Item 11.D</b>	<p><b>If you or a <i>related person</i> recommends securities to <i>clients</i>, or buys or sells securities for <i>client</i> accounts, at or about the same time that you or a <i>related person</i> buys or sells the same securities for your own (or the <i>related person's</i> own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.</b></p> <p>Please refer to responses to Items 11.A, 11.B, and 11.C.</p>
<b>Item 11 – Miscellaneous</b>	<p><b><i>Allocation of Investment Opportunities</i></b></p> <p>HM Clipper may encounter situations where an investment opportunity falls within the investment objective of more than one fund and must determine how to allocate such opportunity among its funds and other persons, including but not limited to co-investment vehicles that have been formed to invest side-by-side with one or more of funds (the investors in such co-investment vehicles may include investors in the funds and/or individuals and entities that are not investors in any of the funds) and investors whose co-investment HM Clipper determines in good faith will provide strategic benefits for the funds or their portfolio companies. HM Clipper generally allocates investment opportunities to funds on a basis that it reasonably determines in good faith to be fair and reasonable, taking into account a number of factors, including but not limited to, the nature of the investment focus of each fund, the relative amounts of capital available for investment, the size and stage of the investment, and any requirements contained in the governing documents of such funds.</p> <p>Subject to the governing documents of the funds, HM Clipper may offer co-investment opportunities to certain persons, including certain investors and other third parties, in its sole discretion. HM Clipper is not expected to offer co-investment with respect to all investments of the funds and may allocate any such opportunities in its sole discretion, including for example, on the basis of the size of investor commitments to the funds. The allocation of co-investment opportunities may involve a benefit to HM Clipper including, without limitation, fees or carried interest from the co-investment opportunity. The Firm may or may not charge management fees, carried interest and/or one-time funding fees in respect of co-investments, as it determines in its sole discretion. Any such fees may be calculated solely with respect to each co-investment. For the avoidance of doubt, except as otherwise agreed by HM Clipper, investment in a fund does not entitle investors to be presented with or otherwise participate in any co-investment opportunities.</p> <p>In exercising its discretion to allocate investment opportunities, HM Clipper may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among the funds with differing fee, compensation or expense structures, HM Clipper may have an incentive to allocate investment opportunities to</p>

	<p>the funds from which HM Clipper or its affiliates may derive, directly or indirectly, a higher fee, compensation or other benefit.</p> <p>In the event HM Clipper determines that there is an actual or potential conflict of interest, it will present such matter to the fund's limited partnership advisory committee for review and approval.</p> <p><b><i>Transactions between Investors and Portfolio Companies</i></b></p> <p>HM Clipper may, from time to time, facilitate introductions between its prospective or actual investors and its portfolio companies, to create business opportunities between the investors and portfolio companies if HM Clipper believes that one may be in need of services of the kind provided by the other. HM Clipper does not receive any referral or success fee for facilitating such introductions.</p> <p><b><i>Investments in which HM Clipper or the Other Funds Have a Different Interest</i></b></p> <p>The funds may invest in a broad range of securities, instruments and obligations throughout the corporate capital structure. These investments include (but are not limited to) investments in common equity securities, preferred equity securities and corporate loans and debt obligations. Accordingly, certain funds may invest in different parts of the capital structure of an issuer in which other funds invest. For example, with respect to a fund's investments in certain companies, one or more other funds may invest in equity and/or different classes of debt issued by the same companies. Such investments may give rise to conflicts of interest, or perceived conflicts of interest, for HM Clipper. In the event that a conflict of interest arises, HM Clipper will attempt to resolve such conflict on a case by case basis and in the best interests of the parties involved, while maintaining its duty of fiduciary care to the relevant funds.</p> <p><b><i>Valuation Matters</i></b></p> <p>The fair value of all investments or of property received in exchange for any investments will be determined by the general partner of a fund in accordance with the applicable organization documents of such fund. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of investments will, under certain circumstances, affect the amount of management fees payable to HM Clipper. The valuation of investments may also affect the ability of HM Clipper to raise successor funds. As a result, there may be circumstances where the general partner of a fund is incentivized to determine valuations that are higher than the actual fair value of investments.</p> <p><b><i>Varying Interests Among Limited Partners</i></b></p> <p>The investors in the funds may have conflicting investment, tax and other interests with respect to their investments in such funds. The conflicting interests of individual investors may relate or arise from, among other things, the nature of investments made by the funds, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by the general partner of a fund, including with respect to the nature or structuring of investments that may be more beneficial for one investor, including such general partner, than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring</p>
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investments appropriate for the funds, the general partners of the funds will consider the investment and tax objectives of the funds and its investors as a whole, not the investment, tax or other objectives of any investor individually. In addition, the interests held by a relatively small number of investors may be significantly larger than those held by other investors which could have a material impact on the outcome of matters requiring investor consent or approval.

***Cyber Security Breaches and Identity Theft***

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The information and technology systems of HM Clipper, the funds and their respective portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although HM Clipper has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the funds and/or their investments may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in HM Clipper's, the funds' and/or their respective portfolio companies' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm HM Clipper's reputation, subject HM Clipper or the funds to legal claims and otherwise affect their business and financial performance.

***Personal Trading and Other Business Activities***

The managing directors, officers, members, partners, employees, affiliates of such persons and relatives of such persons of HM Clipper may trade in securities for their own accounts, subject to pre-clearance restrictions and reporting requirements as may be required by law or HM Clipper's policies, or otherwise determined from time to time by HM Clipper, as applicable. Subject to the governing documents of the funds, HM Clipper and such persons may conduct any other business, including any business within the securities industry, whether or not such business is in competition with a fund.

***Side Letters***

HM Clipper or its funds have and may in the future enter into agreements, or "side letters", with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the fund's offering memorandum and limited partnership agreement (or other applicable organizational documents). The modifications are solely at the discretion of HM Clipper and may, among other things, be based on the size of an investor's investment in a fund. HM Clipper and its funds generally have no obligation to disclose the details of these side letters to all the investors in the relevant fund.

## ITEM 12 – BROKERAGE PRACTICES

Item 12.A.1	<p><b>Describe the factors that you consider in selecting or recommending broker-dealers for <i>client</i> transactions and determining the reasonableness of their compensation (e.g., commissions).</b></p> <p><b>1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.</b></p> <p>HM Clipper invests in private transactions that are not executed on an exchange and does not utilize brokers. Notwithstanding the above, in the past, HM Clipper has and may in the future utilize brokers and investment banks in connection with the purchase and/or sale of portfolio companies. This is typically done on a limited basis to remove restrictions from the securities and to help liquidate the securities in the open market. Furthermore, HM Clipper or the Fund may pursue public investments that are executed through brokers. Any such purchases or sales will be executed in an effort to seek best execution. HM Clipper does not make use of soft dollar benefits.</p>
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Item 12.A.2	<p><b><u>Brokerage for <i>Client</i> Referrals.</u></b> If you consider, in selecting or recommending broker-dealers, whether you or a <i>related person</i> receives <i>client</i> referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.</p> <ul style="list-style-type: none"> <li>a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving <i>client</i> referrals, rather than on your <i>clients'</i> interest in receiving most favorable execution.</li> <li>b. Explain the procedures you used during your last fiscal year to direct <i>client</i> transactions to a particular broker-dealer in return for <i>client</i> referrals.</li> </ul> <p>As a general matter, HM Clipper typically invests in private transactions that are not executed on an exchange and does not utilize brokers. Notwithstanding the above, in the past, HM Clipper has and may in the future utilize brokers and investment banks in connection with the purchase and/or sale of Portfolio Companies. This is typically done on a limited basis to remove restrictions from the securities and to help liquidate the securities in the open market. Any such purchases or sales will be executed in an effort to seek best execution. For any such public transactions that may be executed on an exchange, HM Clipper uses broker-dealers that are not selected on the basis of client referrals.</p>
Item 12.A.3	<p><b><u>Directed Brokerage.</u></b></p> <ul style="list-style-type: none"> <li>a. If you routinely <u>recommend</u>, <u>request</u> or <u>require</u> that a <i>client</i> direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their <i>clients</i> to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of <i>client</i> transactions, and that this practice may cost <i>clients</i> more money.</li> <li>b. If you <u>permit</u> a <i>client</i> to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of <i>client</i> transactions. Explain that directing brokerage may cost <i>clients</i> more money. For example, in a directed brokerage account, the <i>client</i> may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the <i>client</i> may receive less favorable prices.</li> </ul> <p>Not applicable to HM Clipper. As a general matter, HM Clipper typically invests in private transactions that are not executed on an exchange and does not utilize brokers.</p>
Item 12.B	Discuss whether and under what conditions you aggregate the purchase or

	<p>sale of securities for various <i>client</i> accounts. <b>If</b> you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to <i>clients</i> of not aggregating.</p> <p>Not applicable to HM Clipper.</p>
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### ITEM 13 – REVIEW OF ACCOUNTS

<p><b>Item 13.A</b></p>	<p><b>Indicate whether you periodically review <i>client</i> accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the <i>Access Persons</i> who conduct the review.</b></p> <p>HM Clipper’s client accounts are under quarterly review by the Principal and other senior personnel of HM Clipper. Such reviews include a review of investment policy, the suitability of the investments used to meet policy objectives, and investment objectives. HM Clipper considers, among other things, investment performance, the portfolio’s sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.</p>
<p><b>Item 13.B</b></p>	<p><b>If you review <i>client</i> accounts on other than a periodic basis, describe the factors that trigger a review</b></p> <p>Please see Item 13.A. Client accounts are under quarterly review.</p>
<p><b>Item 13.C</b></p>	<p><b>Describe the content and indicate the frequency of regular reports you provide to <i>clients</i> regarding their accounts. State whether these reports are written.</b></p> <p>Each Investor in the Fund receives: (i) audited annual and unaudited quarterly financial statements for the Fund, prepared in compliance with United States GAAP, (ii) a schedule and summary description of the portfolio investments owned by the Fund quarterly and at year-end, (iii) a quarterly and annual statement of such Investor’s capital account and (iv) tax information necessary for completion of its tax returns.</p>

#### ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

<b>Item 14.A</b>	<p>If someone who is not a <i>client</i> provides an economic benefit to you for providing investment advice or other advisory services to your <i>clients</i>, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.</p> <p>Not applicable to HM Clipper.</p>
<b>Item 14.B</b>	<p>If you or a <i>related person</i> directly or indirectly compensates any <i>person</i> who is not your <i>Access Person</i> for <i>client</i> referrals, describe the arrangement and the compensation.</p> <p>HM Clipper has used, and may use periodically in the future, professional placement agents to raise capital from potential investors in HM Clipper funds. The economic arrangement with these placement agents is based on standard market terms.</p> <p>All such referral activities are conducted in a manner that is consistent with the Advisers Act Rule 206(4)-3 and relevant SEC guidance. All arrangements with solicitors must be approved by the Chief Compliance Officer, and any approved solicitor must be registered with the appropriate regulatory agency.</p>

## ITEM 15 – CUSTODY

**If you have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.**

The Affiliated General Partner is deemed to have custody by virtue of their status as general partner to the Fund. To ensure compliance with Rule 206(4)-2 under the Advisers Act, HM Clipper has a reasonable belief that Investors have been provided with audited financial statements for the Fund within 120 days of the end of the Fund's fiscal year.

To the extent that HM Clipper's investments involve securities that are certificated, HM Clipper will maintain such certificates with a qualified custodian or otherwise rely on the provisions of the August 1, 2013 IM Guidance Update issued by the SEC's Division of Investment Management which provides that certain certificated, privately-offered securities are no longer required to be maintained with a qualified custodian.

HM Clipper is exempt from the quarterly account statement delivery obligations and surprise audit requirement of the custody rule because the Fund is audited each year by an independent public accountant, and HM Clipper distributes financial statements to Investors in the Fund annually.

Investors in the Fund receive statements from HM Clipper. These statements should be carefully reviewed. Clients and Investors are urged to compare such statements to the information provided to them in the annual audited financial statements provided by the Fund's auditor.

## ITEM 16 – INVESTMENT DISCRETION

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

HM Clipper has discretionary authority to manage securities accounts on behalf of the Fund. HM Clipper is authorized to make transaction recommendations for the Fund. As explained in Item 4.C above, the Fund's investment strategy is set forth in detail in the Fund's confidential private placement memorandum. Investors do not have the ability to impose limitations on HM Clipper's discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Furthermore, prospective Investors in the Fund must execute a limited partnership agreement.

# ITEM 17 – VOTING CLIENT SECURITIES

Item 17.A	<p><b>If you have, or will accept, authority to vote <i>client</i> securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your <i>clients</i> can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your <i>clients</i> with respect to voting their securities. Describe how <i>clients</i> may obtain information from you about how you voted their securities. Explain to <i>clients</i> that they may obtain a copy of your proxy voting policies and procedures upon request.</b></p> <p>HM Clipper understands and appreciates the importance of proxy voting. HM Clipper has adopted proxy voting and procedures that are designed to ensure that when HM Clipper votes proxies with respect to securities held on behalf of the Fund, such proxies are voted in the Fund’s best interests, in the judgment of HM Clipper to the extent reasonably practicable. The procedures also require that HM Clipper identify and address conflicts of interest between HM Clipper, its related persons and its Fund. If a material conflict of interest is identified, HM Clipper will determine whether voting in accordance with the guidelines set forth in the procedures is in the best interests of its Fund or whether taking some other action may be more appropriate.</p> <p>It should be noted that given HM Clipper’s business as a private equity fund manager, it is anticipated that it will be extremely rare that HM Clipper will receive proxies with respect to securities held on behalf of the Fund. To the extent that HM Clipper controls a Portfolio Company, such voting will not be required. However, there are situations where private companies could have proxy issues (e.g. a private company needs approval of investors to make changes to board of directors, auditors, etc.). In such situations, HM Clipper would have authority to vote proxies on behalf of the Fund (assuming that HM Clipper does not otherwise have control over the Portfolio Company and exercise such authority through control of the Portfolio Company’s board of directors).</p> <p>If a material conflict is identified, HM Clipper will determine what course of action is in the best interests of the affected Investors (which may include utilizing an independent third party to vote such proxies). Furthermore, HM Clipper will determine whether it is appropriate to disclose the conflict to affected Investors and give such Investors the opportunity to vote the proxies in question themselves.</p> <p>The Chief Compliance Officer or his designee delivers proxies in accordance with instructions related to such proxy. HM Clipper keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client request for proxy voting records and HM Clipper’s response for the previous five years.</p> <p>Investors generally do not have the ability to direct proxy votes. Investors may obtain additional information regarding how HM Clipper voted proxies and may obtain a copy of HM Clipper’s proxy voting policies and procedures by contacting <a href="mailto:Compliance@HMClipper.com">Compliance@HMClipper.com</a>.</p>
Item 17.B	<p><b>If you do not have authority to vote <i>client</i> securities, disclose this fact. Explain whether <i>clients</i> will receive their proxies or other solicitations</b></p>

	<p>directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) <i>clients</i> can contact you with questions about a particular solicitation.</p> <p>Not applicable to HM Clipper.</p>
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## ITEM 18 – FINANCIAL INFORMATION

<b>Item 18.A</b>	<p><b>If you require or solicit prepayment of more than \$1,200 in fees per <i>client</i>, six months or more in advance, include a balance sheet for your most recent fiscal year.</b></p> <ol style="list-style-type: none"><li><b>1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.</b></li><li><b>2. Show parenthetically the market or fair value of securities included at cost.</b></li><li><b>3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.</b></li></ol> <p>Not applicable to HM Clipper.</p>
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Item 18.B	<p>If you have <i>discretionary authority</i> or <i>custody</i> of <i>client</i> funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per <i>client</i>, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to <i>clients</i>.</p> <p>HM Clipper is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Fund or Investors.</p>
Item 18.C	<p>If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.</p> <p>HM Clipper has not been the subject of any such bankruptcy petition.</p>