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This Brochure provides information about the qualifications and business practices of RoundTable Healthcare Management, Inc. ("RoundTable" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us at 847-739-3200. 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.

Additional information about RoundTable Healthcare Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**ITEM 2**  
**Material Changes**

This Brochure, dated March 17, 2014, has been prepared according to the SEC's requirements and rules. It amends our Brochure dated as of March 19, 2013.

There have been no material changes since the date of our previous Brochure.

Pursuant to the SEC's rules, we will ensure that clients receive a summary of any material changes to our Brochure by April 30<sup>th</sup> of each year (i.e., within 120 days of the close of our fiscal year, which is December 31<sup>st</sup>). We may also provide information about material changes to clients at other times during the year, as necessary.

Clients may request a copy of the current version of our Brochure at no cost by contacting our Chief Compliance Officer.

**ITEM 3**  
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#### **ITEM 4**

##### **Advisory Business**

RoundTable Healthcare Management, Inc. (“RoundTable” or the “Firm”) was established in February 2001. RoundTable is owned by Mr. Lester Knight and Mr. Joseph Damico, who serve as its Co-Presidents. Mr. Knight and Mr. Damico also serve as the management board of the Firm’s investment partnerships.

RoundTable provides investment advisory services to a group of operating-oriented private equity funds focused exclusively on the healthcare industry. RoundTable partners with companies that can benefit from our extensive industry relationships and proven operating and transaction expertise.

RoundTable provides investment advice to seven equity funds (the “Equity Funds”) and four subordinated debt funds (the “Debt Funds” and together, the “Funds”). Each Fund’s offering documents (as amended and supplemented from time to time, the “Offering Materials”) set forth the investment guidelines and/or the types of investments in which the assets of such Fund may be invested. These investment guidelines and restrictions are not tailored to the needs or risk profiles of the investors in the Funds. As of December 31, 2013, RoundTable had approximately \$1,202,788,505 in discretionary assets under management.

#### **ITEM 5**

##### **Fees and Compensation**

In consideration for the investment advisory services provided to each Fund, the Firm is generally entitled to receive an annual management fee of 1.5% per annum (in the case of the Debt Funds) or 2.0% per annum (in the case of the Equity Funds) of the Fund’s aggregate investor commitments during the Fund’s investment period, and afterward, between 1.5% and 1.9% (in the case of the Equity Funds) or between 1.0% and 1.4% (in the case of the Debt Funds) of such Fund’s invested capital. Such fees are generally billed to each Fund and collected in advance on an annual or semi-annual basis. In the event that an advisory contract with any Fund is terminated during any period for which the management fee has been pre-paid, the portion of such fee that covers the remaining portion of such period would be refunded to the Fund.

In addition, and as discussed further in Item 6, subject to any reductions or waivers mentioned below, investors in the Funds generally bear a carried interest equal to 20% of the profits, if any, earned from each investment made by the Funds, subject to a preferred return. Carried interest distributions are calculated and made to the general partner of each Fund out of the proceeds of the relevant investment at the time of realization.

Each Fund's fee schedule generally is not negotiable; however, in most cases, RoundTable has the discretion to waive fees with respect to a particular Fund or a particular investor within a Fund.

Each Fund will generally bear its own expenses. In addition to the management fees discussed above, such expenses may include, without limitation: (i) organizational and offering expenses; (ii) expenses incurred in connection with investments and prospective investments, and (iii) routine administrative expenses relating to the maintenance of the Fund. The Funds do not generally incur brokerage costs or other fees related to trading as they deal primarily in private transactions. Further, one of the Equity Funds, in recognition of its unique and limited investment program, bears (and other future similar fund clients of the Firm may bear) a reduced carried interest and no management fees.

***Additional information about each Fund as well as the fees and expenses charged to investors by such Fund is provided in the Fund's Offering Materials.***

## **ITEM 6**

### **Performance-Based Fees and Side-By-Side Management**

As discussed in Item 5, the Funds' investors generally bear a carried interest equal to 20% of the profits, if any, earned from each investment made by the Funds, subject to a preferred return; *provided* that investors in certain Funds may bear a higher carried interest percentage if certain performance thresholds are achieved, as described in such Fund's Offering Materials, and investors in certain Funds that have unique and limited investment programs may bear a reduced carried interest percentage. Carried interest distributions are calculated and made to the general partner of each Fund out of the proceeds of the relevant investment at the time of realization. The general partners of the Funds are related persons of RoundTable. The Firm receives no portion of any such carried interest; however, certain of its supervised persons may be entitled to a portion of any such carried interest paid. Carried interest arrangements may create an incentive for the Firm to recommend investments which may be riskier or more speculative than those which would be recommended under a different arrangement.

## **ITEM 7**

### **Types of Clients**

RoundTable provides advisory services to each of the Funds described in Item 4. Investors in the Funds primarily include individuals, trusts, funds of funds, pension plans and endowments.

Prospective investors in each of the Funds are required to meet certain suitability qualifications to enable the funds to maintain their private placement exemptions under the Securities Act of 1933, as amended (the "Securities Act"), and the Investment Company Act of 1940, as amended

(the “Investment Company Act”). The conditions for becoming an investor in each Fund, including the minimum investment, are set forth in the Offering Materials for such Fund. The minimum investment is generally \$5 million. RoundTable generally has the discretion to waive such minimums, subject to compliance with applicable law.

## ITEM 8

### **Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Methods of Analysis and Investment Strategies**

RoundTable’s strategy is to utilize the Firm’s extensive healthcare operating and transaction experience to improve the long-term growth and profitability of its Funds’ portfolio companies. RoundTable seeks opportunities where the expertise of the RoundTable partners and principals makes the Firm a differentiated, value-added partner. RoundTable believes that making companies strategically stronger enhances their value and is the key to consistently generating superior risk-adjusted investment returns.

RoundTable’s investment process actively involves the Firm’s senior operating partners working in tandem with the Firm’s transaction team. These senior operating partners and other operating resources bring unique contacts and perspectives to the deal-sourcing and analysis phases of potential investments. Their contributions at these early stages ensure that a potential portfolio company under review can benefit from RoundTable’s strategic insight, operating expertise, and industry relationships. The Firm’s ability to effectively convince a potential seller of RoundTable’s value-add proposition significantly enhances the Firm’s success in closing transactions. Additionally, the operating partners’ involvement in the transaction process reduces investment risk through their addition of in-depth market knowledge, thorough due diligence, and access to a strong network of senior managers available to provide leadership to the portfolio companies after the investment is made.

#### **Risk of Loss**

An investment in a Fund entails a high degree of risk, including the risk of loss of capital, and is suitable only for sophisticated investors who fully understand and are capable of bearing the risks of such investment. Prospective investors should carefully consider the following factors, among others, in making their investment decision. The risks associated with investing in a Fund include, but are not limited to, those listed below

***No Assurance of Investment Return.*** RoundTable cannot provide assurance that it will be able to select, execute and realize investments in any particular portfolio company. In particular, a Fund may be unable to find a sufficient number of attractive investment opportunities to meet its investment objectives. There is also significant risk that a Fund will be unable to negotiate and execute such investments on favorable terms and to realize such investments by sale or other disposition at attractive prices. There is no assurance that a Fund will be able to generate returns for its investors or that the returns will meet the projected or targeted level. An investment in a

Fund should only be considered by persons who can afford a loss of their entire investment. The past investment performance of any private fund managed by RoundTable should not be construed as an indication of future results of any investment in a Fund. There can be no assurance that a Fund will be able to achieve its investment objective or that investors will receive any return of capital.

***Reliance on the General Partner and Principals.*** The Funds will be managed exclusively by their respective general partners, and investors will not be able to make investment or other decisions regarding the Funds. Each general partner will have considerable latitude in its choice of portfolio companies and the structuring of portfolio investments. Accordingly, the success of a Fund will depend upon the ability of the RoundTable partners and principals to source, select, execute and realize appropriate investments. The loss of the services of one or more of the RoundTable partners and principals could have an adverse effect on a Fund's ability to realize its investment objectives. There can be no assurance that each of the RoundTable partners and principals will continue to be affiliated with the general partner throughout the Fund's anticipated term.

***Concentration Risks.*** Each Fund's portfolio companies will be concentrated in the healthcare sector. Concentration in a single industry may involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns. Instability, fluctuation or an overall decline within the healthcare sector will not be offset by investments in other industries.

***Risks of Investments in Healthcare Industry.*** Companies in the healthcare sector face rapidly changing market conditions, increasing cost pressures and price competition, and intense competition for development of new products and services. Further, as healthcare costs have risen significantly over the past decade, numerous initiatives and reforms have been initiated by legislators, regulators and third-party payers to streamline these costs and this has resulted in greater pricing and other competitive pressures. Market demand, government regulation, third-party reimbursement policies and societal pressures will continue to reshape the landscape of the healthcare sector and may exert downward pressure on prices and the business operations of many companies in the healthcare sector. In the event that the healthcare industry as a whole declines, returns to Fund investors may decrease.

In addition, the healthcare industry is highly regulated by federal, state and local law and regulations and by foreign laws and regulations in non-U.S. jurisdictions. These laws and regulations include, among other things, those governing licensing and certification requirements, facility inspections, reimbursement policies under federal and state medical assistance programs, medical waste disposal, dispensing of controlled substances and workplace health and safety. Changes in laws or new interpretations of existing laws may have a significant impact on the methods and costs of doing business in the healthcare sector.

***Recent Changes in U.S. Healthcare Policy and Regulatory Reforms.*** Recently-enacted legislation reforming the U.S. healthcare system may have a materially adverse effect on the financial condition and operation of certain companies in the healthcare sector. The

legislation aimed to expand health insurance coverage to approximately 32 million Americans who are currently uninsured and it establishes new regulations on health plans, creates insurance- pooling mechanisms and other expanded public health care measures, and imposes new taxes on sales of medical devices and pharmaceuticals. Because the law's most far-reaching changes do not take effect until 2014 and portions of these provisions are being delayed, the consequences of these reforms are largely unknown and speculative, but could adversely impact the operations and results of the portfolio companies and the investment results of the Funds. Various reform proposals have also emerged at the state level, further adding to the uncertainty facing the healthcare industry.

The uncertainty surrounding the implementation of such proposals adds to the unpredictability in valuing and selecting a Fund's investment in any particular company, as such proposals may adversely impact such company. It is impossible to predict what healthcare initiatives will be enacted at the federal or state level, or the effect any future legislation or regulation will have on the healthcare industry. An expansion in the government's role in the U.S. healthcare industry may lower reimbursements for products created or manufactured by a portfolio company, reduce medical procedure volumes and, correspondingly, the need for certain services of a particular portfolio company. Such an expansion might also adversely affect the business and operation of a particular portfolio company directly through the imposition of additional taxes, fees or other obligations.

***ASC 820 (Formerly FAS 157) and Other Changes in Accounting Rules.*** For purposes of GAAP-compliant financial reporting, each Fund is required to follow a specific framework for measuring the fair value of its assets and liabilities, and is required to provide certain additional disclosures regarding the use of fair value measurements in its audited financial statements. Many of these requirements are set forth in Statement on Financial Accounting Standards, Accounting Standards Codification 820, Fair Value Measurements and Disclosures ("ASC 820"), which defines and establishes a framework for measuring fair value under GAAP and expands financial statement disclosure requirements relating to fair value measurements. In July 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification, including former FAS 157 which was issued by the FASB in September 2006, and applies to all GAAP-compliant financial statements issued for fiscal years beginning after November 15, 2007. Other valuation-related requirements are contained in other provisions of GAAP, and other related FASB Statements and guidance. Additional FASB Statements and guidance, and additional provisions of GAAP, that may be adopted in the future, may also impose additional, different, and/or specific requirements as to the valuation of assets and liabilities for purposes of GAAP-compliant financial reporting.

***Illiquid and Long-Term Investments.*** An investment in a Fund requires a long-term commitment with no certainty of return. The return of capital and the realization of gains, if any, from an investment of a Fund will generally occur only upon the partial or complete disposition of such portfolio investment. It is generally expected that a Fund's investments will not be realized until a number of years after such investments are made.



**Limited Number of Investments.** A Fund may participate in a limited number of portfolio investments and, as a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of any single portfolio investment.

A Fund investor's participation in Fund investments may also be limited by virtue of the general partner's right to exclude an investor from participating in any Fund investment if the general partner determines in its discretion that such participation might have certain materially adverse effects on a portfolio company, the Fund or the general partner, including if such participation would be likely to result in violations of law or the imposition of materially burdensome regulatory or other legal requirements, or as a result of certain circumstances relating to the investor.

**Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing attractive private equity investments of the types contemplated by the Funds is competitive and involves a high degree of uncertainty. Each Fund may be competing with other investors and corporate buyers for the investments that such Fund will make. As a result, there can be no assurance that a Fund will be able to locate and complete portfolio investments that satisfy the Fund's rate of return objectives or that a Fund will be able to become fully invested for a significant period of time, if at all.

**Financial and Business Risk.** Investments made by a Fund will generally involve a significant degree of financial and/or business risk. Portfolio companies may be highly leveraged and therefore may be more sensitive to adverse business or financial developments or economic factors. Portfolio companies may face intense competition, changing business or economic conditions or other developments that may adversely affect their performance. Business risks may be more significant in smaller portfolio companies or those that are embarking on a build-up or operating turnaround strategy. If for any of these reasons a portfolio company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of a Fund's investment in such portfolio company could be significantly reduced or even eliminated.

General fluctuations in the market prices of securities may affect the value of the investments held by a Fund. Instability in the securities markets may also increase the risks inherent in a Fund's investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield market or otherwise.

**Recent Market Events and Government Actions.** Beginning in the fourth quarter of 2008, world financial markets experienced extraordinary market conditions, including, among other things, extreme losses and volatility in securities markets and the freezing up and failure of credit markets to function. These events have affected overall levels of economic activity and have resulted in increased unpredictability, reduced liquidity, general widening of credit spreads and a lack of price transparency. It is uncertain whether the regulatory actions taken by the U.S. government and securities regulators of other jurisdictions will stabilize U.S. and global financial

markets or help to stimulate economic activity. Such conditions may affect a Fund's ability to make, and the terms on which it is able to make, certain investments. While the full impact of these events is impossible to predict, they have had and are likely to continue to have a material adverse effect on global economic conditions, consumer and business confidence and market liquidity. The performance of the Funds and of their portfolio companies can be expected to be sensitive to such events, and no assurance can be given that these events will not have a material negative impact on a Fund's investment performance and its ability to execute its investment strategy.

**Legal, Tax and Regulatory Risks.** Legal, tax and regulatory changes could occur during a Fund's term that may adversely affect such Fund. The regulatory environment for private funds is evolving, and changes in regulations that impact private funds may adversely affect the value of investments held by a Fund and may affect the ability of such Fund to pursue its investment strategies. In addition, the securities markets are subject to comprehensive statutes and regulations. The SEC, as well as other regulators, self-regulatory organizations and exchanges, have taken various extraordinary actions in connection with market events occurring in recent years and may take additional actions.

**Leveraged Investments.** In certain cases, a Fund may invest in companies that incur substantial debt to finance acquisitions, for capital expenditures or other expansions. Although such Fund will seek to monitor such leverage, the leveraged capital structure of such portfolio companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of a portfolio company or its industry. In the event that a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Fund's equity investment in such portfolio company could be adversely affected.

**Interim Financing.** A Fund may be permitted to make investments in interim financing which would generally be made on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such interim financing 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 interim financing may remain outstanding. In such event, the interest rate on the interim financing may not adequately reflect the risk associated with the unsecured position taken by the Fund.

**Co-Investments.** A Fund may co-invest in a company with financial, strategic or other third-party investors. Such co-investments may involve additional risks not present in investments where a third-party is not involved, including the possibility that the co-investor may have interests or objectives that are inconsistent with those of the Fund or may be in a position to take action contrary to the Fund's investment objectives. In addition, a Fund may, in certain circumstances, be liable for the actions of its third-party co-investors.

**Contingent Liability on Disposition of Investments.** Most of each Fund's investments will involve private securities. In connection with the disposition of an investment in private

securities, a Fund may be required to make representations about the business and financial affairs of the company typical of those made in connection with the sale of a business. The Fund may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may incur contingent liabilities that ultimately may yield funding obligations that must be satisfied by the Fund's investors to the extent of their commitments.

***Investments in Restructurings.*** The Funds may make investments in restructurings that involve portfolio companies that are experiencing or are expected to experience severe financial difficulties, which may never be overcome. Such investments could, in certain circumstances, subject a Fund to certain additional potential liabilities, which may exceed the value of the Fund's original investments therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or may be found liable for damage suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Fund and distributions by the Fund to its investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

***Control Person Liability.*** A Fund may have controlling interests in some of its portfolio companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, the Fund might suffer a significant loss.

***Minority Investments.*** A Fund may make minority equity investments in entities where the Fund does not effectively control or influence the business or affairs of such entities. Under such circumstances, there is the possibility that the entity in which the Fund's investments are made may have economic or business interests or goals that are inconsistent with those of the Fund, and the Fund may not be in a position to limit or otherwise protect the value of its investment in the entity. In addition, although the Fund may seek board representation in connection with its investments, there is no assurance that such representation, if sought, will be obtained.

***Recourse to the Fund's Assets.*** A Fund's assets, including any investments made by the Fund and any capital held by the Fund, are available to satisfy all liabilities and other obligations of the Fund. If the Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and may not be limited to any particular asset, such as the investment giving rise to the liability. Accordingly, Fund investors could find their interests in the Fund's assets adversely affected by a liability arising out of an investment in which they did not participate because, for example, they were excluded or excused by the general partner.

***Non-U.S. Investments.*** A Fund may make investments in companies located outside the United States. Depending on the country in which a portfolio company is located, there may exist the risk

of adverse political developments, including nationalization, expropriation or confiscation without fair compensation, governmental regulation and economic or social instability or diplomatic developments (including war) which may adversely affect the investments in those portfolio companies.

In addition, in the case of investments in securities that are not denominated in U.S. dollars, any fluctuation in currency exchange rates will affect the value of the investments and the returns ultimately achieved by the Fund. A Fund may seek to protect the value of its non-U.S. holdings against currency risks by engaging in hedging transactions, including the purchase of forward currency exchange contracts and futures contracts and the purchase or writing of call options on currencies. Where the Fund seeks to engage in such transactions, there can be no assurance that instruments suitable for hedging currency or market shifts will be available (or will be available on acceptable terms), that hedging instruments will offset all losses resulting from currency or market fluctuations or that losses will not occur from such hedging transactions.

Laws and regulations of other countries may impose restrictions that would not exist in the United States. Investments in non-U.S. corporations may require significant government approvals under corporate, securities, exchange control, foreign investment and other similar laws and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. In addition, some governments from time to time impose restrictions intended to prevent capital flight, which may for example involve punitive taxation (including high withholding taxes) on certain securities transfers or the imposition of exchange controls making it difficult or impossible to exchange or repatriate the local currency. In addition, this repatriation of currency and other restrictions may make it impracticable for the Fund to distribute the full amount of its investors' capital accounts in U.S. dollars, and therefore a portion of the distribution may be made in non-U.S. securities or currency.

***No Market for Fund Interests; Restrictions on Transfer.*** The interests in the Funds have not been and are not expected to be registered under the Securities Act, or any state or other securities laws or the laws of any foreign jurisdiction. There is no public market for the interests in the Funds, and none is expected to develop. A Fund investor will not be permitted to assign, sell, exchange or transfer any of its interest, rights or obligations with respect to its interest in a Fund, without the prior written consent of the general partner. If the general partner consents to such transfer, the transferee must be a "qualified purchaser" within the meaning of the Investment Company Act. Voluntary withdrawals from a Fund will not be permitted. Investors must be prepared to bear the risk of owning the interests in the Fund for an extended period of time.

***Consequences of Failure to Pay Contributions in Full.*** If a Fund investor fails to pay any installment of its capital commitment, the defaulting investor may be required to forfeit all or any portion of future distributions by the Fund. The general partner may also require a forced sale of the defaulting investor's interest. In addition, the general partner may 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.

**Tax Risks.** Tax consequences to Fund investors from an investment in a Fund are complex. Prospective investors are strongly urged to review the relevant discussion in the Offering Materials and to consult their own professional advisors in this regard.

**Indemnification.** Each Fund is generally required to indemnify its general partner, any affiliate of the general partner, or any director, officer, stockholder, partner, employee, agent, member or representative of the general partner, or any member of the Advisory Board for liabilities incurred in connection with the affairs of the Fund. Such liabilities may be material and have an adverse effect on the returns to the Fund investors. For example, in their capacity as directors of portfolio companies, the members, managers or affiliates of the general partner may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of the Fund would be payable from the assets of the Fund, including the unpaid capital commitments of the Fund's investors. If the assets of the Fund are insufficient, the general partner may recall certain distributions previously made to the Fund's investors.

**Hedging Policies/Risks.** In connection with certain investments, a Fund may employ hedging techniques designed to reduce the 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.

**Additional Risks Relating to Investments in Debt Funds.** The Debt Funds invest in subordinated debt instruments. Because these investments represent subordinated financing in a portfolio company's capital structure, there are additional risks involved, which include, but are not limited to, the following:

**Credit Risk.** One of the fundamental risks associated with the subordinated debt investments is credit risk, which is the risk that an issuer will be unable to make principal and interest payments when due. If a portfolio company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness, the value of the Debt Fund's investment in the portfolio company could be significantly reduced or even eliminated, particularly in light of the subordinated position of such investment. Furthermore, the portfolio companies and the securities in which the Debt Fund invests are not expected to be rated by a credit rating agency.

**Bankruptcy of Portfolio Companies.** The Debt Funds may make investments in the fixed income securities of portfolio companies that are otherwise experiencing, or are expected to experience, severe financial difficulties, which may never be overcome.

Such investments could, in certain circumstances, subject the Debt Fund to certain additional potential liabilities, which may exceed the value of the Debt Fund's original investments therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or may be found liable for damage suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Debt Fund and distributions by the Debt Fund to its investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. In addition, because certain the Equity Funds will hold equity securities in the same portfolio companies, if such portfolio company becomes insolvent or bankrupt, the risk of subordination of the Debt Fund's claims is increased. An Equity Fund's exercise of management rights may also lead creditors of the Debt Fund's portfolio or other parties to assert claims against the Debt Fund.

***Potential Conflicts of Interest.*** There may be instances where the interests of the general partner potentially or actually conflict with the interests of a Fund. For example, because a general partner's compensation is directly related to the performance of the respective Fund, the general partner may make riskier or more speculative investments on behalf of such Fund than would be the case in the absence of such a performance-based compensation structure.

In addition, under certain circumstances, a Fund may invest in a portfolio company in which a predecessor fund has already invested or is expected to participate in the applicable investment opportunity. In connection with such investments, the Fund, on the one hand, and such predecessor fund, on the other hand, may have conflicting interests, particularly if the Fund and a predecessor fund invest in different classes or types of securities of the same portfolio company. In such a case, the ability of the general partner to recommend actions in the best interests of the Fund may be impaired. It should be noted that the Firm has made significant investments in predecessor funds. It is not expected that any independent evaluation of such proposed transactions involving the Fund will be available to the general partner or the Fund.

A general partner may also face conflicts of interest in connection with any purchase or sale transaction involving an investment by a Fund, whether to or from a predecessor fund, and in connection with the consideration offered by, or the obligations of, a predecessor fund. However, it is not contemplated that a Fund will acquire investments directly from a predecessor fund, nor will it seek to dispose of investments by selling them directly to a predecessor fund.

The Fund's investors include taxable and tax-exempt entities and persons from jurisdictions outside of the United States. Such persons may have conflicting investment, tax and other interests with respect to their investments in the Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of the investments made by the Fund, the structuring of the acquisition of Fund investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with

decisions made by the general partner that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations, including with respect to the nature or structuring of investments. In selecting and structuring investments appropriate for a Fund, the general partner will consider the investment and tax objectives of the Fund and its investors as a whole, and not the investment, tax or other objectives of any investor individually.

A general partner may in certain situations choose to seek the approval of a majority of the members of the Advisory Board with respect to potential conflict of interest situations. The general partner may also choose to seek the approval of the Fund investors with respect to such situations. Such approval may be sought from Fund investors having a majority of the aggregate commitments, or from those having a majority of the capital invested in a particular investment, depending upon the circumstances. Any such approval by the Advisory Board or Fund investors will be binding upon the Fund and all its investors.

Because the Debt Funds will only make investments in the fixed income securities of portfolio companies, each of which has been, or is being, provided with equity capital by an Equity Fund, a Debt Fund, on the one hand, and such Equity Fund, on the other hand, will potentially have conflicting interests, particularly because the Debt Fund and the Equity Fund will invest in different classes or types of securities of the same portfolio company. The Debt Fund and such Equity Fund may have conflicting investment objectives, including with respect to the operation of the relevant portfolio company, the targeted returns from the investment and the timeframe for, and method of exiting, the investment, particularly where such Equity Fund has a controlling interest in the portfolio company. In negotiating the terms and conditions of an investment (other than the terms and conditions that are fixed at the initial closing of the Debt Fund) and the nature of the covenants running in favor of the Debt Fund, and in addressing any subsequent amendments or waivers, the Debt Fund will have interests that conflict with the interests of an Equity Fund. If an issuer in which a Debt Fund and an Equity Fund hold different classes of securities encounters financial problems, decisions over the terms of any workout will raise conflicts of interest (including conflicts over proposed waivers and amendments to debt covenants). For example, a debt holder may be better served by a liquidation of the issuer in which it will be paid in full, whereas an equity holder might prefer a reorganization that could create value for the equity holders. In the case of such conflicts, the ability of the Debt Fund's general partner to recommend actions in the best interests of the Debt Fund may be impaired. It should be noted that the RoundTable partners and principals have made significant investments in each of the Debt Funds. It is not expected that any independent evaluation of such investments will be available to the general partner or the applicable Debt Fund.

A Debt Fund's general partner may also face conflicts of interest in connection with any purchase or sale transaction involving an investment by such Debt Fund, whether to or from an Equity Fund, and in connection with the consideration offered by, or the obligations of, an Equity Fund. However, it is not contemplated that a Debt Fund will acquire investments directly from an Equity Fund, nor will it seek to dispose of investments by selling them directly to an Equity Fund.

Each general partner may incur certain out-of-pocket expenses on behalf of portfolio companies. These expenses may include rent on shared office space, sales support, manufacturing consulting, add-on acquisition consulting, human resource consulting, certain trade group expenses, and other services in instances where a general partner is able to obtain better pricing or access, or where it is otherwise agreed with the portfolio company that a general partner will obtain such services on its behalf. The portfolio companies reimburse the relevant general partner for these expenses. These services are provided by third parties and may also be provided by certain operating professionals who are employed by a general partner and whose role is to provide these specialized services to portfolio companies (and, in limited cases, to RoundTable). The costs associated with the employment of these professionals (i.e. salaries and benefits) are split among the parties receiving such services based on a formula determined at the discretion of the general partner.

#### **ITEM 9**

#### **Disciplinary Information**

RoundTable's partners, principals, and officers have not been the subject of any legal or disciplinary action from a regulatory authority in the preceding ten years that would be material to a client's or prospective client's evaluation of RoundTable's business or its management.

#### **ITEM 10**

#### **Other Financial Industry Activities and Affiliations**

New RoundTable Healthcare Management, L.P., RoundTable Healthcare Management II, L.P., RoundTable Healthcare Management III, L.P., RoundTable Healthcare Capital Management I, L.P. and RoundTable Healthcare Capital Management II, L.P. are each related persons of the Firm and each serves as general partner of one or more of the Funds. Each general partner has exclusive management and control over its respective Fund and has delegated investment management authority to the Firm. As described in Item 6, each general partner receives compensation based on the performance of the respective Fund.

#### **ITEM 11**

#### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

RoundTable has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act") for purposes of establishing the standards of business conduct and fostering a culture of honesty and accountability and assisting its employees with complying with



the Advisers Act. The Code of Ethics is applicable to all employees of the Firm and generally applies to all of such employees' personal trading transactions. The Code of Ethics generally prohibits an employee from buying or securities in any limited offering or initial public offering without obtaining pre-clearance from the Firm's Chief Compliance Officer. In addition, the Code of Ethics prohibits an employee from purchasing any security that is currently on the Firm's "Avoidance List" or any security with respect to which the employee has acquired knowledge of the plans of a Fund to purchase or sell such security or otherwise materially impact the results of the issuer of such security.

In addition, the Code of Ethics requires each employee to submit annual holdings reports detailing his/her current securities holdings, and quarterly transaction reports detailing securities transactions effected in the quarter. RoundTable will provide a copy of its Code of Ethics to any client or prospective client (and any investor or prospective investor in a Fund) upon request.

## **ITEM 12**

### **Brokerage Practices**

The Funds, by nature, invest primarily in private companies. Occasionally, a Fund may execute transactions in publicly traded securities, in which cases RoundTable will seek to satisfy its obligation to seek best execution. In choosing brokers or dealers to effect securities transactions for the Funds, RoundTable relies on its judgment, knowledge and experience in evaluating the broker-dealer's reliability and capability based on previous and pending transactions effected by the broker dealer. RoundTable may also consider factors such as price, commission, size of order, difficulty of execution and the degree of skill required of the broker- dealer. RoundTable may also take into account certain broker-dealer specific factors, such as trading capability, financial stability and responsibility, reputation, operational efficiency and overall responsiveness to RoundTable and the Funds.

In the event that RoundTable has determined to purchase or sell a security at the same time for more than one Fund, the respective orders for each such Fund will be aggregated. If the aggregated order is filled at different prices, all participating Funds will receive the weighted average price and will share any associated transaction costs on a pro rata basis.

## **ITEM 13**

### **Review of Accounts**

The portfolio companies of each Fund are continuously and actively monitored by a team of investment and operating professionals, which monitoring includes reviews of each portfolio company's operations, overall performance, financial position, strategy and prospects. Investors in each Fund typically receive annual audited financial statements of the relevant Fund after the end of such Fund's fiscal year and unaudited quarterly reports that provide narrative and summary financial

information regarding the Fund's portfolio companies after the end of the Fund's first three quarters. In addition, investors receive ad hoc updates from time to time.

#### **ITEM 14**

#### **Client Referrals and Other Compensation**

RoundTable does not receive compensation from any non-client in connection with the investment advice or other advisory services to the Funds. However, the general partners or the Funds themselves may receive fees in connection with the termination, cancellation or abandonment of a proposed Fund investment, organization or success fees in connection with the making of a Fund investment and/or periodic advisory, monitoring, consulting or other similar fees from one or more of the Funds' portfolio companies. The management fee to which RoundTable is entitled from each Fund is generally reduced by the amount of such fees.

RoundTable does not compensate any persons for client referrals.

#### **ITEM 15**

#### **Custody**

RoundTable has appointed unaffiliated, third-party, qualified custodians to serve as custodians for the Funds' assets, except with respect to certain privately offered securities held by certain of the Funds which, pursuant to Rule 206(4)-2 under the Advisers Act, are not required to be maintained with a qualified custodian. RoundTable has engaged an independent public accountant registered with, and regularly examined by, the Public Company Accounting Oversight Board to conduct annual audits of the Funds' financial statements in accordance with U.S. Generally Accepted Accounting Principles. Each Fund's audited financial statements are delivered to its investors within 120 days of the end of such Fund's fiscal year.

#### **ITEM 16**

#### **Investment Discretion**

The management and control of each Fund is vested exclusively in the general partner of each Fund, which, in turn, has delegated discretionary authority to RoundTable to manage the assets of each Fund. This investment discretion is limited by applicable law, the limitations prescribed in the Offering Materials and organizational documents of each Fund as well as any other restrictions that RoundTable may agree upon with any Fund or investors in any Fund.

**ITEM 17**  
**Voting Client Securities**

In the event RoundTable receives a proxy, RoundTable's policy is to exercise the proxy vote in the best interest of the Funds, taking into consideration all relevant factors, including without limitation, acting in a manner that RoundTable believes will (i) maximize the economic benefits to the Funds and (ii) promote sound corporate governance by the issuer. On rare occasions, RoundTable may be required to exercise a vote for a privately-held portfolio company, in which case the same principles shall apply. RoundTable will seek to avoid material conflicts of interest between its own interests on the one hand, and the interests of the Funds on the other. The fiduciary duty RoundTable owes to each Fund prohibits the adoption of a policy to enter default proxy votes in favor of board recommendations. However, as is typical in private equity, RoundTable seeks and accepts the election of a RoundTable representative to serve on the board of directors of portfolio companies on behalf of its Funds and will typically, but not always, vote in favor of board recommendations. In situations where RoundTable is required to vote the proxy for a company with respect to which RoundTable employees serve on the board of directors, RoundTable has determined that this does not inherently present a conflict of interest, as the sole purpose of this representation is to maximize the return on the Funds' investment in such company. Accordingly, while RoundTable is generally, but not automatically, fully supportive of recommendations made by a portfolio company's board of directors with respect to proxy votes related to that issuer, it will review all proxies and may or may not vote in favor of the board's recommendation.

Generally, RoundTable's clients cannot direct proxy votes. Issuers' proxy voting materials are generally received directly by RoundTable and are reviewed and considered by the applicable Fund's investment professionals. The Firm's Chief Compliance Officer is responsible for ensuring that proxies are voted and submitted in a timely manner, and that all books and records relating to proxy voting activities are retained in accordance with the requirements of Rule 204-2(c)(2) under the Advisers Act.

Investors may obtain a complete copy of the Firm's proxy voting policies and procedures by contacting the Chief Compliance Officer in writing and requesting such information. Each investor may also request in writing from the Chief Compliance Officer information concerning the manner in which proxy votes have been cast on behalf of such investor's Fund(s) during the prior annual period with respect to securities held by such Fund(s). Such information will be provided to the investor in writing as soon as is practicable.

**ITEM 18**  
**Financial Information**

RoundTable does not believe that it has any financial commitment that is reasonably likely to impair its ability to meet contractual commitments to its clients and has not been the subject of a

bankruptcy petition at any time during the past ten years. The Firm's balance sheet is audited by PricewaterhouseCoopers LLP and a copy of such balance sheet, prepared as of December 31, 2013, is attached to this Brochure.

# **RoundTable Healthcare Management Inc.**

**Balance Sheet**

**December 31, 2013**

# RoundTable Healthcare Management Inc.

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December 31, 2013

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## **Independent Auditor's Report**

To the Shareholders of RoundTable Healthcare Management Inc.:

We have audited the accompanying balance sheet of RoundTable Healthcare Management Inc. ("the Company") as of December 31, 2013.

### ***Management's Responsibility for the Balance Sheet***

Management is responsible for the preparation and fair presentation of the balance sheet in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a balance sheet that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the balance sheet based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the balance sheet, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the balance sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the balance sheet. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of RoundTable Healthcare Management Inc. at December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", written over a horizontal line.

March 11, 2014

**RoundTable Healthcare Management Inc.**  
**Balance Sheet**  
**December 31, 2013**

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**Assets**

Cash	\$	750,017
Accounts receivable from affiliated portfolio companies		267,177
Receivable from affiliates		3,715
Prepaid expenses		137,840
Current deferred tax assets		14,879
Furniture and equipment, net of accumulated depreciation of \$50,787		58,210
Non-current deferred tax assets		3,626
Total assets	\$	<u>1,235,464</u>

**Liabilities and Shareholders' Equity**

Liabilities

Accounts payable	\$	67,989
Accrued expenses		284,899
Advance from affiliates		430,728
Revolving note agreement		300,000
Deferred rent payable		43,431
Total liabilities		<u>1,127,047</u>

Shareholders' equity

Common stock, par value \$0.10 per share, 1,000 shares authorized, 1,000 shares issued and outstanding as of December 31, 2013		100
Retained earnings		<u>108,317</u>
Total shareholders' equity		<u>108,417</u>
Total liabilities and shareholders' equity	\$	<u>1,235,464</u>

The accompanying notes are an integral part of these financial statements.



# RoundTable Healthcare Management Inc.

## Notes to Balance Sheet

### December 31, 2013

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#### 1. Organization

RoundTable Healthcare Management, Inc. (the "Company") is a corporation formed on November 30, 2001 under the laws of the state of Delaware. The Company provides investment advisory services to the general partners (the "GPs") of a group of affiliated operating-oriented private equity funds (the "PE Funds") focused exclusively on the healthcare industry. The Company's principal owners are Lester Knight and Joseph Damico, who are also the co-presidents. Mr. Knight and Mr. Damico are also managing members of the following affiliated investment partnerships: RoundTable Healthcare Capital Management, L.P.; RoundTable Healthcare Capital Management II, L.P.; New RoundTable Healthcare Management, L.P.; RoundTable Healthcare Management II, L.P.; and RoundTable Healthcare Management III, L.P.

#### 2. Significant Accounting Policies

##### a. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

##### b. Revenue Recognition

The company records revenue when advisory services have been provided to the general partners of certain (affiliated) private equity funds. All revenues earned are from affiliated general partners.

##### c. Cash

Amounts presented as cash include only cash. The cash exceeds Federal Deposit Insurance Corporation insurance coverage, which subjects the Company to a concentration of credit risk. The Company attempts to mitigate the risk by monitoring the credit rating of the financial institution which holds the cash.

##### d. Furniture and Equipment

Furniture and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets which range from three to seven years.

##### e. Income Taxes

The Company is taxed as a corporation. Income taxes are accounted for using the assets and liabilities method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the balance sheet carrying amounts of existing assets and liabilities and their respective tax bases using the enacted tax rates in effect in the years in which the differences are expected to reverse.

#### 3. Related Parties

The Company is one of a group of affiliated entities under common control, and has transactions with several other entities within the group. Because of these relationships it is possible that the terms of transactions with other members of the affiliated group may not be the same as those which would occur with wholly unrelated entities.

The Company records service fee receivables from the GPs of the PE Funds for services provided and the accounts are settled when management fees have been collected by the GPs. The GPs of

# RoundTable Healthcare Management Inc.

## Notes to Balance Sheet

December 31, 2013

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the PE Funds have no employees. The Company's employees provide advisory services to the GPs. The GPs provide services to and collect fees from the PE Funds pursuant to their contractual agreements with the PE Funds.

For administrative convenience and shared services, the Company pays certain administrative and investment expenses on the behalf of the GPs. The GPs reimburse the Company for these services.

Upon request from the GPs, the Company makes advances to pay for office spaces, sales support, manufacturing consulting, add-on acquisition consulting, human resource consulting, certain trade group expenses and other administrative services incurred by the affiliated portfolio companies, which include Avalign Technologies Holdings Inc., EXC Holding Corporation, Argon Medical Devices Holdings Inc., CorePharma Holdings Inc., Beaver-Visitec International Holdings, Inc., Vesta Funding Inc., Salter Medical Holdings Corporation, Renaissance Acquisition Holdings, LLC, and Santa Cruz Nutritionals. The affiliated portfolio companies reimburse the Company for these services.

As of December 31, 2013, the following receivables are due from affiliates:

RoundTable Healthcare Executives, LLC	\$	369
RoundTable Healthcare Management II, LP		368
RoundTable Healthcare Management III, LP		368
RoundTable Healthcare Capital Management, LP		368
RoundTable Healthcare Capital Management II, LP		368
Receivable from other affiliates		1,874
Accounts receivable from affiliated portfolio companies		<u>267,177</u>
	\$	<u>270,892</u>

#### 4. Furniture and Equipment, net

Furniture and equipment, net consists of the following at December 31, 2013:

Furniture	\$	23,278
Equipment		<u>85,719</u>
		108,997
Less: Accumulated depreciation		<u>(50,787)</u>
Total furniture and equipment, net	\$	<u><u>58,210</u></u>

#### 5. Income Taxes

The Company files federal and state of Illinois tax returns.

The components of the net deferred tax assets at December 31, 2013 are as follows:

**RoundTable Healthcare Management Inc.**  
**Notes to Balance Sheet**  
**December 31, 2013**

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**Deferred tax assets**

Deferred rent payable	\$ 17,490
Charitable contributions carryover	2,776
Shareholders accrued compensation	14,879
	<u>35,145</u>

**Deferred tax liability**

Depreciation	<u>(16,640)</u>
Net deferred tax assets	<u>\$ 18,505</u>

Income tax expense is recorded based upon the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates in effect for the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Management has reviewed the current and non-current deferred tax assets recorded on the balance sheet at December 31, 2013 and determined that they are expected to be realizable in future periods. Net operating losses resulting in deferred tax assets of \$31,259 from previous years have been fully reserved against in the current year due to management's expectation that these would not be realizable in future periods. At December 31, 2013 the Company has a federal net operating loss of \$50,267 which begins to expire in 2030. The Company has a state net operating loss of \$226,401 which begins to expire in 2023.

Under the accounting guidance related to income taxes, the recognition of a benefit from a tax position requires that management determine whether such tax position is "more likely than not" to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than 50% likely of being realized upon settlement.

The guidance requires the Company to analyze all open tax years, as defined by the statutes of limitations, for all major jurisdictions, which includes federal and Illinois. Years that remain subject to examination include federal from 2009 to present and Illinois from 2009 to present. For all open tax years and all major taxing jurisdictions through the end of the reporting period, the Company reviewed all tax positions taken or expected to be taken and concluded that the ultimate settlement of these positions would not have an effect on the Company's financial position. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

**6. Commitments**

The Company leases certain office space under a lease expiring in 2015. At December 31, 2013 the Company's future lease rental commitment based upon the terms under its operating lease was as follows:

**RoundTable Healthcare Management Inc.**  
**Notes to Balance Sheet**  
**December 31, 2013**

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Year ending	
December 31,	<u>Office lease</u>
2014	508,055
2015	302,329
	<u>\$ 810,384</u>

In the normal course of business, the Company may enter into contracts that contain a number of representations and warranties which may provide for general or specific indemnifications. The Company's exposure under these contracts is not currently known as any such exposure would be based on future claims which could be made against the Company. There have been no such claims since the inception of the Company. Management does not anticipate any such claims and expects any risk of loss to be remote.

**7. Revolving Note Agreement**

The Company has a \$6 million Revolving Note Agreement ("Revolver"). The interest rate for amounts borrowed under the Revolver is at a rate per annum which shall from day to day be equal to the greater of (i) the prime rate in effect from day to day and (ii) 3.0% per annum. The debt balance is \$300,000 at December 31, 2013 and the maturity date is June 1, 2014. The maximum outstanding balance during the year was \$1.3 million. The following affiliated partnerships are guarantors of the Revolver: RoundTable Healthcare Capital Management, L.P.; RoundTable Healthcare Capital Management II, L.P.; New RoundTable Healthcare Management, L.P.; RoundTable Healthcare Management II, L.P.; and RoundTable Healthcare Management III, L.P.

**8. Subsequent Events**

The Company has evaluated the events and transactions that have occurred through March 11, 2014, the date this report was issued, and noted no items requiring adjustment to the balance sheet or additional disclosures.