

**Item 1. Cover Page**

**HMC, LLC / HEALTHPOINTCAPITAL**

505 Park Avenue, 12th floor  
New York, NY 10022

**[www.HEALTHPOINTCAPITAL.com](http://www.HEALTHPOINTCAPITAL.com)**

Part 2A of Form ADV: Firm Brochure  
February 2012

**This brochure provides information about the qualifications and business practices of HEALTHPOINTCAPITAL. If you have any questions about the contents of this brochure, please contact us at 212-935-7780. 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 HEALTHPOINTCAPITAL also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

Item 2 is not applicable.

### Item 3. Table of Contents

Item Number	Item	Page
1	Cover Page	
2	Material Changes	
3	Table of Contents	
4	Advisory Business	
5	Fees and Compensation	
6	Performance-Based Fees and Side-By-Side Management	
7	Types of Clients	
8	Methods of Analysis, Investment Strategies and Risk of Loss	
9	Disciplinary Information	
10	Other Financial Industry Activities and Affiliations	
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	
12	Brokerage Practices	
13	Review of Accounts	
14	Client Referrals and Other Compensation	
15	Custody	
16	Investment Discretion	
17	Voting Client Securities	
18	Financial Information	
19	Requirements for State-Registered Advisers	

#### **Item 4. Advisory Business**

HMC, LLC, a Delaware limited liability company, operating through its sole owner HEALTHPOINTCAPITAL, LLC (HMC, LLC and HEALTHPOINTCAPITAL, LLC are collectively referred to as “HEALTHPOINTCAPITAL”), a Delaware limited liability company, provides investment advisory services to pooled investment vehicles (the “HEALTHPOINTCAPITAL Funds”) that are not registered as investment companies under federal securities laws and whose securities are not registered under federal securities laws.

The general partner of each HEALTHPOINTCAPITAL Fund has appointed HEALTHPOINTCAPITAL to be the investment manager of the fund. The general partners have entered into separate Investment Management Agreements with HEALTHPOINTCAPITAL. Under the Investment Management Agreements, HEALTHPOINTCAPITAL seeks suitable investment opportunities for the HEALTHPOINTCAPITAL Funds, manages the investment policy of the HEALTHPOINTCAPITAL Funds, performs day-to-day investment operations of the HEALTHPOINTCAPITAL Funds, provides investment advice to the HEALTHPOINTCAPITAL Funds, and prepares and disseminates all reports to the HEALTHPOINTCAPITAL Funds’ limited partners required pursuant to the Funds’ respective limited partnership agreements. The HEALTHPOINTCAPITAL Funds are HEALTHPOINTCAPITAL Partners I, L.P., HEALTHPOINTCAPITAL Partners II, L.P., HEALTHPOINTCAPITAL Partners III, L.P., HEALTHPOINTCAPITAL Partners II-A, L.P., HEALTHPOINTCAPITAL Partners III-A, L.P., HCP II Co-Invest Vehicle, L.P., and HCP II Co-Invest Vehicle II, L.P.

The primary focus of HEALTHPOINTCAPITAL’s investment advisory activity is researching, advising on, and managing private equity investments, including through acquisitions and dispositions. These investments mainly consist of acquisitions of control positions, using on average 10% or less leverage, in companies in the orthopedic, dental, and related device industries. HEALTHPOINTCAPITAL specifically focuses on established orthopedic and dental device businesses in the musculoskeletal sector of the medical device industry that have promising growth potential. These investments take the form of privately negotiated investment instruments including registered and unregistered equity securities issued by both U.S. and non-U.S. companies. Although the primary focus of each HEALTHPOINTCAPITAL Fund is on private equity investments in established orthopedic and dental device businesses in the musculoskeletal sector of the medical device industry that have promising growth potential, HEALTHPOINTCAPITAL may from time to time recommend other types of investments consistent with the respective HEALTHPOINTCAPITAL Fund’s investment strategy and objectives.

The general partner may restrict investments by a HEALTHPOINTCAPITAL Fund in certain types of securities. Any such restrictions would be described in the documents received by each limited partner before investing in a HEALTHPOINTCAPITAL Fund. Once invested in a HEALTHPOINTCAPITAL Fund, investors cannot impose restrictions on the types of securities in which such HEALTHPOINTCAPITAL Fund may invest. Currently, there are no restrictions on the types of securities in which a HEALTHPOINTCAPITAL Fund may invest.

HEALTHPOINTCAPITAL has been in business since 2002. As of February \_\_, 2012, HEALTHPOINTCAPITAL manages a total of approximately \$553 million of client assets, all of which is managed on a discretionary basis.

## **Item 5. Fees and Compensation**

As compensation for investment advisory services provided to the HEALTHPOINTCAPITAL Funds, HEALTHPOINTCAPITAL receives from each HEALTHPOINTCAPITAL Fund an annual management fee that is a percentage of the amount that the fund's limited partners, other than certain individuals or entities affiliated with HEALTHPOINTCAPITAL, have committed to invest in the Fund. The management fee is non-negotiable and is deducted from the Fund's assets. The calculation of the fee is described in the applicable fund documents.

HEALTHPOINTCAPITAL or its affiliates typically perform management, advisory, transaction-related, financial advisory and other services ("Related Services") for, and will sometimes receive fees from, actual or prospective portfolio companies or other deal-related investment vehicles of the HEALTHPOINTCAPITAL Funds. Related Services fees may include fees paid in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions. Fees for Related Services may be significant. Payment of such fees may be in the form of cash, securities of portfolio companies or investment vehicles (or rights to such securities) or other assets.

Pursuant to the terms of the limited partnership agreements of the various HEALTHPOINTCAPITAL Funds, the management fee may be reduced by a portion of other compensation received for Related Services by HEALTHPOINTCAPITAL, managing members of the general partners, and certain related persons from actual and prospective portfolio companies. These reductions in management fees are described in detail in the applicable fund documents.

Under the limited partnership agreements of certain of the HEALTHPOINTCAPITAL Funds, HEALTHPOINTCAPITAL may waive a portion of its management fees from such Funds and apply such waived management fees toward satisfying the investment commitments to the Funds by the members of, and other persons related to, the general partner.

To the extent provided in the Investment Management Agreements and the limited partnership agreements of the HEALTHPOINTCAPITAL Funds, HEALTHPOINTCAPITAL will pay out of its management fees operating costs and day-to-day expenses in managing the HEALTHPOINTCAPITAL Funds, including general office rents and expenses and compensation of employees. Each HEALTHPOINTCAPITAL Fund will bear all other expenses relating to it to the extent not borne by its portfolio companies, including, without limitation, indemnification expenses and third-party costs such as legal, accounting, investment banking and consulting fees. Some of these expenses borne by the HEALTHPOINTCAPITAL Funds may relate to costs and expenses for transactions that are not consummated.

Although HEALTHPOINTCAPITAL does not generally utilize the services of broker-dealers for transactions in portfolio securities of the HEALTHPOINTCAPITAL Funds, in situations where it does, a HEALTHPOINTCAPITAL Fund incurs brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

The HEALTHPOINTCAPITAL Funds do not have a fee schedule. Instead, the limited partnership agreement of each HEALTHPOINTCAPITAL Fund includes provisions setting forth the management fees the fund pays.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

A portion of each HEALTHPOINTCAPITAL Fund's net investment profit is allocated to the capital account of its general partner as a "carried interest." The general partner of each HEALTHPOINTCAPITAL Fund is a related person of HEALTHPOINTCAPITAL. The carried interest payable to the general partner may create an incentive for HEALTHPOINTCAPITAL, notwithstanding the investment by HEALTHPOINTCAPITAL, together with its related parties, in the HEALTHPOINTCAPITAL Funds, to make investments that are riskier or more speculative than would be the case without such compensation arrangements. This conflict of interest is described more fully in Item 10 below.

## **Item 7. Types of Clients**

HEALTHPOINTCAPITAL provides investment advisory services directly to each HEALTHPOINTCAPITAL Fund and not individually to the limited partners of such HEALTHPOINTCAPITAL Fund.

Investors in HEALTHPOINTCAPITAL Funds may include family offices, high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, sovereign wealth funds, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies, and other business entities.

HEALTHPOINTCAPITAL sets minimum commitments for each HEALTHPOINTCAPITAL Fund, but permits the Fund's general partner, in its sole discretion, to approve lesser commitment amounts. In practice, HEALTHPOINTCAPITAL has not accepted less than \$100,000 as a commitment by a limited partner. Limited partners must also meet legal eligibility requirements.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

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

HEALTHPOINTCAPITAL establishes investment strategies and then proactively seeks out companies that fit that strategy. HEALTHPOINTCAPITAL formally reviews its investment sector priorities (such as spine, dental, biologics, etc.) at the beginning of each year and reviews its opportunities on a weekly basis. Part of this review is to create and update internal research reports on the segments it views as most promising, with emphasis on such matters as market size, growth, technology trends, recent M&A activity, potential exits, etc. In preparing these reports, HEALTHPOINTCAPITAL's database, Scientific Advisory Board and industry relationships are critical. Ultimately, HEALTHPOINTCAPITAL identifies specific platforms and investment targets where it believes it can add value by contributing the strategic direction and infrastructure, technology, or general management enhancement necessary to execute a strategy. HEALTHPOINTCAPITAL assesses and prioritizes ongoing investment opportunities and ideas at weekly meetings. Once HEALTHPOINTCAPITAL identifies acquisition targets, either through formal process or other opportunities, the investment process proceeds.

The guiding principle of each HEALTHPOINTCAPITAL Fund is to be a value-add investor with

research as its core competence. The investment process begins with a thorough assessment of management, markets, competition and technology with each senior team member participating in the due diligence for each investment. Proposals are presented to HEALTHPOINTCAPITAL Fund's Advisory Committee prior to any investment. Unanimous concurrence by the members of the HEALTHPOINTCAPITAL Fund's general partner is required to invest. Each investment is then typically represented by two team members of the HEALTHPOINTCAPITAL Fund's general partner: a "lead" partner and a "supporting" partner. All members of the HEALTHPOINTCAPITAL team including its Advisory Board members are fully available and incentivized to contribute to the success of the HEALTHPOINTCAPITAL Funds' investments.

HEALTHPOINTCAPITAL invests in established companies in the musculoskeletal industry with proven technologies, outstanding management teams and strong growth potential.

HEALTHPOINTCAPITAL focuses on private equity investments in musculoskeletal and dental devices in order to:

- Capitalize on industry growth, which is driven by demographics, innovation and a favorable regulatory and reimbursement climate.
- Utilize its industry expertise and dedicated research team to create proprietary deal flow in an industry with over 1,500 companies.
- Draw on its successful experience as long-standing healthcare private equity investors to grow the portfolio companies in which the HEALTHPOINTCAPITAL Funds invest or that they acquire.
- Use its global reach and experience to invest in foreign companies that can be successfully expanded in the United States through HEALTHPOINTCAPITAL's surgeon and distributor relationships as well as its unique strategic position.

HEALTHPOINTCAPITAL adds value to the portfolio companies it acquires by transitioning proprietorships to professional management, developing and implementing strategy and organizational design, and growing annual revenues.

## **Risks**

Investing in securities involves a significant degree of risk. The environment for private equity investments is increasingly competitive. A HEALTHPOINTCAPITAL Fund may lose all or a substantial portion of its investments. An investor should only invest in a HEALTHPOINTCAPITAL Fund if the investor can withstand a total loss of its investment.

In addition, there are material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by HEALTHPOINTCAPITAL Funds in connection with those strategies and methods. The following considerations should be carefully evaluated before making an investment in HEALTHPOINTCAPITAL Funds.

### *Availability of Investment Opportunities*

The business of identifying and structuring private equity transactions is highly competitive. It is possible that a HEALTHPOINTCAPITAL Fund will never be fully invested if enough sufficiently attractive investments that fit the HEALTHPOINTCAPITAL Fund's investment guidelines are not identified. Although the general partner typically establishes an Advisory Committee consisting of limited partners and generally submits actual and proposed investments to the Advisory Committee for review and evaluation, the authority to make investments is vested in the general partner and HEALTHPOINTCAPITAL, and the Advisory Committee has no power to bind the HEALTHPOINTCAPITAL Fund.

### *Financial and Business Risks*

A HEALTHPOINTCAPITAL Fund's investments generally involve a significant degree of financial and/or business risk. Companies in which the HEALTHPOINTCAPITAL Fund invests may face intense competition, changing business and economic conditions or other developments which may adversely affect their performance. Moreover, the products of companies in which a HEALTHPOINTCAPITAL Fund invests may encounter competition from products with newer and more advanced technology. This competition could affect those companies' financial performance and the ability of the general partner to sell HEALTHPOINTCAPITAL Fund's investments or to sell them at attractive prices.

### *Regulatory Environment*

The FDA and corresponding foreign regulatory agencies extensively regulate most aspects of the development, manufacture, promotion and sale of medical devices. Healthcare providers – principally, hospitals – that purchase medical (though typically not dental) devices generally rely on third party payers, such as Medicare, Medicaid, private health insurance plans and health maintenance organizations to reimburse all or a portion of the cost of the devices and related healthcare services. Changes in the policies of the FDA, corresponding foreign regulatory agencies, public and/or private third-party reimbursement agencies, as well as legislative and regulatory healthcare reform measures, could adversely affect the financial performance of companies in which the HEALTHPOINTCAPITAL Fund invests and the ability of the general partner to sell the HEALTHPOINTCAPITAL Fund's investments or to sell them at attractive prices.

### *Long-Term Investments*

HEALTHPOINTCAPITAL does not typically liquidate a HEALTHPOINTCAPITAL Fund's investments for a number of years after the initial investment. Moreover, limited partners cannot withdraw from a HEALTHPOINTCAPITAL Fund and may not sell their partnership interests without the consent of the general partner of such Fund, which may be withheld.

### *Risks of Realization of Investments*

A HEALTHPOINTCAPITAL Fund's investments are generally private, illiquid securities. There is a significant risk that a HEALTHPOINTCAPITAL Fund may be unable to realize its investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete



any exit strategy. The types of investments made may require a substantial length of time to liquidate.

### *Control Person Liability*

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

### *Foreign Investments*

A HEALTHPOINTCAPITAL Fund may make foreign investments. Such investments involve a number of additional risks, including (i) the risk of adverse political developments such as nationalization, confiscation without fair compensation or war; (ii) the risk of fluctuations in currency exchange rates; (iii) the risk of restrictions on capital movements, which would make it difficult or impossible to exchange or repatriate foreign currency; and (iv) the risk of regulations which might prevent implementation of cost cutting or other operational improvements. In addition, laws and regulations of foreign countries may impose restrictions or approvals that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. Foreign countries may also impose or increase taxes on the HEALTHPOINTCAPITAL Fund or its partners.

### *Recourse to the HEALTHPOINTCAPITAL Fund's Assets*

A HEALTHPOINTCAPITAL Fund's assets, including any investment made by the HEALTHPOINTCAPITAL Fund and any capital held by the HEALTHPOINTCAPITAL Fund, are available to satisfy all liabilities and other obligations of the HEALTHPOINTCAPITAL Fund. If the HEALTHPOINTCAPITAL Fund became subject to a liability, parties seeking to have the liability satisfied might have recourse against the HEALTHPOINTCAPITAL Fund's assets generally without being limited to any particular asset, such as the investment giving rise to the liability.

### *Dependence on the General Partner and Key Personnel*

HEALTHPOINTCAPITAL's ability to manage successfully the affairs of the HEALTHPOINTCAPITAL Funds depends on the key employees of HEALTHPOINTCAPITAL, including the members of the general partners of those Funds. The loss of any one of these individuals could have a significant adverse impact on the business of the HEALTHPOINTCAPITAL Fund. There can be no assurance that these individuals will remain with HEALTHPOINTCAPITAL, or otherwise continue to be able to carry on their current duties throughout the term of the HEALTHPOINTCAPITAL Funds.

### *Profits Not in Proportion to Contributed Capital*

Although members of the general partner and certain related persons typically invest in the HEALTHPOINTCAPITAL Fund, the limited partners typically invest greater amounts and receive a proportionately smaller interest in the profits of the HEALTHPOINTCAPITAL Fund than the general

partner, its members and related persons as a result of the carried interest capital allocations described in Item 6 above.

#### *Potential Costs Associated with Indemnification*

The general partner, HEALTHPOINTCAPITAL and their respective members, agents, representatives, affiliates and personnel are entitled to indemnification from the HEALTHPOINTCAPITAL Funds, except in certain circumstances. The assets of HEALTHPOINTCAPITAL Funds will be available to satisfy these indemnification obligations, and the limited partners may be required to return distributions to satisfy such obligations. Such obligations survive dissolution of HEALTHPOINTCAPITAL Funds.

#### *No Market for Limited Partnership Interests*

The limited partnership interests of the HEALTHPOINTCAPITAL Funds are not registered under the Securities Act of 1933, the securities laws of any state, or the securities laws of any other jurisdiction and, therefore, cannot be sold unless they are subsequently registered or an exemption from registration is available. HEALTHPOINTCAPITAL does not contemplate ever registering the limited partnership interests under the Securities Act or other securities laws. There is no public market for HEALTHPOINTCAPITAL Fund limited partnership interests, and HEALTHPOINTCAPITAL does not expect one to develop. An investor may not transfer, pledge, or otherwise encumber its limited partnership interests without the prior written consent of the general partner of the Fund, which may be withheld. Voluntary withdrawals of limited partnership interest are not permitted.

#### *Lack of Limited Partner Control Over Partnership Policies*

The general partner determines the management, financing, and disposition policies of each HEALTHPOINTCAPITAL Fund and its policies with respect to certain other activities, including its distributions and operating policies. The general partner of the HEALTHPOINTCAPITAL Fund may change these policies from time to time without a vote of the limited partners, although the general partner of the HEALTHPOINTCAPITAL Fund has no present intention to make any such changes. However, any such change could be adverse to the interests of the limited partners.

#### *Absence of Recourse to the General Partner*

There are very limited circumstances under which the general partner or its affiliates are liable to the HEALTHPOINTCAPITAL Fund. Generally, the general partner is not liable to a HEALTHPOINTCAPITAL Fund if it has acted (i) in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the HEALTHPOINTCAPITAL Fund, (ii) with respect to any criminal matter, with no reasonable cause to believe its conduct was unlawful, and (iii) without gross negligence, fraud, willful misconduct, or material breach of the Partnership Agreement. The general partner and affiliates are also entitled, in the case of any litigation against it, to advancement of expenses from a HEALTHPOINTCAPITAL Fund prior to a final determination if it represents that it has met the applicable standard of care and undertakes to repay. Accordingly, it may be very difficult for a HEALTHPOINTCAPITAL Fund or its limited partners to pursue any form of action against the general partner of the HEALTHPOINTCAPITAL Fund.

### *Consequences of Default by Limited Partners*

If a limited partner fails to fund any of its commitment when required, HEALTHPOINTCAPITAL may reduce such limited partner's limited partnership interests and prevent such limited partner from further investing in any HEALTHPOINTCAPITAL Fund.

### *Tax Risks*

Tax consequences to limited partners from an investment in a HEALTHPOINTCAPITAL Fund are complex. HEALTHPOINTCAPITAL strongly encourages potential limited partners in a HEALTHPOINTCAPITAL Fund to review the tax discussion in the applicable offering documents and to consult their own professional advisors for tax advice. Moreover, tax laws may change, and future tax law changes could adversely affect a HEALTHPOINTCAPITAL Fund or its investors.

### *Bridge Financings*

From time to time, the HEALTHPOINTCAPITAL Funds lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing. Such bridge loans are typically repaid at the time of maturity or convertible into a more permanent, long-term security. However, for reasons not always in HEALTHPOINTCAPITAL's control, long-term securities issuance or other refinancing may not occur, and bridge loans may remain outstanding. The interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the HEALTHPOINTCAPITAL Fund.

### *Possible Lack of Diversification*

While diversification is an objective of the HEALTHPOINTCAPITAL Funds, as described above, there is no assurance that HEALTHPOINTCAPITAL will actually achieve any particular degree of diversification in the HEALTHPOINTCAPITAL Funds' investments. Because HEALTHPOINTCAPITAL may invest a significant amount of a HEALTHPOINTCAPITAL Fund's aggregate committed capital in a single portfolio company, a loss with respect to such a portfolio company could have a significant adverse impact on the HEALTHPOINTCAPITAL Fund.

### *Uncertainty of Financial Projections*

HEALTHPOINTCAPITAL generally establishes the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. The projected results may not be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

### *Financial Fraud*

Fraud and other deceptive practices committed by senior management of portfolio companies in which a HEALTHPOINTCAPITAL Fund invests may undermine HEALTHPOINTCAPITAL's due

diligence efforts and ability to value the HEALTHPOINTCAPITAL Fund's investments accurately. Discovery of financial fraud may contribute to overall market volatility, which can negatively impact the HEALTHPOINTCAPITAL Fund's investment program.

#### *Contingent Liabilities on Disposition of Investments*

When HEALTHPOINTCAPITAL disposes of an investment in a portfolio company, a HEALTHPOINTCAPITAL Fund may be required to make representations about the business and financial affairs of such portfolio company. A HEALTHPOINTCAPITAL Fund may also be required to indemnify the purchasers of such investment if any such representations are inaccurate. These arrangements may cause the HEALTHPOINTCAPITAL Fund to incur contingent liabilities, for which the general partner may establish reserves or escrow accounts. If that happens, limited partners may be required to return amounts previously distributed to them to fund the HEALTHPOINTCAPITAL Fund's indemnity or other obligations. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each limited partner that receives a distribution in violation of such Act will, under certain circumstances, be obligated to re-contribute such distribution to the HEALTHPOINTCAPITAL Fund.

#### *Investments Longer than Term*

HEALTHPOINTCAPITAL may not be able to dispose of a HEALTHPOINTCAPITAL Fund's investments advantageously before the HEALTHPOINTCAPITAL Fund is dissolved, whether by expiration of a HEALTHPOINTCAPITAL Fund's term or otherwise. Although HEALTHPOINTCAPITAL expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the general partner has a limited ability to extend the term of a HEALTHPOINTCAPITAL Fund, HEALTHPOINTCAPITAL may have to sell, distribute or otherwise dispose of investments at a disadvantageous time and price as a result of dissolution.

#### *Material, Non-Public Information*

By reason of their responsibilities at HEALTHPOINTCAPITAL, certain members and/or employees of the general partner, HEALTHPOINTCAPITAL or their affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. A HEALTHPOINTCAPITAL Fund will not be free to act upon any such information. Due to these restrictions, a HEALTHPOINTCAPITAL Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

### *Additional Capital*

A HEALTHPOINTCAPITAL Fund's portfolio companies may require additional financing from time to time to satisfy their working capital requirements. The amount of additional financing needed will depend upon the maturity and objectives of the particular portfolio company. HEALTHPOINTCAPITAL intends each round of financing (whether from the HEALTHPOINTCAPITAL Fund or other investors) to provide a portfolio company with enough capital to reach the next major valuation milestone. If the funds provided are not sufficient, such portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including a HEALTHPOINTCAPITAL Fund. In addition, a HEALTHPOINTCAPITAL Fund may make additional debt and equity investments or exercise warrants, options or convertible securities that it acquired in the initial investment in such portfolio company in order to preserve the HEALTHPOINTCAPITAL Fund's proportionate ownership when a subsequent financing is planned or to protect the HEALTHPOINTCAPITAL Fund's investment when such portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions beyond the control of the HEALTHPOINTCAPITAL Fund or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

### *Disclosure of Information*

A HEALTHPOINTCAPITAL Fund, its limited partners, its portfolio companies, its general partner, HEALTHPOINTCAPITAL, and any of their service providers may be subject to laws or regulations that compel disclosure of confidential information regarding a HEALTHPOINTCAPITAL Fund, its investments or its investors to members of the public, regulators or law enforcement or others.

### *Leveraged Investments*

While leveraged investments offer the opportunity for capital appreciation, such investments also involve a higher degree of risk than similar unleveraged investments. Some of a HEALTHPOINTCAPITAL Funds' investments may involve leverage that may cause recessions, operating problems and other general business and economic risks to have a more pronounced effect on the profitability or survival of a HEALTHPOINTCAPITAL Fund's portfolio companies. A HEALTHPOINTCAPITAL Fund's ability to achieve attractive rates of return on investments in part will depend on the ability of its portfolio companies to access sufficient sources of debt at attractive rates, including high yield debt. However, availability of capital from the debt markets is subject to volatility from time to time, and there may be times when a HEALTHPOINTCAPITAL Fund might not be able to access those markets at attractive rates, or at all, when completing an investment. Also, increased interest rates generally increase portfolio company interest expenses. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, the applicable HEALTHPOINTCAPITAL Fund may suffer a partial or total loss of capital invested in the portfolio company.

## **Item 9. Disciplinary Information**

No material items exist as of this time.

## **Item 10. Other Financial Industry Activities and Affiliations**

### **Related General Partners**

Various limited liability companies serve as general partners of the HEALTHPOINTCAPITAL Funds, and each is an affiliate of HEALTHPOINTCAPITAL.

### **Conflicts of Interest**

HEALTHPOINTCAPITAL and its affiliates engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds or accounts in which they may have an interest, including a co-investment interest, and providing transaction-related, advisory, management and other services to funds and operating companies, including portfolio companies of the HEALTHPOINTCAPITAL Funds. In the ordinary course of conducting these activities, the interests of a HEALTHPOINTCAPITAL Fund or its limited partners may conflict with the interests of HEALTHPOINTCAPITAL or its affiliates, one or more other HEALTHPOINTCAPITAL Funds or other HEALTHPOINTCAPITAL Funds' affiliates.

### **Resolution of Conflicts**

HEALTHPOINTCAPITAL deals with all conflicts of interest using its best judgment. In resolving conflicts, HEALTHPOINTCAPITAL may consider various factors, including the potentially competing interests of the HEALTHPOINTCAPITAL Funds. In the case of all conflicts involving the HEALTHPOINTCAPITAL Funds, the determination as to which factors are relevant, and the resolution of such conflicts, are made in the sole discretion of HEALTHPOINTCAPITAL, except as required by the governing documents of the HEALTHPOINTCAPITAL Funds or applicable law. Upon request by the general partner of a HEALTHPOINTCAPITAL Fund, the Advisory Committee of the Fund advises with respect to matters pertaining to conflicts of interest of the HEALTHPOINTCAPITAL Fund, its general partner, the members and affiliates of the general partner, and HEALTHPOINTCAPITAL.

### **Sources of Conflicts of Interest**

Other relationships of members of the HEALTHPOINTCAPITAL Funds' general partners, such as Board seats or personal investments, could also result in potential conflicts of interest. The HEALTHPOINTCAPITAL Funds' general partners receive carried interest as described in Item 6 above. The existence of a general partner's carried interest may create an incentive for HEALTHPOINTCAPITAL, notwithstanding the investment by HEALTHPOINTCAPITAL, together with its related parties, in the HEALTHPOINTCAPITAL Funds, to make more speculative investments on behalf of a HEALTHPOINTCAPITAL Fund than it would otherwise make in the absence of such carried interest.

The HEALTHPOINTCAPITAL Funds' limited partners include taxable and tax-exempt entities and may include persons or entities organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by the HEALTHPOINTCAPITAL Funds' general partners that may be more beneficial for one type of limited partner than for another type of

limited partner, including limited partners affiliated with a HEALTHPOINTCAPITAL Fund's general partner. In addition, a HEALTHPOINTCAPITAL Fund may make investments that have a negative impact on related investments made by the limited partners in separate transactions. In selecting investments appropriate for a HEALTHPOINTCAPITAL Fund, the general partner will consider the investment objectives of the HEALTHPOINTCAPITAL Fund as a whole, not the investment objectives of any limited partner individually.

A HEALTHPOINTCAPITAL Fund's portfolio companies may include investments that relate to those held by HEALTHPOINTCAPITAL's prior or latter funds, and such interests may not always be the same in terms of pricing or other strategic issues. HEALTHPOINTCAPITAL will resolve all such conflicts using its best judgment but in its sole discretion, subject to applicable law and, in certain cases, to approval by the advisory boards or investment committees of the participating HEALTHPOINTCAPITAL Funds or the advice of outside counsel.

Different conflicts may exist with respect to investments in different HEALTHPOINTCAPITAL Funds. Please contact HEALTHPOINTCAPITAL with any additional questions or concerns.

#### **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Conflicts may arise to the extent an individual affiliated with HEALTHPOINTCAPITAL invests in the same investment as a HEALTHPOINTCAPITAL Fund or its portfolio company. HEALTHPOINTCAPITAL has adopted a Code of Business Conduct and Ethics (the "Code") that requires its Board members, advisors and employees of to comply with applicable securities and other laws regulations and to identify and disclose promptly to senior management all conflicts of interest and potential conflicts of interest. The Code prohibits Board members, advisors and employees of HEALTHPOINTCAPITAL from taking for themselves personally or for other organizations with which they are affiliated opportunities that are discovered through HEALTHPOINTCAPITAL without express prior consent of senior management and from using their position or information they obtain performing their HEALTHPOINTCAPITAL duties for improper personal gain.

#### **Item 12. Brokerage Practices**

Although HEALTHPOINTCAPITAL does not generally utilize broker-dealers for portfolio transactions, when it chooses to use a broker-dealer, HEALTHPOINTCAPITAL seeks to obtain the best execution of transactions. If HEALTHPOINTCAPITAL aggregates or allocates orders for purchase or sale of securities, it will do so as it deems appropriate in accordance with each HEALTHPOINTCAPITAL Fund's documents and in the best interest of the HEALTHPOINTCAPITAL Funds participating in the transaction.

#### **Item 13. Review of Accounts Oversight and Monitoring**

The portfolio investments of each HEALTHPOINTCAPITAL Fund are continuously reviewed by a team of investment professionals. The team generally includes Managing Directors and other investment professionals of HEALTHPOINTCAPITAL. HEALTHPOINTCAPITAL closely monitors the portfolio companies of the HEALTHPOINTCAPITAL Funds and generally maintains an ongoing

oversight position in such portfolio companies.

## **Reporting**

Investors in the HEALTHPOINTCAPITAL Funds will typically receive, among other things, a copy of audited financial statements of the relevant HEALTHPOINTCAPITAL Fund approximately 120 days after the fiscal year end of such HEALTHPOINTCAPITAL Fund. In addition, investors in each HEALTHPOINTCAPITAL Fund typically receive unaudited quarterly summary financial information regarding such HEALTHPOINTCAPITAL Fund following the end of each financial quarter. Investors in the HEALTHPOINTCAPITAL Funds also receive regular reporting updates through quarterly letters, investor meetings and other materials provided on the investor website.

## **Item 14. Client Referrals and Other Compensation**

HEALTHPOINTCAPITAL does not pay for referrals of HEALTHPOINTCAPITAL clients, which are the HEALTHPOINTCAPITAL Funds.

## **Item 15. Custody**

HEALTHPOINTCAPITAL keeps assets of HEALTHPOINTCAPITAL Funds in Silicon Valley Bank, a regulated bank, and Morgan Stanley Smith Barney, a regulated broker-dealer.

## **Item 16. Investment Discretion**

HEALTHPOINTCAPITAL provides investment advisory services to each of the HEALTHPOINTCAPITAL Funds pursuant to the Investment Management Agreements. Investment advice is provided by HEALTHPOINTCAPITAL directly to the HEALTHPOINTCAPITAL Funds, subject to the direction and control of the affiliated general partner of such HEALTHPOINTCAPITAL Fund and HEALTHPOINTCAPITAL. Any restrictions on investments in certain types of securities are established by the general partner of the applicable HEALTHPOINTCAPITAL Fund, and are set forth in the documentation received by each limited partner prior to investment in such HEALTHPOINTCAPITAL Fund.

## **Item 17. Voting Client Securities**

HEALTHPOINTCAPITAL does not vote client securities. Rather, the general partner of each HEALTHPOINTCAPITAL Fund votes portfolio securities on behalf of the applicable HEALTHPOINTCAPITAL Fund in its sole discretion.

## **Item 18. Financial Information**

Item 18 is not applicable to HEALTHPOINTCAPITAL.



**Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to HEALTHPOINTCAPITAL.

5972776v.6