

INVESTMENT ADVISER BROCHURE

HEALTH EVOLUTION MANAGEMENT Co., LLC

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Health Evolution Management Co., LLC, a Delaware limited liability company (“HEMCo”). If you have any questions about the contents of this Brochure, please contact us at (415) 362-5800. 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 authority.

HEMCo is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding HEMCo is also available on the SEC’s website at www.adviserinfo.sec.gov.

This Brochure, dated March 27, 2015, serves as an update to HEMCo's Brochure dated March 28, 2014 (the "Prior Brochure"). This brochure contains routine annual updates to the Prior Brochure, as well as certain other updates including those regarding the advisory business, fees and compensation and methods of analysis / investment strategies.

At any time, you may view the current version of HEMCo's Brochure on the SEC's website at www.adviserinfo.sec.gov.

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ADVISORY BUSINESS

Health Evolution Partners is a private investment management firm, including several other entities and other affiliated organizations affiliated with Health Evolution Management Co., LLC, a Delaware limited liability company (“**HEMCo**” and, together with such affiliated organizations, collectively, “**Health Evolution Partners**”), that as of December 2014 managed approximately \$547.99 million in private fund assets.

HEMCo is a registered investment adviser that commenced operations in May 2007. HEMCo and its affiliated investment adviser, Health Evolution Partners GP, LLC (the “**GP**” and, together with HEMCo, the “**Advisers**”), provide investment advisory services to private investment funds.

The GP is registered under the Advisers Act pursuant to HEMCo’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each Adviser, which operate as a single advisory business.

As more fully described below, the GP has delegated the management of the business and affairs of HEP Fund I (defined below) and HEP Co-Investment Fund (defined below), in each case, to HEMCo (For purposes of this Brochure, HEP Fund I and HEP Co-Investment Fund, each a “**Fund**,” collectively, the “**Funds**” and together with any future private investment fund managed by HEMCo, the “**Private Investment Funds**”).

The Funds and any other Private Investment Funds are private equity funds and invest through negotiated transactions in operating entities. HEMCo’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted subject to certain limitations set forth in the applicable Fund’s limited liability company agreement or limited partnership agreement, as the case may be (each a “**Fund Agreement**” and collectively, the “**Fund Agreements**”). From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of HEMCo or its affiliates may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over the management of a Fund’s portfolio companies.

The GP is the general partner of the private funds listed below (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**HEP Fund I**”).

- Health Evolution Partners Fund I, L.P., a Delaware limited partnership
- Health Evolution Partners Fund I (AIV I), L.P., a Delaware limited partnership

Additionally, the GP serves as the manager of Health Evolution Partners Co-Invest, LLC, a Delaware limited liability company (“**HEP Co-Investment Fund**”). HEP Co-Investment Fund was formed for the purpose of investing side-by-side with HEP Fund I in each portfolio company of HEP Fund I on a *pro rata* basis (based on the same portion of the HEP Fund I’s aggregate available capital commitments invested in each such portfolio company); *provided*, that

beginning on December 31, 2014, HEP Co-Investment Fund may not invest side-by-side with HEP Fund I without the consent of the advisory board of HEP Fund I.

HEMCo's advisory services for the Private Investment Funds are further detailed in the applicable private placement memoranda and the supplements thereto (each, a "**Private Placement Memorandum**" and, collectively, the "**Private Placement Memoranda**") and the Fund Agreements and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Private Investment Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints.

HEMCo is controlled by its principal owner, Health Evolution Management Principals, LLC, a Delaware limited liability company ("**HEMCo Manager**"). HEMCo Manager is controlled by its principal owner, Dr. David J. Brailer (the "CEO").

FEES AND COMPENSATION

In general, HEMCo receives a management fee ("**Management Fee**") paid by the Funds in connection with advisory services it provides. HEMCo or other Health Evolution Partners entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Funds (*e.g.*, the GP receives carried interest, discussed in detail below) and such additional compensation may offset in whole or in part the Management Fee otherwise payable to HEMCo. Limited Partners (defined below) in the Funds also bear certain fund expenses.

Management Fees

HEP Fund I

HEP Fund I pays a Management Fee to HEMCo quarterly in advance. The aggregate Management Fee over the remaining term of HEP Fund I may not exceed \$17.4 million in the aggregate or \$4.5 million in any one calendar year.

The Management Fee will be reduced by 100% of all directors', consulting, transaction, monitoring, break-up or similar fees paid to HEMCo, the GP and their affiliates. To the extent that a fee offset would reduce the Management Fee being paid in a quarter below zero, the excess fee offset will be applied against future installments of the Management Fee; *provided, however*, that if upon the dissolution of HEP Fund I any unapplied excess fee offset remains, such amount will be paid by HEMCo to HEP Fund I for distribution to the Limited Partners.

HEP Co-Investment Fund

HEP Co-Investment Fund does not pay a Management Fee.

Other Information

The Funds and any other Private Investment Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise

described in the Fund Agreements over the term of the Funds (or the relevant Private Investment Funds, as applicable) and Fund limited partners (“**Limited Partners**”) and members (“**Members**”), as applicable, are generally not permitted to withdraw or redeem interests in the Funds (or other relevant Private Investment Funds, as applicable). The Advisers reserve the right to waive all or a portion of any Management Fee and/or Carried Interest payable by Limited Partners or Members of their respective Funds or other Private Investment Funds.

In addition to the Management Fee and Carried Interest, the Funds bear certain expenses. As set forth in its Fund Agreement, HEP Fund I bears all fees, costs and expenses incurred on behalf of HEP Fund I (other normal overhead and administrative expenses incurred by HEMCo or its affiliates in connection with the management of HEP Fund I), including legal fees; expenses related to the preparation and distribution of HEP Fund I reports; taxes; brokerage, custody and finder’s fees; legal, accounting, advisory, financing and consulting fees; legal and other expenses related to registration of portfolio securities; costs and expenses incurred in connection with the purchase or disposition of portfolio investments; costs, fees and expenses incurred in connection with unconsummated portfolio investments (“**Broken Deal Expenses**”) to the extent not reimbursed by portfolio companies or prospective portfolio companies, subject to reasonable limitations on such Broken Deal Expenses agreed upon by the GP and the advisory board; audit fees; indemnification expenses; insurance expenses; litigation or similar expenses; third-party valuation firms; and expenses of Limited Partner and advisory board meetings (including travel expenses of HEMCo personnel to attend such meetings).

As set forth in its Fund Agreement, HEP Co-Investment Fund bears all taxes, costs and expenses in connection with its activities, other than organizational expenses, which are borne by HEP Fund I. HEP Co-Investment Fund formed a new series of interests with respect to each investment. Series in the HEP Co-Investment Fund generally were formed in connection with the consummation of a transaction. Accordingly, where a proposed transaction was not consummated, no such series generally would have been formed, and the full amount of any Broken Deal Expenses relating to any such proposed transaction were therefore borne by HEP Fund I.

HEMCo and/or its affiliates generally have discretion over whether to charge transaction fees and other portfolio company-related fees to a portfolio company and, if so, the fee rate or amount. The receipt of transaction fees or other portfolio company-related fees may give rise to conflicts of interest between the Private Investment Funds, on the one hand, and HEMCo and/or its affiliates, on the other hand.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

HEMCo does not receive a carried interest allocation (“**Carried Interest**”) for its advisory services to the Funds. However, the GP does receive Carried Interest.

The GP receives Carried Interest from HEP Fund I that is calculated as a share of the profits of such Fund ranging from 10% to 25%. The specific terms of, the manner of calculation and the application of such Carried Interest are set forth in the governing documents of such Fund. Prospective investors in HEP Fund I are strongly encouraged to review the governing documents of such Fund prior to undertaking an investment therein.

Additionally, HEMCo provides investment advisory services to HEP Co-Investment Fund, and such Fund is not subject to Carried Interest. This practice could present a conflict of interest because HEMCo has an incentive to favor accounts that are subject to Carried Interest. HEMCo addressed this potential conflict of interest by causing HEP Co-Investment Fund to invest, to the extent practicable, in the same portfolio companies at the same time and on the same terms on a *pro rata* basis, based on relative commitment size of HEP Co-Investment Fund, with HEP Fund I. The potential conflict of interest has been eliminated since HEP Co-Investment Fund can longer invest alongside Fund I.

TYPES OF CLIENTS

HEMCo provides investment advice to Private Investment Funds, including the Funds. Private Investment Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of HEMCo and its affiliates.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES

HEP Fund I invests in fast growing companies that HEMCo believes are commercial leaders in the health care industry. HEP Fund I seeks to invest in commercially proven companies through buyouts, control investments or shared control investments. The HEP Fund I's investments are structured with a priority on minimizing downside risks.

The HEP Fund I's mandate is to build a portfolio of health care companies. HEMCo intends to realize this mandate through three strategies. First, invested capital is diversified across sectors of the health care industry, including companies that deliver health care services, that provide health information technology and that provide life sciences products and services. Second, the HEP Fund I targets its sourcing toward profitable health care companies that offer commercially accepted solutions addressing what HEMCo believes are unmet needs in the industry. Third, the HEP Fund I seeks to add value to portfolio companies by working closely with management to expand commercial capacity and accelerate revenue growth.

Risks of Investment

The Funds and their investors bear the risk of loss that the Advisers' investment strategy entails. Below is a summary of certain risks involved with the Advisers' investment strategy and an investment in the Funds. Investors should review each Fund's governing documents for further information regarding risks specific to a Fund.

General Risks

Competition for investments. The Funds will compete with other entities for the acquisition of investments. Such competition may come from groups such as institutional investors, investment managers, industrial groups and merchant banks, which may have greater resources than a Fund and are owned by large and well-capitalized investors. There may be intense competition for investments of the type in which the Funds intend to invest, and such competition may result in less favorable investment terms than would otherwise be the case. A Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. Therefore, there can be no assurance that a Fund's investments will meet the investment objectives, or that such Fund will be able to invest all of its available capital.

No assurance of investment return. The task of identifying opportunities in private operating companies, managing such investments and realizing a significant return for investors is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage, and realize such investments successfully. There is no assurance that a Fund will be able to invest capital on attractive terms or generate returns. There is no assurance that a Fund's investments will be profitable and there is a risk that its losses and expenses will exceed income and gains. As such, there is no assurance of any distribution to a Fund Limited Partners or Members, as applicable, prior to, or upon, liquidation of such Fund.

Effect of carried interest. The existence of the GP's carried interest may create an incentive for the GP to make more speculative investments on behalf of the Funds than it would otherwise make in the absence of such performance-based arrangement.

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

Legal, tax, and regulatory risks. Legal, tax, and regulatory changes could occur during the term of a Fund that may adversely affect it, its portfolio companies or its investors. For example, changes in laws and regulations applicable to taxation of carried interest may result in certain types of investments and/or investment returns being treated differently and accordingly may influence the GP's decisions as to how to best structure the investment profile. A Fund may have limited legal recourse in the event of a dispute, and remedies might have to be pursued in the courts of a variety of countries. There can be no assurance that regulations promulgated in countries where a Fund invests will not adversely affect a Fund or its portfolio investments.

Investment in the Healthcare Industry. Healthcare companies in the United States, Europe and other developed and emerging countries are subject to governmental regulation as

well as the rapid development of technologies, particularly in sectors relating to biotechnology and life sciences. Healthcare companies are often characterized by limited product focus, and obtaining governmental approval for new products from governmental agencies can be lengthy, expensive and uncertain as to outcome. Competitive pressures within the healthcare industry are intense and the securities of healthcare companies may be subject to significant price volatility. In addition, because certain sectors of the healthcare industry are subject to rapid and significant changes in technology, the companies that the Funds will invest in will face competition from technologies being developed or to be developed in the future by other entities, which may make such companies' products and services obsolete. These factors may result in abrupt advances and declines in the valuation of particular companies and, in some cases, may have a broad effect on the valuations of companies in particular sectors of the healthcare industry.

Regulatory Constraints. The healthcare industry is subject to regulatory controls by international, national, and in some instances, local governmental authorities. The nature and scope of healthcare regulation generally are subject to political forces and market considerations, the effects of which cannot be predicted. Healthcare regulations often are aimed at advancing a variety of social policies, such as the general protection of consumers and the provision of universal access to products and services. The healthcare industry has experienced, and is expected to continue to experience, extensive and dynamic change. In addition to economic forces and regulatory influences, continuing political debate has subjected the healthcare industry to significant reform. There has also been significant media and public attention focused in recent years on the healthcare industry. The general partners expect government officials, at both state and federal levels, to continue to review and assess alternative healthcare delivery systems and payment methodologies. Further, healthcare laws and regulations, particularly those governing the Medicare and Medicaid programs, are complex and subject to interpretation. Changes in the law or new interpretations of existing laws may have a dramatic effect on the scope of permissible or impermissible activities, the relative cost of doing business, and the methods and amounts of payments for medical care by both governmental and other payors. In addition, the introduction of new products, services and technologies could render some healthcare companies obsolete and may result in abrupt fluctuations in their value. Such future changes may further impact the Funds' portfolio companies and there can be no assurance that future legislation or regulatory changes will not have a material adverse effect on the operations of the Funds' portfolio companies. There has also been an increase in dedicated funding for additional federal enforcement activities related to healthcare providers and for preventing fraud and abuse. For instance, the Healthcare Reform legislation (discussed further below) increases funding for fraud and abuse enforcement activities against healthcare providers. The additional funding may increase enforcement activities, including investigations, and it is possible that governmental entities could initiate investigations or litigation in the future and, while some may be defensible and/or frivolous in some respects, such matters could result in significant penalties, as well as adverse publicity. It is also possible that executives of the Funds' portfolio companies could be included in governmental investigations or litigation or named as defendants in private litigation.

Healthcare Reform Legislation. Significant legislation regarding the healthcare industry has recently been signed into law by President Obama. On March 23, 2010, the President signed the Patient Protection and Affordable Care Act of 2010, or the Patient Protection and Affordable

Care Act, and on March 30, 2010, the President signed into law the Healthcare and Education Reconciliation Act of 2010, or the Reconciliation Act, which in part modified the Patient Protection and Affordable Care Act (collectively the “Legislation” or “Healthcare Reform”). The Legislation will serve as a primary vehicle for comprehensive healthcare reform in the U.S. and is broad in scope and likely to affect significant changes in the healthcare sector. The Legislation is intended to reduce the number of individuals in the U.S. without health insurance and will cause significant other changes to the ways in which healthcare is organized, delivered and reimbursed. The Legislation will become effective through a phased approach, beginning in 2010 and concluding in 2018, and many provisions will likely require implementing regulations and/or the issuance of certain additional programmatic guidelines. In addition, such Legislation is often followed by subsequent legislation and litigation to address and remedy previously unanticipated consequences, or to further define provisions of the Legislation. The following are only some of the aspects of the Legislation that the general partners expect may affect the Fund’s portfolio companies: (a) reduces or subjects to future adjustment Medicare reimbursement rates for certain healthcare services; (b) includes enhanced program integrity provisions, provider billing limitations, provider overpayment notification requirements and overpayment recoupment capabilities for the CMS, the federal agency within the U.S. Department of Health and Human Services that administers the Medicare and Medicaid programs; (c) includes expanded civil monetary penalties applicable to all Medicare and/or Medicaid providers; (d) expands authority to suspend payments if a provider is investigated for allegations or issues of fraud; and (e) expands and/or revises certain “ownership” disclosure requirements in an effort to improve transparency of information, which may create additional exposure to investors. As a result of the scope of the Legislation, the significant changes it will likely engender in the healthcare industry, the complexity of the technical issues it addresses, and lack of detail available for many aspects (including reimbursement rates and insurance coverage requirements), the general partners are unable to predict, at this time, the impact on the Funds or their portfolio companies of the Legislation and related regulations or guidelines and any additional related legislative or policy measures. Therefore, there can be no assurance that such laws, related regulations or guidelines (or any additional related legislative or policy measures) will not have an adverse impact on the Funds’ activities, including the ability of the Funds to achieve its investment objectives. In addition, the United States Supreme Court has heard cases concerning the Legislation’s provision that requires all citizens to obtain health insurance. The Supreme Court has upheld all provisions of the Legislation other than Medicaid funding requirements that involve Federal-State relations. Given the continued legal challenges to the validity of the Legislation’s provisions, HEMCo cannot predict the extent to which the Legislation will be implemented.

Litigation Risks in the Healthcare Industry. Companies in the healthcare industry are often subject to significant risks related to litigation and liability for damages in connection with their operations. Such litigation and liability may arise, for example, over the design, management and offering of products and services; the denial of healthcare benefits; medical malpractice actions; allegations of anti-competitive and unfair business activities; provider disputes over compensation and termination of provider contracts; disputes over co-payment calculations; claims related to the failure to disclose certain business practices; and claims relating to customer audits and contract performance. The litigation and liability environment in the healthcare industry is constantly evolving, and new court decisions and legislative activity

may increase exposure for any of these types of claims. While companies typically have insurance coverage for some of these potential liabilities, other potential liabilities may not be covered by insurance, insurers may dispute coverage or the amount of insurance may not be enough to cover the damages awarded. In addition, certain types of damages, such as punitive damages, may not be covered by insurance, and insurance coverage for all or certain forms of liability may become unavailable or prohibitively expensive in the future.

Lack of diversification. To the extent that HEP Fund I concentrates investments in a particular company, sector, country, or region, such investments will become more susceptible to fluctuations in value resulting from adverse business or economic conditions affecting that particular company, country or region. As a consequence, the aggregate return of such Fund may be adversely affected by the unfavorable performance of one or a small number of companies, sectors, countries or regions in which such Fund has invested. In certain cases, such Fund may acquire majority or 100% interests in portfolio companies, which could further increase the vulnerability of such Fund's portfolios.

Availability of investment capital. Portfolio company investments may require several rounds of capital infusions before the portfolio company reaches maturity. If a private equity 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 private equity investor's original investment. Although it will be the policy of HEP Fund I to maintain sufficient liquidity to allow participation in follow-on rounds of financings, each Fund does not intend to provide all necessary follow-on financing. Accordingly, third-party sources of financing will be required. There is no assurance that such additional sources of financing will be available, or, if available, will be on terms beneficial to such Fund. Furthermore, such Fund's capital is limited and may not be adequate to protect each from dilution in multiple rounds of portfolio-company financing.

Lack of liquidity within investment portfolio. The marketability and value of each investment will depend upon many factors beyond HEP Fund I's control. Generally, the investments made by such 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 investments, a portfolio company may lack one or more key attributes (*e.g.*, sophisticated operations infrastructure, complete management team or strategic alliances) necessary for success. There may be no readily available market for the investments, many of which will be difficult to value, and the disposal of a portfolio investment by such Fund may be prohibited or delayed many years from the date of initial investment for legal and/or regulatory reasons. The public market for health care and other emerging companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of HEP Fund I to dispose of investments and the value of investment securities on the date of sale or distribution by such Fund.

Risks of certain dispositions. In connection with the disposition of an investment in a portfolio company or otherwise, HEP Fund I may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate, and under certain circumstances

described in the Fund Agreement, such Fund may make distributions of cash or securities to its Limited Partners that remain subject to recall for the payment (in whole or in part) of such contingent liabilities. These arrangements may result in contingent liabilities, which may ultimately have to be funded by HEP Fund I.

Non-controlling investments. HEP Fund I may hold a non-controlling interest in certain portfolio companies and, therefore, may have a limited ability to protect the position in such portfolio companies. However, as a condition to an investment in a portfolio company, it is expected that appropriate rights generally will be sought to protect HEP Fund I's interests to the extent possible. There can be no assurance that such minority shareholder rights will be available.

Fund Conflicts of Interest

Investors should be aware that there will be situations where the Advisers and their respective affiliates may encounter potential conflicts of interest in connection with the Funds' investment activities. The following discussion details certain potential conflicts of interest that should be carefully considered before making an investment in any of the Funds:

Allocation of Investment Opportunities. From time to time, HEMCo will be presented with investment opportunities that would be suitable not only for one Fund, but also for other Private Investment Funds and other investment vehicles operated by advisory affiliates of HEMCo. In determining which investment vehicles should participate in such investment opportunities, HEMCo and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. HEMCo attempts to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by HEMCo's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among each Fund, other Private Investment Funds and such investment vehicles in a fair and equitable manner. Where necessary, HEMCo consults and receives consent to conflicts from the advisory board of HEP Fund I.

Carried Interest. As discussed above, the existence of the GP's carried interest may create an incentive for the GP to make more speculative investments on behalf of the Funds than it would otherwise make in the absence of such performance-based arrangement.

Other Activities. Other activities of affiliates of the Funds with which such personnel are associated, or with which they may become associated in the future, may require them to devote substantial amounts of their time to matters unrelated to the business of the Funds.

Portfolio Company Relationships. A Private Investment Fund's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Private Investment Funds that, although Health Evolution Partners determine to be consistent with the requirements of such funds' governing agreements, might not have otherwise been entered into but for the affiliation with Health Evolution Partners, and which may involve fees and/or servicing payments to entities affiliated with Health Evolution Partners which are not subject to the management fee offset provisions.

Common Service Providers. Health Evolution Partners and a Private Investment Fund may engage other common service providers. In such circumstances, there will be a conflict of interest between Health Evolution Partners and such Private Investment Fund in determining whether to engage such service providers, including the possibility that Health Evolution Partners will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by such Private Investment Fund.

Co-Investments. The GP, with the consent of the advisory board of HEP Fund I, may offer investors and other third parties the opportunity to co-invest in particular investments alongside HEP Fund I. Co-investment opportunities offered to investors will be allocated as determined by the GP in its discretion, and there is no guarantee for any investor that it will be offered co-investment opportunities. As a general matter, the GP, in determining the allocation of co-investment opportunities, generally expects to take into account various facts and circumstances deemed relevant by the GP, including among others, whether a potential co-investor has expressed interest in evaluating co-investment opportunities, whether a potential co-investor has a history of participating in co-investment opportunities with Health Evolution Partners, the size of the potential co-investor's interest to be held in the underlying portfolio company as a result of the HEP Fund I's investment (which is likely to be based on the size of the potential investor's capital commitment and/or investment in HEP Fund I), whether the potential co-investor has demonstrated a long-term or continuing commitment to the potential success of Health Evolution Partners, HEP Fund I or other Private Investment Fund or other co-investment, and such other factors that the GP deems relevant under the circumstances. The terms and conditions of any co-investment opportunities will generally be negotiated by the GP and/or HEMCo and the potential co-investor on a case-by-case basis. The allocation of co-investment opportunities may involve a benefit to the GP and/or HEMCo including, without limitation, fees or carried interest from the co-investment opportunity, and such co-investment fees could create an incentive for the GP and/or HEMCo to pursue an investment and structure the terms of HEP Fund I's investment differently than it otherwise would in the absence of such co-investment fees. Co-investment fees realized by the GP and/or HEMCo and the costs that the co-investor bears, including the extent to which a co-investor would share in any broken-deal costs, are negotiated by the GP and/or HEMCo on a case-by-case basis.

DISCIPLINARY INFORMATION

HEMCo and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

HEMCo is affiliated with other Health Evolution Partners investment advisers registered with the SEC under the Advisers Act pursuant to HEMCo's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with HEMCo and serve as managers or general partners of private investments funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Advisers have adopted the Health Evolution Partners Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of Health Evolution Partners principals and employees and addresses conflicts that arise from personal trading. The Code requires Health Evolution Partners personnel to report their personal securities transactions, requires pre-clearance for Health Evolution Partners personnel to directly or indirectly acquire beneficial ownership of securities in an initial public offering, and prohibits Health Evolution Partners personnel from directly or indirectly acquiring beneficial ownership of securities in any limited offering without first obtaining approval from the Health Evolution Partners Chief Compliance Officer and compliance with other applicable procedures. A copy of the Code will be provided to any Limited Partner or prospective limited partner upon request to Kay Yun, the Health Evolution Partners Chief Compliance Officer, at (415) 362-5800. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers’ personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Private Investment Funds, including the Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds.

The Funds and other Private Investment Funds may invest together with other funds advised by an affiliated adviser of HEMCo in the manner set forth in their Fund Agreements. The Advisers will determine the allocation of investment opportunity in a manner that it believes is fair and equitable to its clients consistent with the Advisers’ obligations and may take into consideration factors such as the following: the client’s investment restrictions and objectives (including those set forth in the relevant client’s governing documents, where applicable), investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits and other relevant factors, including risk.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for the Funds even though their investment objectives may be the same or similar.

BROKERAGE PRACTICES

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Advisers do not intend to engage in public securities transactions, to the extent they do so, they follow the brokerage practices described below.

If the Advisers sell publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Advisers’ Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by the Advisers, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Fund. Research services may be shared among the Advisers and their affiliates.

The Advisers do not employ any agreement or formula for the allocation of brokerage business on the basis of research services; however, the Advisers may, in their discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the Advisers have determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Advisers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

The Advisers will periodically determine which brokers have provided research that has been helpful in the management of Private Investment Funds. To the extent consistent with the Advisers' goal to obtain best execution for the Funds, the Advisers may seek to place a portion of the trades that they direct with the brokers who are identified through this process.

To the extent that the Adviser allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Private Investment Funds' interest in receiving most favorable execution.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Advisers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of

securities. However, HEMCo closely monitors companies in which the Funds invest, and the Health Evolution Partners Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

HEP Fund I will provide to each of its Limited Partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Limited Partner's tax return and (iii) at the time of delivery of the financial statements, reports providing a description of all investments held by the Funds and a narrative summary of the status of each such investment. The HEP Co-Investment Fund will provide to each of its Members (i) annual GAAP audited financial statements and (ii) annual tax information necessary for each Member's tax return.

CLIENT REFERRALS AND OTHER COMPENSATION

HEMCo and/or its affiliates may provide certain business or consulting services to companies in each Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Fund Agreements, this compensation may, in many cases, offset a portion of the Management Fees paid by Funds. However, in other cases (*e.g.*, reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

From time to time, the Advisers may enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential Limited Partner becoming a Limited Partner in a Fund or other Private Investment Fund. Any fees and expenses payable to any such placement agents will borne by HEP Fund I.

CUSTODY

HEMCo maintains custody of the Funds' assets held in each Fund's name with JP Morgan Chase Bank NA.

INVESTMENT DISCRETION

HEMCo has discretionary authority to manage the investments on behalf of each Fund pursuant to the Fund Agreements described under "Advisory Business." As a general policy, the Advisers do not allow clients to place limitations on this authority. Pursuant to the terms of the Fund Agreements, however, the Advisers may enter into "side letter" arrangements with certain Limited Partners or Members whereby the terms applicable to such Limited Partners' or Members' investment in the Funds may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. HEMCo assumes this non-discretionary authority pursuant to the terms of the Fund Agreements and powers of attorney executed by the Limited Partners and Members of the Funds.

VOTING CLIENT SECURITIES

The Advisers have adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for each Fund's (and any Private Investment

Fund's) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Each of the Advisers generally believes its interests are aligned with those of Funds' Limited Partners and Members through the principals' beneficial ownership interests in the Funds and therefore will not seek Limited Partner or Member approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the Funds' advisory boards on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the Funds' advisory boards may approve the Adviser's vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by Health Evolution Partners personnel or their receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. If you would like a copy of the Adviser's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Kay Yun, the Health Evolution Partners Chief Compliance Officer, at (415) 362-5800 and it will be provided to you at no charge.

FINANCIAL INFORMATION

HEMCo does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF HEMCO

David J. Brailer, MD, PhD

Educational Background and Business Experience

David J. Brailer, MD, PhD, born 1959, established Health Evolution Partners in 2007 and serves as its CEO and Managing Partner. Prior to founding Health Evolution Partners, Dr. Brailer founded CareScience, Inc. and served as Chairman and CEO from its inception through its IPO, and until its sale in 2002. In 2004, Dr. Brailer was appointed by President George W. Bush as the first National Coordinator for Health Information Technology. In this role, Dr. Brailer was tasked with developing and leading the nation's strategy for ushering health care into the digital era. Additionally, Dr. Brailer taught in The Wharton School's MBA program for ten years. Currently, Dr. Brailer is on the Board of Directors of Optimal Radiology, American Optical Services and CenseoHealth. Dr. Brailer earned his MD at West Virginia University, completed his internal medicine residency at the University of Pennsylvania School of Medicine, and earned his PhD in health economics at The Wharton School.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Dr. Brailer.

Other Business Activities

Dr. Brailer serves on the board of directors of CenseoHealth, Optimal Radiology and Prolacta Bioscience, all privately-held companies, and Walgreen Co., a publicly-traded company, where he chairs the Finance Committee. Dr. Brailer is a member of the Harvard Medical School Health Policy Advisory Board.

Additional Compensation

Dr. Brailer does not receive any additional compensation that is required to be disclosed.

Supervision

As CEO and Managing Partner of Health Evolution Partners, Dr. Brailer is responsible for implementing and overseeing the investment strategy of the clients of Health Evolution Partners. Dr. Brailer is not subject to the supervision of any other individual.