



Part 2A of Form ADV: HG Capital Management, LLC - *Brochure*

Item 1 Cover Page

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HG Capital Management, LLC (together with its affiliated management companies, (“Heritage Group”, or the “Firm”) is a federally registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Being registered as an investment adviser does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Heritage Group. If you have any questions about the contents of this brochure, please contact us at 615-665-8220. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Heritage Group also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2

Material Changes

Heritage Group has updated this ADV 2A brochure from the previous other than annual amendment filed in March 2023, to reflect the following material changes:

Item 4 was updated to reflect a change in regulatory assets under management.

Pursuant to SEC rules, the Firm will ensure that its clients receive a summary of any material changes to this and subsequent Brochures within one hundred and twenty (120) days of the close of its fiscal year or upon any material changes to this Brochure. The Firm may further provide other ongoing disclosure information about material changes, as necessary.

Currently, the Brochure may be requested by contacting Jason Young, the Firm's Chief Financial Officer and Chief Compliance Officer at jason@heritagegroupusa.com.

Investors are encouraged to read this Brochure in its entirety.

Item 3

Table of Contents

Item 4	Advisory Business	4
Item 5	Fees and Compensation	5
Item 6	Performance-Based Fees and Side-By-Side Management	7
Item 7	Types of Clients	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9	Disciplinary Information	20
Item 10	Other Financial Industry Activities and Affiliations	21
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	22
Item 12	Brokerage Practices	24
Item 13	Review of Accounts	25
Item 14	Client Referrals and Other Compensation	26
Item 15	Custody	27
Item 16	Investment Discretion	28
Item 17	Voting Client Securities	29
Item 18	Financial Information	30

Item 4

Advisory Business

Heritage Group actively supports the founding, growth and ultimate sale of several healthcare businesses. In 2010, Heritage Group established HG Capital Management LLC, a Delaware limited liability company with its principal place of business in Nashville, Tennessee. Heritage Group provides discretionary investment advisory services to privately offered pooled investment vehicles (each a “Fund” and, collectively, the “Funds”) exempt from registration under the Investment Company Act of 1940, as amended. Heritage Group was formed in 2010. Heritage Group’s principal owners are Rock Morphis, David McClellan, Jesse Bland, Lauren Brueggen and Graham Hunter (each a “Partner” and, collectively, the “Partners”).

Heritage Group will pursue its investment strategy through managing the Funds and will have discretion with respect to investment decisions made for the Funds. Heritage Group will provide investment advisory services to a Fund based on the investment objectives and strategies described in each Fund’s confidential offering memorandum and governing documents (referred to collectively as “Offering Documents”). Through each Fund’s investment committee (the “Investment Committee”), Heritage Group will provide advisory services to each Fund by seeking to invest in innovative healthcare services and healthcare technology companies that are addressing the challenges of the U.S. Healthcare system. Furthermore, each Fund has (i) one or more “Strategic Advisory Committees” consisting of representatives of Fund investors (the “Strategic Partners”) and (ii) an “LP Advisory Committee” consisting of a non-voting representative of Heritage Group and representatives of the Fund investors designated by Heritage Group.

For purposes of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), Heritage Group’s advisory clients are the Funds. Heritage Group will follow the investment strategy described in a Fund’s Offering Documents.

Heritage Group will not participate in wrap fee programs.

As of the date of this Brochure, Heritage Group manages approximately \$806,473,742 in regulatory assets management, all of which is managed on a discretionary basis.

Item 5

Fees and Compensation

The fees and expenses associated with investments in a Fund are described in detail in each Fund's Offering Documents. Heritage Group acts as investment adviser to the Funds, a Delaware limited partnership. An affiliate of Heritage Group will act as a general partner to each Fund (each a "General Partner").

Heritage Group may, in its sole discretion, manage other funds or accounts with higher or lower fees, different fee structures and different expense payment arrangements than a Fund. Further, Heritage Group, in its sole discretion, may agree with a Fund investor to waive or modify the application provisions of a Fund's Offering Documents, including the fees charged, with respect to such investor, without obtaining the consent of any other investor.

Set forth below is a summary schedule of a Fund's fees and expenses.

Management Fee. With respect to each Fund, Heritage Group is entitled to fee equal to a percentage of aggregate Commitments held by investors not designated as "affiliated partners" by a general partner, paid quarterly in advance (the "Management Fee").

Related Fees. Any directors' fees, consulting or advisory fees, or other similar fees, received by Heritage Group, a Fund's general partner, or any affiliated person related to the Fund's acquisition of portfolio investments will be disclosed to and/or approved by the LP Advisory Committee, as applicable, and retained by Heritage Group or its affiliate.

Organizational and Operating Expenses. Subject to the terms of the applicable Offering Documents, a Fund will be responsible for, or will reimburse Heritage Group for, all organizational and offering costs of the Fund.

Furthermore, a Fund shall bear all costs and expenses related to: (i) the purchase, holding, and disposition of portfolio investments (whether or not ultimately consummated), including all private placement fees, legal and accounting fees, travel expenses, valuations, broker and bank fees; (ii) all legal, accounting, consulting and other fees related to the Fund, including fees associated with the preparation of audited financial statements and tax returns; (iii) all travel and out-of-pocket expenses of the members of the Investment Committee, LP Advisory Committee and Strategic Advisory Committee; (iv) insurance premiums; (v) all other reasonable expenses of the Fund which are not ordinary operating expenses, including litigation and indemnity expenses, if any; and (vi) all costs and expenses related to the disposition of Fund assets and the dissolution and winding up of the Fund.

Carried Interest Payment. With respect to each fund, net proceeds from the disposition of the Fund's investments are first distributed to each participating investor (including the general partner) until said investor receives return of paid-in capital. Thereafter, the remaining proceeds will be distributed to participating

investors and to Heritage Group or its affiliate as its carried interest (“Carried Interest”).

With respect to payment of the Management Fees as well as Organization and Operating Expenses, Heritage Group, or the general partner of the applicable Client, may draw-down capital commitments from the investors in the Client, or may use amounts that would otherwise be available for distribution to such investors, in order to meet the Client’s obligation to pay the Management Fee or applicable expenses. Heritage Group will charge Management Fees quarterly in advance. Management Fee installments for any period other than a full quarterly period shall be adjusted on a pro rata basis according to the actual number of days elapsed.

Other than as described above, neither Heritage Group nor any of its supervised persons shall receive any additional compensation from the sale of securities or other investment products. However, in connection with each Fund investment, Heritage Group or one of its affiliates may enter into a service agreement with the portfolio company for certain consulting, operational and business advisory services, and in connection therewith may earn certain advisory, monitoring, break-up, commitment, directors’ or similar fees.

Item 6

Performance-Based Fees and Side-By-Side Management

As stated in Item 5 above, Heritage Group is entitled to receive Carried Interest, to the extent earned, from a Fund. These payments are subject to Section 205(a)(1) of the Advisers Act, in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee-paying clients over other clients in the allocation of investment opportunities.

Item 7

Types of Clients

Heritage Group intends to provide investment advisory services to a Fund based on the investment objectives and strategies described in that Fund's Offering Documents. Heritage Group, in its sole discretion, may manage other funds or accounts with different objectives, higher or lower fees and different fee structures.

Investors in a Fund will be required to complete and submit a subscription agreement binding them to the terms of the Fund's governing documents. Heritage Group only admits "accredited investors", as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 and "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended. The minimum investment in a Fund is \$10,000,000, with respect to a corporate investor, and \$1,000,000, with respect to an individual investor, although a General Partner may accept investments in a lesser amount at its sole discretion.

Item 8

Methods of Analysis, Investment Strategies and Risk of Loss

METHODS OF ANALYSIS AND INVESTMENT STRATEGY

Heritage Group seeks to invest in innovative healthcare services and healthcare technology businesses that are addressing the challenges of the U.S. healthcare system. The Heritage Group team brings a wealth of healthcare experience as entrepreneurs and operators of successful healthcare businesses and as investors.

Heritage Group maintains partnerships with a variety of large healthcare organizations, including hospital systems, health plans and other healthcare service providers. These relationships provide insight into the strategic priorities, operational objectives and trends across the broader healthcare ecosystem, informing our investment decisions and portfolio value creation plans. Heritage Group seeks to invest in companies providing solutions that are strategically relevant to Fund investors and in businesses where we will be able to add value through commercial relationships and engagement from Fund investors.

Each Fund generally will seek to invest between \$10 million and \$35 million per deal and will invest solely in US-based healthcare services and healthcare technology companies. Once an investment is made, a Fund generally will seek to hold a board seat or have observer rights, taking an active investor role and interfacing closely with management and co-investors of its portfolio companies.

An Investment Committee, led by the Partners will be responsible for making investment decisions of each Fund and overseeing the screening, evaluation and negotiation of the Fund's investments. A Fund will have one or more Strategic Advisory Committees consisting of representatives of the Limited Partners of the Fund as selected by Heritage Group. An initial Strategic Advisory Committees will represent four major categories: clinical, financial, technology and operations. Additional functions of the Strategic Advisory Committees may include (i) interacting with portfolio company management teams by providing operational support and systematic market and client feedback, (ii) incubating new ideas and facilitating the creation of "purpose-built" companies, (iii) serving on the board of directors of portfolio companies and (iv) generally advising Heritage Group with respect to portfolio investments.

RISK OF LOSS: GENERAL AND INVESTMENT (PORTFOLIO COMPANY) RISKS

The below discussion includes and is based upon numerous assumptions and opinions of Heritage Group concerning world financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that a Fund's investment strategy will achieve profitable results or that investor ("Fund investors" or "Limited Partners") will not incur substantial or total losses.

An investment in a Fund involves significant risks and other considerations and, therefore, should be undertaken only by prospective investors capable of evaluating and bearing such risks. Fund returns may be unpredictable and, accordingly, a Fund's investment program is not suitable as the sole investment vehicle for an investor. A prospective investor should only invest in a Fund as part of a broad overall investment strategy, and only if the prospective investor is able to withstand both extended periods of illiquidity and a total loss of its investment in a Fund. Prospective investors should carefully consider, among other factors, the matters described below each of which could have an adverse effect on the value of the limited partner interests in the Fund. As a result of these factors, as well as other risks inherent in any investment or set forth elsewhere in this Memorandum, there can be no assurance that a Fund will meet its investment objectives or otherwise be able to successfully carry out its investment program. The following list is not a complete list of all risks and other considerations involved in connection with an investment in a Fund. Prospective investors should make their own inquiries and investigation of the investment described herein, including the merits and risks involved and the legality and tax consequences of such an investment, and consult their own advisors as to a Fund, the offering of limited partner interests described herein and the legal, tax and related matters concerning an investment in the Fund.

Valuation of Securities

The fair market value of all portfolio investments or of property received in exchange for any portfolio investments will be determined by Heritage Group in accordance with the Offering Documents. Accordingly, the fair market value of a portfolio investment may not reflect the price at which the investment could be sold in the market, and the difference between fair market value and the ultimate sales price could be material. The valuation of such investments will be determined by Heritage Group in accordance with procedures set forth in the Offering Documents. Different methods of valuing securities may provide materially different results. Actual realized returns on all unrealized investments will depend among other things on the value of the securities at the time of disposition, any related transaction costs and the manner of sale. Accordingly, the actual realized return on all unrealized investments may differ materially from the values presented to the Limited Partners.

Long-term & Illiquid Investment Within a Fund

An investment in a Fund is a long-term commitment. Interests in a Fund are highly illiquid and have no public market value. The interests in a Fund have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), nor under applicable securities laws of any state or non-U.S. jurisdiction and no such registration is contemplated. Therefore, Fund interests cannot be resold unless subsequently registered under the Securities Act and other applicable laws or an exemption from such registration is available. No secondary market for the interests exists, and no such market will be established or supported by Heritage Group. It is not contemplated that registration of a Fund interests under the Securities Act and/or any other applicable securities laws will ever be affected. Accordingly, it may be difficult to obtain reliable information about the value of the Fund interests. Furthermore, the sale or transfer of Fund interests is subject to

approval of Heritage Group and other restrictions contained in the Offering Documents. Consequently, Limited Partners may not be able to liquidate an investment in the event of an emergency or for any other reason. An investment in a Fund is suitable only for persons and entities, which have no need for liquidity with respect to their investment.

Side Agreements

A General Partner may enter into one or more side letters or similar agreements with certain Limited Partners pursuant to which the General Partner grants to such Limited Partners specific rights, benefits or privileges that are not made available to Limited Partners generally and that include the limited types of rights described in the immediately previous sentence. Such agreements will be disclosed only to those actual or potential Limited Partners that have separately negotiated with the General Partner for the right to review such agreements.

Cybersecurity Risk

With the increased use of technologies such as the internet and the dependence on computer systems to perform necessary business functions, investment vehicles such as a Fund, its portfolio companies and their service providers may be prone to operational and information security risks resulting from cyberattacks. In general, cyberattacks result from deliberately malicious behavior, but unintentional events may have effects similar to those caused by cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial-of-service attacks on websites, the unauthorized release of confidential information and the intentional triggering of operational disruptions. Successful cyberattacks against, or security breakdowns of, a Fund, the Firm, a Fund's portfolio companies and/or any of their third-party service providers may adversely impact a Fund or a Fund's investors. For instance, cyberattacks may interfere with the processing of Fund investor transactions, impact a Fund's ability to value its assets, cause the release of private Fund investor information or confidential information of a Fund, impede trading, cause reputational damage, and subject a Fund to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. A Fund may also incur substantial costs for cybersecurity risk management in order to prevent similar incidents in the future. A Fund and the Fund's investors could be negatively impacted as a result. While a Fund or the Fund's service providers may have established business continuity plans and systems designed to prevent such cyberattacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cybersecurity risks are also present for issuers of securities or other instruments in which a Fund invests, which could result in material adverse consequences for such issuers and may cause the portfolio investments therein to lose value.

Risks Associated with Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues

The Firm's business activities, as well as the Funds and their operations and investments, could be materially adversely affected by pandemics, epidemics and outbreaks of disease

anywhere in the world. These outbreaks may include the novel coronavirus (COVID-19), Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome (SARS), and/or other epidemics, pandemics, outbreaks of disease, viruses and/or public health issues. Specifically, COVID-19 has spread (and is currently spreading) rapidly around the world since its initial emergence in China in December 2019, and this pandemic has had a severely negative effect (and may continue to materially adversely affect) on the global economy and equity markets (including, in particular, equity markets in the United States, Europe and Asia). Although the long-term effects or consequences of COVID-19 and/or other epidemics, pandemics and outbreaks of disease cannot currently be predicted, previous occurrences of other pandemics, epidemics and other outbreaks of disease, such as H5N1 flu, H1N1 flu and SARS have had a material adverse effect on the economies and markets of the countries and regions in which they were most prevalent. Any occurrence, recurrence or continued spread of an outbreak of any kind of communicable disease or virus, or any other major public health issue or emergency, could cause a slowdown in the levels of economic activity generally (or cause the global economy to enter into a recession or depression), which would adversely affect the business, financial condition and operations of the Firm and the Funds. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to spread or materially impact the day-to-day lives of persons around the globe), the Firm and the Funds could be adversely affected by more stringent travel restrictions, additional limitations on the Firm's operations or business and/or governmental actions limiting the movement of people between regions and other activities or operations (or to otherwise stop the spread or continued spread of any disease or outbreak).

Liquidation

If a Fund should become insolvent, the Limited Partners may be required to return with interest any property distributed that represented a return of capital, repay any distributions wrongfully made to them and forfeit any undistributed profits.

Growth Stage Investments

The Funds will invest primarily in privately held, early or growth stage healthcare-focused companies. In some cases, a Fund may be the first source of professional financing for such companies. These companies typically have modest revenues and may or may not be profitable. They require considerable additional capital to develop technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Further, the technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Typically, although a Fund may be represented by a member of Heritage Group on a portfolio company's board of directors, each portfolio company will be managed by its own officers (who generally will not be affiliated with a Fund or Heritage Group). Portfolio companies may have substantial

variations in operating results from period to period and experience failures or substantial declines in value at any stage.

Reliance on Portfolio Company Management Team

Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although Heritage Group will be responsible for monitoring the performance of each investment and a Fund seeks to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in accordance with a Fund's plans. The success of each portfolio company depends in substantial part upon the skill and expertise of each portfolio company's management team. Additionally, portfolio companies will need to attract, retain and develop executives and members of their management teams. The market for executive talent is, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, a Fund may be adversely affected thereby.

Risk in Managing Portfolio Companies and Effecting Operating Improvements

In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of the Fund to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund will be able to successfully identify and implement such improvements. Additionally, to the extent a Fund acquires a control or control-oriented interest in a portfolio company, the Fund may be exposed to risks inherent in owning or operating a business. The exercise of control over a portfolio company through a control position, or the service of an officer or employee of the General Partner and its affiliates as a director of a portfolio company, could (i) expose the assets of the Fund to claims by such portfolio company, its security holders and creditors or (ii) impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored. If these liabilities were to occur, the Fund, directly, and the Fund's investors indirectly, could suffer losses.

Lack of Diversification

A Fund will participate in a limited number of investments and may seek to make several investments in one area of the healthcare industry. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified. As is typical of private equity firms, the portfolio holdings of a Fund will not be broadly diversified. As a consequence, the aggregate return of a Fund may be

adversely affected by the unfavorable performance of one or a small number of companies, sectors, countries or regions in which the Fund has invested.

Availability of Investment Capital

Growth-stage investments often require several additional rounds of capital infusions before the portfolio company reaches maturity. In particular, healthcare companies have substantial capital needs that are typically funded over several stages of investment. If a growth investor 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 face value of the investor's original investment. Although it will be the Funds' policy to maintain sufficient liquidity to allow it to participate in follow-on rounds of financings, a Fund may not intend to provide all necessary follow-on capital required by a portfolio company. Accordingly, third-party sources of financing may likely be required. There is no assurance that such additional sources of financing will be available, or, if available, will be on terms beneficial to the Fund. Furthermore, a Fund's capital is limited and may not be adequate to protect the Fund from dilution in multiple rounds of portfolio company financing. No assurance can be made that buyers for such concepts or technologies can be located if an exit is desired.

Lack of Liquidity within Investment Portfolio

A Fund's investment portfolio will consist of investments in growth stage private companies. The marketability and value of each such investment will depend upon many factors beyond Heritage Group's control. Generally, the investments made by a Fund will be illiquid and difficult to value, and there may be little or no collateral to protect an investment once made. At the time of a Fund's investment, a portfolio company may lack one or more key attributes (e.g., proven technology, operational stability, consistent profitability, marketable product, complete management team, or strategic alliances) necessary for success. There may be no readily available market for a Fund's investments, many of which will be difficult to value, and the disposal of a portfolio investment by a Fund may be prohibited or delayed many years from the date of initial investment for legal, contractual and/or regulatory reasons. Disposition of such investments may result in distributions in kind to investors. The public market for emerging growth companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of a Fund to dispose of investments, and the value of investment securities on the date of sale or distribution by a Fund.

Limitations on Ability to Exit Investments

Heritage Group expects to exit from its investments in two principal ways: (i) private sales (including acquisitions of its portfolio companies) and (ii) initial and secondary public offerings. At any particular time, one or both of these avenues may not be open to a Fund, or timing with respect to these exit mechanisms may be inopportune. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

Risks of Certain Dispositions

In connection with the disposition of an investment in a portfolio company or otherwise, a 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 or underwriters to the extent that an such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which Heritage Group may establish reserves or escrow accounts. In that regard, under certain circumstances described in the Offering Documents, Heritage Group may make distributions of cash or securities to the Partners that remain subject to recall for the payment (in whole or in part) of such contingent liabilities. Furthermore, under the Delaware Revised Uniform Limited Partnership Act (the “Act”), each Limited Partner that receives a distribution in violation of the Act will, under certain circumstances, be obligated to recontribute such distribution to the Fund. These arrangements may result in contingent liabilities, which might ultimately need to be funded by a Fund.

Minority Investments and Lack of Control

The substantial majority of a Fund’s investments are expected to be minority interests in privately held companies. In addition, during the process of exiting investments, a Fund is highly likely to hold minority interests if portfolio companies are taken public. As is the case with minority holdings in general, such minority interests will have neither the control characteristics nor the valuation premiums accorded to majority or controlling interests. Furthermore, a Fund will be significantly reliant on the existing management and board of directors of such companies, which may include representation of other financial investors with whom the Fund is not affiliate and whose interests may conflict with the interests of the Fund. A Fund generally will seek to structure its investments so that it will have some level of control over the portfolio companies, at least as to major corporate decisions. However, given that a Fund expects that it will hold minority interests in private companies, it may have limited ability to protect is position and investment. Generally, as a condition to any investment, the Funds will seek to obtain special rights and protective provisions, which will be negotiated at the time of the investment. There can be no assurance that a Fund will be able to obtain such protective provisions or that if such protective provisions are obtained that they will be effective.

Investments with Third Parties

A Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third party co-venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Fund, or may be in a position to take (or block) action in a manner 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-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

Dilution from Subsequent Closings

Limited Partners subscribing for limited partnership interests at subsequent closings of a Fund up to and including a Fund's final closing will participate in existing investments of the Fund, diluting the interest of existing Limited Partners therein. Although such Limited Partners subscribing for such interests at such subsequent closings will contribute their pro rata share of previously made Fund draws (plus an additional amount thereon), there can be no assurance that this payment will reflect the fair market value of the Fund's existing investments at the time such additional Limited Partners subscribe for such limited partnership interests.

Due Diligence Risks

Before making investments, Heritage Group intends to conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence and making an assessment regarding an investment, Heritage Group will rely on resources available to it, including information provided by the target of the investment and, in some circumstances, third party investigations. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisers or consultants may present a number of risks primarily relating to Heritage Group's reduced control of the functions that are outsourced. In addition, if Heritage Group is unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. Furthermore, the due diligence process may at times be subjective. Accordingly, there can be no assurance that the due diligence investigation that Heritage Group will carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Further, there can be no assurance that such an investigation will result in an investment being successful.

Projections

Projected operating results of a company in which the Fund invests normally will be based primarily on financial projections prepared by each company's management team. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Securities Laws Restrictions on Trading

A member, officer, employee or other representative of Heritage Group or other affiliate of the Funds may serve as a director of a portfolio company. As a result, a Fund (through its representatives or otherwise) may receive or be deemed to receive information that would restrict its ability to cause the Fund to buy or sell securities of a company for

substantial periods of time when profit could otherwise be realized or loss avoided, which may adversely affect the Fund's ability to buy, sell or distribute securities. In addition, the ability of a Fund to execute trades in securities of these companies may also be restricted by securities laws, including but not limited to Section 16 of the Securities Exchange Act of 1934, as amended, and Rule 144 promulgated under the Securities Act, as a result of the board participation or extent of ownership of the Fund and affiliated persons.

Public Disclosure

Some of the interests in the Funds could be held by institutional investors, such as public pension plans and listed investment vehicles, which are subject to public disclosure requirements. The amount of information about their investments that is required to be disclosed has increased in recent years, and that trend may continue. To the extent that disclosure of confidential information relating to a Fund or its portfolio companies results from interests in the Fund being held by public investors, the Fund may be adversely affected. Heritage Group may, in order to prevent any such potential disclosure, withhold information otherwise to be provided to such public investors. Conversely, potential future regulatory changes applicable to investment advisers and/or the accounts they advise could result in a Fund and its affiliates becoming subject to additional disclosure requirements the specific nature of which is as yet uncertain.

Impact of Economic Conditions

As a result of prior economic conditions, the United States and many other countries have entered economic recessions. As the result of such recessions, the business, operating results, financial condition and prospects of many of the Funds' portfolio companies could be materially and adversely affected, as could the value of a Fund's investments in such companies. Additionally, a period of deteriorating general economic conditions could negatively impact a Fund's ability to dispose of its portfolio company investments by adversely affecting the market for acquisitions of and public offerings.

Healthcare Regulation, Reimbursement and Reform

Various segments of the healthcare industry are (or may become) (i) highly regulated at both the state and federal levels in the United States, (ii) subject to frequent regulatory change and (iii) dependent upon various government or private insurance reimbursement programs. While the Funds intend to make investments in companies that comply with relevant laws and regulations, these laws and regulations are complex and subject to changing and differing interpretations, and certain aspects of their operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any court or regulatory authorities, or an adverse change in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations of the companies in which a Fund invests. In recent years, numerous legislative proposals have been introduced and, in some cases, enacted, in the United States Congress and in some state legislatures that would potentially result in or have effected major changes in the United States healthcare system at both the federal and state level, including the Patient

Protection and Affordable Care Act (collectively, the “Health Reform Law”). The Health Reform Law is changing how healthcare services are covered, delivered, and reimbursed through expanded coverage of previously uninsured individuals and reduced government healthcare spending, reforming certain aspects of health insurance, expanding existing efforts to tie Medicare and Medicaid payments to performance and quality and strengthening fraud and abuse enforcement. It is not clear what all of the impacts of the Health Reform Law and additional changes, if any, will be and what long-term effects the Health Reform Law will have on the healthcare industry. Most of the provisions of the Health Reform Law became effective January 1, 2014, but implementation of certain parts of the Health Reform Law has been delayed and could be further delayed or even blocked due to court challenges and efforts to repeal or amend the law.

Regulatory, Legal and Compliance Costs and Risks

Increasing legal compliance burdens imposed on the Funds, Heritage Group or portfolio companies may result in increased time, resources and effort on the part of the Partners and Heritage Group and affiliates devoted to compliance and may distract them from their efforts in connection with the Funds’ investments. In addition, a Fund, its Limited Partners and/or the portfolio companies may be required to expend resources on structuring and monitoring their relationships to comply with legal and regulatory requirements. Investors will be responsible for their own legal compliance responsibilities in connection with their investment in a Fund. Private equity funds are subject to changing and increasing regulatory compliance obligations under state and federal law, which may subject the Funds to increased compliance and administrative costs.

Healthcare Research and Innovation

The healthcare industry spends heavily on research and development. Technological innovation and research findings may make any particular service or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available. Any such development could have a material adverse effect on the companies in which a Fund invests.

Item 9

Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Heritage Group or the integrity of Firm's management.

There are no legal or disciplinary events with respect to an evaluation of Heritage Group's advisory services or the integrity of management.

Item 10

Other Financial Industry Activities and Affiliations

Heritage Group is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of Heritage Group are registered representatives of a broker-dealer.

Neither Heritage Group nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

As discussed in Items 4 and 8, each Fund has one or more Strategic Advisory Committees consisting of Strategic Partners and who represent four major healthcare categories: clinical, financial, technology, and operations. Functions of the Strategic Advisory Committees generally include (i) interacting with portfolio company management teams by providing operational support and systematic market and client feedback, (ii) incubating new ideas and facilitating the creation of “purpose-built” companies, (iii) serving on the board of directors of portfolio companies and (iv) generally advising the Heritage Group with respect to portfolio investments. Strategic Partners do not provide investment advice on behalf of Heritage Group and are not subject to the supervision and control of Heritage Group.

Heritage Group does not recommend or select other investment advisers for the Funds.

Item 11

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

Heritage Group has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Adviser Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of Heritage Group’s supervised persons. The Code contains policies and procedures that supervised persons execute personal securities trading in a manner that mitigates actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. Heritage Group requires pre-clearance of purchases of an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

As part of its Code, Heritage Group has established procedures to reduce the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of Heritage Group would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of Heritage Group has received material, non-public information, and, therefore, may not trade due to the receipt of that information.

Heritage Group will provide a copy of the Code to any Fund investor or prospective Fund investor upon request.

In connection with sponsoring a Fund, Heritage Group and certain affiliates may have an economic interest in the Fund, its general partner or both. Other than with respect to these interests, neither Heritage Group nor any of its related persons invest in the same or related securities that either Heritage Group or its related persons recommend to the Fund.

Heritage Group, the Partners, and Heritage Group personnel (collectively “Heritage Group Personnel”) engage in a broad range of activities, including investment activities for their own accounts, and may in the future spend a portion of their time and attention pursuing investment opportunities and other activities for other funds or client accounts (the “Other Funds”), including transaction-related, investment advisory, management and other services to Other Funds. Heritage Group and Heritage Group Personnel expect in the future to manage or co-manage additional Other Funds, some of which are expected to follow investment programs substantially similar to that of the Fund. In addition, Heritage Group may in the future oversee portfolio companies in which Other Funds have acquired interests. These other activities and time spent by Heritage Group and the Heritage Group Personnel are likely to result in conflicts of interest with the Fund and the

Fund investors. In the event that Heritage Group launches an Other Fund with a different investment strategy, then it is likely that this would give rise to additional conflicts of interest not specifically described herein and there can be no assurance that Heritage Group will identify or resolve such conflicts and, if resolved, that such conflicts will be resolved in a manner that is favorable to or benefits the Fund.

Heritage Group believes that its significant investment in the Funds, as well as its carried interest, operate to align, to some extent, the interest of Heritage Group and Heritage Group Personnel with the interest of Fund investors, although such persons will have economic interests in such Other Funds and investments and receive management fees and carried interests relating to such interests. At such time as Heritage Group is permitted to raise a successor investment fund to the Funds, Heritage Group Personnel will continue to manage the Fund's investments, but likely will focus investment activities on other opportunities and areas unrelated to a Fund's investments. Heritage Group and Heritage Group Personnel will devote as much of their time to the activities of the Funds as they deem necessary, advisable and appropriate. Except as set forth in the Offering Documents, Heritage Group and Heritage Group Personnel are not restricted from allocating investment opportunities to, or forming, Other Funds, from entering into other investment advisory relationships or from engaging in other business activities, even though certain of such activities will be in competition with a Fund or its portfolio companies and/or involve substantial time and resources of Heritage Group and Heritage Group Personnel. This is likely to result in such persons spending a significant amount of business time on other opportunities, investments and entities unrelated to the Funds or its portfolio companies. These activities would create a conflict of interest in that the time and effort of Heritage Group and Heritage Group Personnel would not be devoted exclusively to the business of the Funds but would instead be allocated between the business of the Funds and the management of the monies of Other Funds.

Item 12

Brokerage Practices

Heritage Group's investment strategy involves private equity investments. As a result, Heritage Group does not generally select or recommend broker-dealers for the purchase and sales of securities. Furthermore, Heritage Group does not maintain any trading accounts and does not use "soft" dollars received from broker-dealers from the purchase and sales of securities for its clients.

Item 13

Review of Accounts

Heritage Group will maintain comprehensive review procedures for the ongoing monitoring of the portfolio investments of the Funds. In connection therewith, Heritage Group conducts periodic reviews of all portfolio company investments held by the Funds as it deems appropriate. All of Heritage Group's investment and operational staff participate in the ongoing monitoring of a Fund's portfolio, although responsibilities vary by individual. Performance, security positions and investment opportunities are among some of the matters that may be reviewed.

Heritage Group will provide written periodic financial reports, such as audited annual financial statements, to the Investors in the Funds. This reporting includes customary financials relating to the business and operations of the Funds.

Item 14

Client Referrals and Other Compensation

Heritage Group does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.

Compensation to Non-Advisory Personnel for Client Referrals

Currently, neither Heritage Group nor its related persons directly or indirectly compensate any person who is not advisory personnel for Fund referrals. If in the future Heritage Group enters into such arrangements, this Brochure will be appropriately amended.

Item 15

Custody

Heritage Group will be deemed under Rule 206(4)-2 of Adviser Act to have custody of the assets of the Funds by virtue of its relationship with the General Partner. The Funds' assets and securities will be held by qualified custodians. As noted in Item 13 above, Fund Limited Partners will receive annual financial statements audited by an independent public accounting firm. Fund Limited Partners are urged to carefully review such statements.

Item 16

Investment Discretion

Heritage Group will exercise discretion in managing the investments of the Funds, based on each Fund's investment objectives, policies and strategies disclosed in its Offering Documents. The limitations on such authority are described in a Fund's Offering Documents.

Heritage Group will contractually assume discretionary authority over the assets of the Funds under an investment management agreement entered into among Heritage Group, the Funds and the Funds' General Partner.

Item 17

Voting Client Securities

Heritage Group's investment strategy involves private equity investments. As a result, Heritage Group does not generally hold Fund investments in public equity securities and therefore does not generally receive proxies on behalf of its clients though it has the authority to do so.

Item 18

Financial Information

Heritage Group will not require or solicit prepayment of more than \$1,200, six months or more in advance.

Heritage Group does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Fund.

Heritage Group has not been the subject of a bankruptcy petition at any time during the past ten years.