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PART 2A OF FORM ADV: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of HealthCor Partners Management, L.P. If you have any questions about the contents of this brochure, please contact us at (212) 622-7731 and/or [anabelle@healthcogroup.com](mailto:anabelle@healthcogroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

HealthCor Partners Management, L.P. is a registered investment adviser and is providing you with this brochure in compliance with SEC rules. Registration does not by itself imply a certain level of skill or training.

Additional information about HealthCor Partners Management, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2**

### **MATERIAL CHANGES**

This is the fourth brochure that HealthCor Partners Management, L.P. is providing to the investors in the funds it manages. There are no material changes to the information that was provided in the third brochure last year. We will provide you, at least annually, with a summary of any material changes to the information in this brochure.

## ITEM 3

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## ITEM 4

### ADVISORY BUSINESS

HealthCor Partners Management, LP (“**HealthCor Partners**” or the “**Adviser**”) was established in 2007 and is controlled by its general partner, HealthCor Partners Management GP, LLC. The Principals include Jeffrey Lightcap, Joseph Healey and Arthur Cohen. HealthCor Partners formed HealthCor Partners Fund, L.P. (“**Fund I**”) in 2008 and HealthCor Partners Fund II, L.P. (“**Fund II**”) in 2011 (each a “**Fund**” and collectively, the “**Funds**”), to make privately negotiated investments primarily in growth equity and later stage developmental companies in the healthcare and life sciences industry.

HealthCor Partners manages the operations of the Funds and has the right to execute and deliver documents on behalf of each of the Funds in lieu of each Fund’s general partner. Additionally, HealthCor Partners has discretionary authority with respect to investments of the Funds, including but not limited to the authority to investigate, analyze, structure and negotiate potential investments and to evaluate, monitor, exercise voting rights, advise as to disposition opportunities and take other appropriate action with respect to investments on behalf of the Funds. The Funds are offered only to accredited investors, qualified clients, qualified purchasers (or certain non-U.S. persons) and certain employees of HealthCor Partners and its affiliates.

HealthCor Partners focuses primarily on early or near-commercial stage businesses in the medical technology, healthcare services, healthcare information technology, therapeutics, and diagnostics sectors that are at or approaching an inflection point in their growth. HealthCor Partners seeks to generate returns derived primarily from portfolio company growth rather than financial leverage.

HealthCor Partners currently does not provide investment advisory services to clients apart from the management of the Funds and any co-investment vehicles structured to facilitate investments by certain limited partners of the Funds, affiliates of the Adviser and third party investors, and does not provide investment advisory services for individual investors. HealthCor Partners does not participate in wrap fee programs.

In accordance with common industry practice, HealthCor Partners may from time to time enter into letter agreements or other similar agreements (referred to as “**side letters**”) with one or more investors in the Funds which provide such investors with additional and/or different rights than such investors have pursuant to general terms of such collective investment vehicle. The Adviser is not required to notify any or all of the other investors of any such written agreements or any of the rights and/or terms or provisions thereof, nor is the Adviser required to offer such additional and/or different rights and/or terms to any or all of

the other investors. Once invested in a Fund, investors cannot impose additional investment guidelines or restrictions on such Fund.

HealthCor Partners' activities for each of the Funds are further described in each Fund's respective offering memorandum, governing agreement, and management agreement. These Fund documents also detail the various investment restrictions that govern the types of investments each Fund may and may not make.

As of December 31, 2014, HealthCor Partners' regulatory assets under management were approximately \$279,427,100.

## **ITEM 5**

### **FEES AND COMPENSATION**

The Adviser's current compensation structure for the Funds is summarized as follows:

- Investment Management Fees: The Adviser receives an asset-based fee from each of the Funds equal to:
  1. During the Investment Period (as defined below), 2.0% per annum of the capital commitments for each Fund.
  2. Following the expiration of the Investment Period until the end of the term of the Funds, including any extensions, 2.0% per annum of capital commitments that have been (i) invested in portfolio companies that have not been realized or written off, and (ii) reserved for follow-on investments.

Management Fees are paid quarterly in advance through a drawdown of capital from investors.

The Management Fee is reduced, but not below zero, by the sum of:

1. The amount of any excess organizational expenses and any placement fees paid by the Funds since the preceding payment date,
2. The amount of any fee income received by the Adviser since the preceding payment date, and
3. The amount of any incentive capital contributions made since the previous payment date.

- Carried Interest Allocation: An affiliate of the Adviser receives performance-based compensation from each of the Funds in connection with the performance of its duties equal to 20% of the profits generated from the disposition of portfolio companies (after deduction of certain fees, including the Management Fee, and other expenses) and achievement of a preferred annual return to investors equal to 8% of capital invested in such portfolio company, compounded annually.

The investment period (the “**Investment Period**”) is the period of time during which the Adviser may make investments in new and existing portfolio companies. The Investment Period is typically four years, and will be specified in the offering documents for each specific Fund. For a specific period of time following the Investment Period, typically three years, the Adviser is generally limited to making follow-on investments in portfolio companies that exist at the end of the Investment Period. Such follow-on investments are limited to a certain percentage of capital commitments that the Adviser is permitted to reserve in accordance with each Fund’s respective offering documents.

Investors do not have the ability to choose to be billed directly for such amounts, which are non-negotiable. The Adviser may waive, reduce or otherwise modify the Management Fee and/or the Carried Interest Allocation for any investor in a Fund.

The Adviser and some of its personnel may from time to time purchase secondary interests invest in the Funds. The Adviser and its personnel are not charged a Management Fee or a Carried Interest Allocation, as defined below, by the Funds on their investments in the Funds. Additionally, the Adviser and its personnel do pay Management Fees and Carried Interest on any Secondary Fund interests purchased.

The Adviser will pay all normal operating expenses incidental to the provision of the day-to-day administrative services to the Funds, including its own overhead and expenses incurred in the preliminary investigation of investments that are not actively pursued. Each Fund will pay all costs, expenses and liabilities in connection with its operations, including: fees, costs and expenses related to the purchase, holding and sale of portfolio investments (to the extent not reimbursed); third party expenses incurred in connection with transactions not consummated; taxes; fees and expenses of accountants and counsel; costs and expenses of the advisory committee and the annual meeting; the cost of directors and officers and errors and omissions insurance premiums; legal (including litigation) fees and expenses; costs, expenses and liabilities resulting from such Fund’s indemnification obligations and other extraordinary expenses. To the extent possible, third party costs will be charged to portfolio companies.

Each Fund will bear all legal, travel and other expenses incurred in the formation of such Fund and the offering of interests in such Fund up to the amount that is specified in the

respective Fund's offering documents ("**Organizational Expenses**"). Organizational Expenses in excess of the specified amounts, and any placement fees, will be paid by each Fund but borne by the Adviser through a 100% offset against the Management Fee.

Investors should review all fees charged by the Adviser, its affiliates, custodians, brokers and others as disclosed in the Funds' respective offering memoranda to fully understand the total amount of fees to be paid by the Funds. Investors in the Funds may request a copy of these materials by contacting the Adviser at the address or telephone number listed on the first page of this brochure.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

An affiliate of the Adviser receives performance-based compensation (i.e., the Carried Interest Allocation) as discussed under Item 5 above. These Carried Interest Allocations may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of the Carried Interest Allocation. The possibility of this incentive to make riskier or more speculative investments is offset, in part, by the claw back guarantee provision that requires return of certain Carried Interest Allocations in the event that the Funds do not satisfy certain performance hurdles. Prior to making a commitment to the fund, investors are provided with information clearly disclosing how the Adviser's affiliate receives the Carried Interest Allocation and how the Carried Interest Allocation may increase investment risk, and the investors agree to these arrangements.

The Adviser, its affiliates and their personnel also manage certain funds and accounts on a side-by-side basis which have different compensation structures. Some of these affiliated funds and accounts may pay performance compensation while others only pay management fees. This creates a potential conflict of interest in that the Adviser, its affiliates or their personnel may be incentivized to allocate investment opportunities to the funds and accounts that are subject to the performance compensation. The Adviser and its affiliates have adopted investment allocation policies designed to achieve an equitable allocation under the circumstances.

## **ITEM 7**

### **TYPES OF CLIENTS**

The clients to whom the Adviser generally provides investment advice are private investment funds offered to investors on a private placement basis, as described above. Details concerning applicable suitability criteria for investors in the Funds are set forth in the Funds' offering memoranda and subscription documents. Although the Adviser has the authority to

accept and has on occasion accepted subscriptions for any lesser amount, the minimum investment in the Funds is generally \$5,000,000. Each investor is required to meet certain suitability qualifications, such as being a “qualified purchaser” as defined in the Investment Company Act of 1940, as amended. In addition, there are prohibitions on withdrawals from the Funds and severe restrictions on transfers of interests in the Funds. Because of these prohibitions and restrictions, an investment in the Funds is a continuing commitment to invest the amount of capital subscribed for by an investor, is an illiquid investment, and involves a high degree of risk. A subscription for limited partner interests in the Funds should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

HealthCor Partners employs a differentiated, growth-oriented investment strategy that leverages the distinct strengths of the broader HealthCor Group platform. HealthCor Partners is focused primarily on growth equity and later stage developmental businesses in the medical technology, healthcare services, healthcare information technology, therapeutics, and diagnostics sectors that are at or approaching an inflection point in their growth.

HealthCor Partners has a control orientation in making investments and seeks to work closely with portfolio company management teams to add value and drive growth. In particular, HealthCor Partners looks to partner with management teams in order to add value in the areas of: (i) overall business development and strategy; (ii) commercialization efforts; (iii) executive recruiting and selection; (iv) financing alternatives; (v) strategic partnerships; and (vi) exit discussions.

HealthCor Partners generally seeks to invest in companies that participate in large and growing markets or, alternatively, in niche businesses with little competition. HealthCor Partners focuses on the space between healthcare venture capital and buyout. HealthCor Partners believes that by investing in growth equity (*i.e.*, typically companies that have begun commercializing products or services and are generating sales, but have not yet reached cash-flow break-even) and later stage developmental companies (*i.e.*, typically companies that have generated significant, important clinical data, have proven prototype devices or services and/or are close to beginning commercialization) it can capture value creation around a significant growth inflection point. This investment strategy is expected to result in holding periods of two to four years for each portfolio company, though in some cases, the holding period may be longer.



HealthCor Partners originates a majority of its investments on a proprietary basis and generally seeks control or shared-control ownership positions in order to effectively influence development at the company level. Furthermore, when making minority investments, HealthCor Partners seeks to act as the “lead investor” in situations where multiple investors may be involved. In this role, HealthCor Partners is typically able to perform more extensive due diligence and negotiate valuations and investment terms on a more favorable basis, often employing structuring mechanisms that reduce risk and/or maximize returns.

Given the tremendous complexity, cost pressures and uncertainty confronting the healthcare and life sciences industry today, HealthCor Partners believes the most prudent way to make investments in the space is to focus on businesses that:

1. Do not carry binary risk and have limited direct government reimbursement risk;
2. Save the healthcare system money and ideally advance the standard of care;
3. Are of strategic value to larger, publicly traded healthcare companies; and
4. Can develop into successful, profitable, stand-alone companies.

In evaluating its deal flow, the Adviser employs a comprehensive 360° due diligence process that is designed to identify growth equity and later stage developmental businesses with a high likelihood of achieving commercial success. Further, HealthCor Partners seeks to diversify its investments across the major subsectors of healthcare in order to create a balanced portfolio.

The Funds’ investment programs are speculative and entail investment and market-related risks. There can be no assurance the Funds’ investment objectives will be achieved. The Funds’ activities could result in substantial losses under certain circumstances. Investing in securities involves risk of loss that clients should be prepared to bear.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds. Please refer to each Fund’s respective offering documents for a more comprehensive listing of risk factors relating to an investment in the Funds.

### General Risks

An investment in the Funds requires a long-term commitment, with no certainty of return of invested capital. There most likely will be little or no near-term cash flow available to the investors. Many of the Funds’ investments will be highly illiquid, and there can be no assurance that the Funds will be able to realize a return on such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the investors. Additionally, the Funds typically will acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act of 1933, as amended (the “**Securities Act**”), or in a private placement or

other transaction exempt from registration under the Securities Act and that complies with any applicable non-U.S. securities laws. The securities in which the Funds will invest may be the most junior in what typically will be a complex capital structure, and thus subject to the greatest risk of loss. Certain of the Funds' investments may be in businesses with little or no operating history. Certain of the Funds' investments may be in businesses with high levels of debt or may be investments in leveraged buyouts; leveraged buyouts by their nature require companies to undertake a high ratio of fixed charges to available cash flow. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. Since the Funds may only make a limited number of investments, and since the Funds' investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total return to the investors.

#### Concentration of Investments in Healthcare and Life Sciences Industry

The Funds' portfolio companies will be concentrated in the healthcare and life sciences industry. Concentration in a single industry may involve risks greater than those generally associated with diversified funds, including significant fluctuations in returns. In the event that the healthcare and life sciences industry as a whole declines, returns to investors may decrease. In certain cases, the Funds may also acquire majority or greater interests in portfolio companies, which could further increase the vulnerability of the portfolio.

#### Healthcare and Life Sciences Industry Related Risks

The Funds will invest almost all of their assets in the healthcare and life sciences industry. Investing in securities and other instruments of healthcare and life sciences companies involves substantial risks. Such risks include, but are not limited to, the following: changes in government policies, including policies regarding reimbursement of medical expenses; certain companies in which the Funds may invest may have limited or no operating histories, or may have limited products, markets and financial resources; research findings (*e.g.*, regarding side effects or comparative benefits of one or more particular treatments, services or products) and technological innovation (together with patent expirations) may make any particular treatment, service or product less attractive or potentially obsolete if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available; unanticipated problems often arise in connection with the development of new products, and many such efforts are ultimately unsuccessful; scarcity of management and marketing personnel with appropriate technological or medical training may slow or impede companies' growth; the possibility of lawsuits related to technological and medical patents could cause delays and expense in product development and implementation; regulatory changes and/or government actions may prevent a company from marketing its products; and certain healthcare and life sciences companies may be subject to extensive government regulation.

In addition, many healthcare and life sciences companies may have substantial and ongoing capital needs for research and development, clinical trials and marketing and may have difficulty obtaining such funding under various or even normal market conditions or such capital may be obtained on terms unfavorable to existing equity holders. Also, obtaining government approval for new products from governmental agencies can be lengthy, expensive and uncertain, and withdrawal, curtailment, or reduction of government support could have an adverse impact on the profitability of healthcare and life sciences companies. Furthermore, delays in generating products and meeting ongoing capital requirements may result in the need for companies to seek additional capital, potentially diluting the interest of existing investors, such as the Funds.

#### Protection of Intellectual Property

The success of portfolio companies may depend heavily on their ability to establish and protect their proprietary rights through, among other things, patent prosecution. The patent prosecution process is complicated, time-consuming, expensive and uncertain. Accordingly, one or more portfolio companies may be unable to protect some or all of its technologies, which could adversely affect such portfolio company, which in turn could negatively impact performance of the Funds. Portfolio companies will not be able to guarantee that: (i) their existing patents will not be challenged, or, if challenged, invalidated; (ii) their existing patents will provide sufficient protection against competitors; (iii) competitors will not independently develop similar products or designs around their patents; or (iv) they will be able to obtain future patents necessary to protect their business and/or fully execute their respective business plans. Portfolio companies may also rely on trade secret protection for certain confidential and proprietary information. Despite maintenance of policies designed to protect such trade secrets, a portfolio company may be unable to adequately protect its trade secrets, which could adversely affect such portfolio company, which in turn could negatively impact the performance of the Funds.

#### Government Regulations in the United States

The United States Food and Drug Administration (the “**FDA**”) regulates food, drugs, biological and medical devices under the Federal Food, Drug and Cosmetic Act and other laws. These laws and implementing regulations govern, among other things, the development, testing, manufacturing, record keeping, storage, labeling, advertising, promotion and pre-market clearance or approval of technologies and products subject to regulation. In the event that a portfolio company develops a viable technology or product candidate, regulation by the FDA of such technology or product candidate is likely. Regulation of a technology or product candidate by the FDA involves a complicated, time-consuming, expensive and highly uncertain process. Any delay or failure by a portfolio company with respect to such process could adversely affect the commercialization of its

technologies and products, which in turn could negatively impact the performance of the Funds.

In addition to FDA regulation, portfolio companies may be subject to regulation by other governmental authorities and agencies, both in the United States and abroad. Compliance with any such regulatory requirements could have a negative impact on a portfolio company or its ability to develop its technologies and products, which in turn could negatively impact the performance of the Funds.

Government policies favoring research, including funding, may change and be less favorable or become unfavorable for the portfolio companies.

#### Risks Upon Disposition of Investments

In connection with the disposition of an investment in a portfolio company, the Funds 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, or may be responsible for the contents of disclosure documents under applicable securities laws. The Funds may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the investors.

#### Potential Lack of Diversification

Subject to limited conditions in the offering documents, the Adviser may invest the Funds' capital without any pre-approvals from the investors. Except as provided in the offering documents, the Adviser is under no obligation to diversify the Funds' investments by amount invested or geographical area. Accordingly, poor performance by a small number of larger investments could substantially affect the aggregate returns of the Funds.

#### Restrictions on Transfer and Withdrawal

The Funds have not been registered under the Securities Act or any other applicable securities laws. There is no public market for interests in the Funds and none is expected to develop. In addition, the interests are not transferable except with the consent of the Adviser, which generally may be withheld by the Adviser in its sole discretion, and subject to the terms and conditions of the offering documents. Investors generally may not withdraw capital from the Funds. Consequently, investors may not be able to liquidate their investments prior to the end of the respective Fund's term.

#### Co-Investments with Third Parties

The Adviser may, from time to time, seek co-investors in connection with the consummation of an investment. Where appropriate, and where obligated pursuant to the governing documents of the Funds and/or certain side letter provisions, the Adviser will provide co-investment opportunities to certain investors in the Funds. In addition, the Adviser may seek third party co-investors who would be expected to provide strategic or other benefits to the prospective investment, which may reduce or eliminate co-investment capacity for investors in the Funds. These co-investment opportunities may be offered as interests or classes of interests in a limited partnership or other types of entities formed for each investment (a “Co-Investment Entity”). Subject to provisions contained in governing documents and/or side letters entered into with investors, the Adviser will allocate the available investment among the Funds, any Co-Investment Entity, investors in the Funds and/or any third parties as it may in its sole discretion determine. Subject to the provisions contained in the governing documents and/or side letters with investors, the Adviser and its affiliates may charge performance compensation, management and other fees to co-investors with respect to any co-investment, and may make an investment, or otherwise participate, in any vehicle formed to structure a co-investment in connection therewith.

Generally speaking with regard to any broken deal expenses associated with a proposed co-investment, the Funds that would have participated in such investment will bear such broken deal expenses and not the Co-Investment Entity, investors in the Funds or other third parties.

Investments made by co-investors may involve risks not present in investments where a third party is not involved, including the possibility that a co-investor may at any time have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take action contrary to the investment objectives of the Funds. In addition, the Funds may in certain circumstances be liable for the actions of its third-party co-investors.

#### Impact of Healthcare Reform

Portfolio companies involved in the healthcare and life sciences industry may be negatively impacted by the continuing efforts of governments and various third-party payors to contain or reduce the costs of healthcare through various means. For example, in some foreign markets, pricing and profitability of prescription pharmaceuticals are subject to government control. In the United States, there have been, and continue to be, a number of federal and state proposals to implement similar government controls. In addition, large annual federal deficits, budgeting pressures on the states, and an increasing emphasis on managed care in the United States will continue to put pressure on the pricing of existing healthcare products and services, and significant uncertainty exists as to the reimbursement by the federal government, private insurers and other third-party payors for newly approved healthcare products and services. The implementation of one or more cost control initiatives could

decrease the price that portfolio companies would receive for any products in the future. Further, cost control initiatives could adversely affect a portfolio company's ability to profitably commercialize, or realize royalties from, its technologies or products.

#### Illiquid Portfolio Securities

The Funds' investments are illiquid and difficult to value. Such investments may require a significant amount of time from the date of initial investment to the realization of the Funds' investment objectives and ultimate disposition. Sales of portfolio companies may not be possible, or, if possible, may not achieve valuations in excess of the Funds' costs. In addition, because disposition of such investments may require a lengthy amount of time, distributions may be made in-kind to investors. Furthermore, some portfolio companies may have the need for additional capital to support expansion or to achieve or maintain a competitive position, and there is no assurance that such capital will be available, particularly for private companies.

#### Insider Trading Restrictions

By reason of their responsibilities in connection with their investing and management activities, personnel of the Adviser or of the general partner of a Fund may acquire material non-public information about a company or may otherwise be restricted from initiating transactions in certain securities. The Adviser's Code of Ethics and applicable law prohibit the Adviser from acting upon any such information even if that would be financially beneficial to a Fund. Due to these restrictions, the Funds may not be able to initiate transactions that they may otherwise have initiated, including being prevented from selling an investment that it otherwise might have sold.

#### Reliance on Management

Decisions with respect to the management of each Fund will be made by the investment professionals of the Adviser. The success of a Fund will depend on the ability of these individuals to identify and consummate investments and to manage and dispose of the investments of such Fund at a profit. The loss of the services of one or more of these individuals could have an adverse impact on the Funds' ability to realize its investment objective. In addition, it is expected that all of the personnel responsible for managing a particular Fund will continue to have responsibilities with respect to other Funds. Thus, such persons will have demands made on their time for the investment, monitoring, exit strategy and other functions of other Funds and accounts.

## ITEM 9

### DISCIPLINARY INFORMATION

We are not aware of any legal or disciplinary events that would be material to an investor's or prospective investor's evaluation of HealthCor Partners' advisory business or the integrity of our management.

## ITEM 10

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

We are required to disclose certain financial industry affiliations and activities that we, our management or certain of our related parties may have.

HealthCor Management, L.P., ("**HealthCor**") an affiliate of HealthCor Partners, serves as investment manager to the following funds: (i) HealthCor, L.P., a Delaware limited liability partnership (the "**Partnership**"), (ii) HealthCor Offshore, Ltd., a Cayman Islands exempted company (the "**Offshore Fund**"), (iii) HealthCor Hybrid Offshore, Ltd., a Cayman Islands exempted company (the "**Hybrid Fund**"), (iv) HealthCor Long Offshore Fund, Ltd., a Cayman Islands exempted company (the "**Offshore Long Fund**"), HealthCor Long Fund, L.P., a Delaware limited partnership (the "**U.S. Long Fund**"), and a single investor fund structured as a Cayman Islands exempted limited partnership whose sole investor is a non-US person (the "**Dedicated Investor Fund**"). The Partnership and Offshore Funds invest substantially all of their assets in HealthCor Offshore Master Fund, L.P., a Cayman Islands exempted limited partnership (the "**Offshore Master Fund**"). The Dedicated Investor Fund invests all of its investible assets *parri passu* with the Offshore Master Fund. The Hybrid Fund invests substantially all of its assets in the HealthCor Hybrid Offshore Master Fund, L.P., a Cayman Islands exempted limited partnership (the "**Hybrid Master Fund**"). The Adviser also provides investment advice to HealthCor Management, L.P. with respect to the portfolio companies within the Hybrid Master Fund. The Offshore Long Fund and the U.S. Long Fund each invest substantially all of their respective assets in HealthCor Long Offshore Master Fund, L.P.

The Adviser, its affiliates and their personnel serve as investment advisers and investment managers to multiple funds. They may take action or give advice with respect to certain funds that differs from, or is inconsistent with, the advice given to other Funds. They will devote as much time to the activities of each fund as they deem necessary and appropriate, and the amount of time devoted to different funds may vary.

Conflicts arise when a fund makes an investment in a company in conjunction with another fund, or in a company in which another fund has already made an investment. These

scenarios present conflicts of interest including, determination of pricing, ownership percentage and other terms of such financing. Subject to any requirements of the governing documents of the funds, such investments will be made in a manner that the Adviser believes in its sole discretion to be fair and equitable given factors it believes to be relevant. Such factors will include, but are not limited to, the investment objectives of the funds and the amount of capital each fund has available for such investment.

Under certain circumstances, an affiliate of HealthCor Partners, the Hybrid Master Fund invested side-by-side with the Funds in private equity transactions, as disclosed in their respective offering documents. Other than the Hybrid Master Fund, no other affiliated funds participated or currently participate in the private equity strategy. Private equity investments were allocated between the Funds and the Hybrid Master Fund at the discretion of the Adviser and HealthCor, respectively, and such allocations may have varied from transaction-to-transaction. Any potential conflicts of interest arising from these arrangements would be addressed by the Adviser and HealthCor, and such advisers will make investment decisions based on what they believe to be fair and equitable for their respective funds, taking into account such factors as the relative amounts of capital available for new and follow-on investments, the investment strategies, and portfolio positions of the Funds and the Hybrid Master Fund, among other relevant considerations.

Conflicts may arise when an investment is suitable for the Funds as well as HealthCor's other affiliated funds. The risk of these conflicts is mitigated by the fact that, other than as described above, there is minimal overlap between the investment strategy of the Funds and that of HealthCor's affiliated funds. As HealthCor Partners invests primarily in private companies and such affiliated funds invest primarily in public companies, there are few opportunities for conflicts to arise. Should such a circumstance arise, however, the Adviser will act in a manner that it believes to be fair and equitable under the circumstances.

Where appropriate, based on the size of the opportunity and other factors and in accordance with its Co-Investment Policy, the Adviser or its affiliates may offer co-investment opportunities to its affiliates and investors in the Funds, generally on a 50%/50% basis between the investors, pro rata in accordance with their capital commitments, and the Adviser's affiliates. In addition, the Adviser or its affiliates may offer co-investment opportunities to third parties who the Adviser expects will provide strategic or other benefits to the investment which may limit commitment capacity and availability for investors in the Funds. A co-investor may invest directly in an investment opportunity or through one or more limited partnerships or similar entities formed for each investment, which will typically be private funds. The terms and conditions of a co-investment may differ between third parties, on the one hand, and the Adviser's affiliates and Fund investors, on the other hand, but will generally be no more favorable to the co-investors than those received by the relevant Fund. Any such co-investment will be disposed of by the Fund before or at



substantially the same time as the co-investors. The Adviser and its affiliates will generally not require co-investors to pay Management Fees or performance compensation on the co-investment. A co-investor will be required to bear its pro rata portion of expenses incurred in relation to its co-investment. Such expenses are generally expected to include an allocation of the costs and expenses incurred by the Adviser, its affiliates and/or the Fund related to the co-investment. The Adviser or its affiliates will allocate the available co-investment opportunities among the Funds, the co-investing investors and the Adviser's affiliates, and any third parties as it may determine.

The Adviser and its personnel do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

HealthCor Partners expects its employees to devote their full attention and efforts towards their duties to HealthCor Partners. No employee may engage in any outside work or business which interferes with the performance of their responsibilities to HealthCor Partners. Employees may not serve as officers or directors of public companies without receiving prior approval from HealthCor Partners. However, so long as such activities do not interfere with an employee's responsibilities to HealthCor Partners, employees may serve as outside directors to such entities as private corporations, charitable foundations, and other not-for-profit institutions. Employees are required to disclose these affiliations to compliance. Compliance will determine how best to address potential conflicts as they arise.

## **ITEM 11**

### **CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Adviser has adopted a Code of Ethics (the "**Code**"). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times.

The Code places certain restrictions on personal trades by employees, requires that they disclose their personal securities holdings and transactions to the Adviser on a periodic basis,

and requires that employees pre-clear certain types of personal securities transactions. The Code also includes an insider trading policy designed to deter the misuse of material non-public information and other procedures intended to avoid conflicts of interest between clients and the Adviser's personnel in connection with personal securities transactions.

Potential and actual conflicts of interest may arise from the Adviser's personal trading policy. The Adviser has established policies and procedures to monitor personal trading, including strict pre-clearance requirements, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest.

Clients and prospective clients may request a copy of the Code by contacting the Adviser at the address or telephone number listed on the first page of this brochure.

## **ITEM 12**

### **BROKERAGE PRACTICES**

Investments for the Funds are made through private negotiations directly with the portfolio companies and their existing shareholders, and, therefore, the Funds do not engage in trading of securities through broker-dealers.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

HealthCor Partners' senior personnel, including senior managing directors, analysts, associates, chief financial officer, chief operating officer, general counsel and chief compliance officer conduct periodic reviews of each Fund's portfolios. The Adviser provides the following written reports to the investors in the Funds: unaudited quarterly financial statements, unaudited quarterly capital account statements, and audited financial statements within 120 days each Fund's fiscal year end.

## **ITEM 14**

### **CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services. The Adviser entered into an agreement with a placement agent for services associated with raising capital for HealthCor Partners Fund II, L.P. The

agreement has since been terminated. The placement agent did not earn a fee for services provided with respect to HealthCor Partners Fund II, L.P.

## **ITEM 15**

### **CUSTODY**

The Funds' assets are held in custody by unaffiliated banks with the exception of private stock certificates maintained with the Adviser subject to compliance with SEC guidance. The Funds are subject to an annual audit and the audited financial statements, prepared in accordance with generally accepted accounting principles, will be distributed within 120 days of the Funds' fiscal year end. In addition, upon the final liquidation of a Fund, financial statements reflecting the final audit will be distributed to investors.

## **ITEM 16**

### **INVESTMENT DISCRETION**

The Adviser is appointed pursuant to an investment management agreement as the investment manager of each Fund with full discretionary authority for investment decisions, and its advice with respect to the Funds is made in accordance with the investment objectives and guidelines as set forth in each Fund's respective offering memorandum.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

The Adviser does not invest in the types of securities that would require voting proxies on behalf of client accounts. The Adviser does, however, vote on proposals, amendments, consents and resolutions as a shareholder and, often times, as a member of the board of directors of portfolio companies. The Adviser's general policy as relates to such voting is to do so in a prudent and diligent manner keeping in mind the Adviser's fiduciary obligation to base its voting decision on its reasonable judgment of what will serve such Fund's best interests and is in line with each Fund's investment objectives.

## **ITEM 18**

### **FINANCIAL INFORMATION**

The Adviser is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds.