

**Item 1. Cover Page**

# Consonance Capital



Part 2A of Form ADV Brochure for:

**Consonance Capital Management LP**

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This brochure provides information about the qualifications and business practices of Consonance Capital Management LP. If you have any questions about the contents of this brochure, please contact us at 212-660-8060 or [klivingston@consonancecapital.com](mailto:klivingston@consonancecapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration of an Investment Adviser does not imply any certain level of skill or training. Additional information about Consonance Capital Management LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

This brochure was prepared for Consonance Capital Management LP's initial registration as an investment adviser with the Securities and Exchange Commission. There have been no amendments and no material changes.

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

Consonance Capital Management LP (“Consonance Capital Management”, “Investment Manager”, or “We”) is a Delaware limited partnership formed in July 2007 for the primary purpose of providing investment advisory services to private pooled investment vehicles.

The pooled vehicles for which Consonance Capital Management provides investment advisory services are: (i) Consonance Capital Master Account LP, a Cayman Islands exempted limited partnership (“Consonance Capital Master”); (ii) Consonance Capital Investors LP, a Delaware limited partnership (“Consonance Capital Onshore”) that acts as a feeder fund for Consonance Capital Master; (iii) Consonance Capital Investors Ltd., a Cayman Islands exempted company (“Consonance Capital Offshore” and together with Consonance Capital Master and Consonance Capital Onshore, each a “Fund” and collectively, the “Funds”) that also acts as a feeder fund for Consonance Capital Master. An affiliate of Consonance Capital Management, Consonance Capital Advisors LLC, a Delaware limited liability company (“Consonance Capital Advisors”), serves as the general partner of Consonance Capital Master and Consonance Capital Onshore.

Mitchell J. Blutt, M.D. is the founder, Chief Executive Officer and Co-Portfolio Manager of Consonance Capital Management. Kevin H. Livingston is a founder, partner and Chief Operating Officer of Consonance Capital Management. Benny Soffer, M.D. is a founder, partner and Co-Portfolio Manager of Consonance Capital Management. Consonance CapMan GP LLC, a Delaware limited liability company (“Consonance CapMan GP”), serves as the general partner of Consonance Capital Management. Mitchell J. Blutt, M.D., Kevin H. Livingston and Benny Soffer, M.D. are the principal owners of Consonance Capital Management.

With respect to each of the Funds, the investment objective is to seek capital appreciation without consideration for generating current income. We seek to meet this objective by focusing on investment opportunities in the publicly traded stocks of healthcare companies.

In addition to publicly traded securities, the Funds may invest in privately offered securities, including, but not limited to, common stocks, preferred stocks, convertible bonds, convertible preferred stocks, and privately offered securities commonly known as “PIPEs” (private investments in public equity). These privately-offered securities may be offered by issuers who are either public (traded on an exchange) or private. The Funds may also invest in other types of securities and may use a variety of investment techniques to generate profit and/or control risk, including, but not limited to, engaging in short sales, participating in swaps, buying or selling futures contracts, purchasing and writing options and other derivative contracts, purchasing or selling debt instruments, and trading on margin by borrowing funds and pledging securities as collateral.

The portfolio management services we offer the Funds are set forth in their offering memoranda. We do not tailor portfolio management services to the individual needs of investors in the Funds and the investors in the Funds cannot impose restrictions on investing in certain securities or certain types of securities.

As of March 1, 2012, Consonance Capital Management manages approximately \$135,000,000 on a discretionary basis.

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

Consonance Capital Management receives a monthly investment management fee as described below from investors in the Funds, and Consonance Capital Advisors receives an allocation of profits. Please see Item 6 below for a discussion of the performance-based allocation to Consonance Capital Advisors.

### **Management Fees**

With respect to Consonance Capital Onshore and Consonance Capital Offshore, the management fee will be equal to 0.17% (approximately 2.0% per annum) of the entire capital account or series of shares of each Class A and H investor in Consonance Capital Onshore and Consonance Capital Offshore as of the beginning of the current month (computed prior to the allocation of the performance allocation). If an investor withdraws from a fund or the investment management agreement is terminated before the end of the month, we will refund a pro rata portion of the management fee.

For purposes of determining the management fee, all expenses and fees will be deemed to be incurred at the Consonance Capital Master level. Consonance Capital Master will establish sub-accounts ("Sub-Accounts") for each investor in Consonance Capital Onshore and Consonance Capital Offshore that permit Consonance Capital Master to properly determine the management fee for each investor. Since Consonance Capital Management will receive the management fee at the master fund level, no additional fee will be paid at the level of Consonance Capital Onshore and Consonance Capital Offshore. We may, in our discretion, waive, reduce or rebate the management fee with respect to any investor, including affiliates of Consonance Capital Management and Consonance Capital Advisors.

Consonance Capital Management will bear all of its own normal and recurring operating expenses incurred in connection with the investment management services that it will provide to the Funds. The management fee may be more or less than Consonance Capital Management's costs of providing investment management services to the Funds.

### **Expenses**

Each Fund bears all costs and expenses related to its investments and its operations, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, custodial fees, initial and varying margin interest and commitment fees on debit balances or borrowings, stock borrowing fees and proxy solicitation expenses, legal expenses, audit and tax preparation expenses, accounting fees, fees and expenses of an administrator, insurance expenses including costs of any liability insurance obtained on behalf of the Funds, indemnification expenses, the management fee, regulatory costs and expenses (including filing and license fees), any issue or transfer taxes chargeable in connection with any securities transactions, any entity level withholding taxes and fees, costs of litigation or investigation involving the Fund activities, and any extraordinary expenses. The Funds will also pay for trade errors unless these errors involve willful misconduct or gross negligence on the part of the Investment Manager in the performance of its services.

Consonance Capital Onshore and Consonance Capital Offshore will also be responsible for their pro rata portion of Consonance Capital Master's costs and expenses, the nature of which expenses are expected to be similar to those of its feeder funds.

Neither Consonance Capital Management nor its supervised persons accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products, including interests in the Funds.

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

With respect to Consonance Capital Onshore and Consonance Capital Offshore, Consonance Capital Advisors is entitled to receive a performance allocation as described below.

Generally at the end of each fiscal year, Consonance Capital Advisors will have reallocated to its capital account in Consonance Capital Master a performance allocation from Series A investors in Consonance Capital Onshore and Consonance Capital Offshore equal to twenty percent (20%), and from Series H investors in Consonance Capital Onshore and Consonance Capital Offshore equal to between ten percent (10%) and twenty percent (20%), of the excess net capital appreciation attributable to an investor's capital account or increase in the net asset value of an investor's shares, as applicable, and the investors' corresponding Sub-Accounts. As limited partners of Consonance Capital Master, the performance allocation, while not made at the level of Consonance Capital Onshore and Consonance Capital Offshore, will still be made with respect to that Fund's limited partners or shareholders at the master fund level.

In the event an investor is permitted or required to withdraw or redeem completely or partially from Consonance Capital Onshore or Consonance Capital Offshore other than at the end of the fiscal year, the performance allocation made at the master fund level with respect to that investor for such year will be determined through the applicable withdrawal date. In the event the Sub-Account of an investor in Consonance Capital Onshore or Consonance Capital Offshore has losses in net asset value for prior periods, the performance allocation for that investor's Sub-Account will not be paid until the losses have been recovered (commonly referred to as a "high watermark"); provided, however that the loss amount that must be recovered will be adjusted pro rata to account for any withdrawals or redemptions by that investor made prior to the end of a fiscal year.

For purposes of calculating the performance allocation, all expenses, fees and Investment Manager compensation will be deemed to be incurred at the master fund level. The Sub-Accounts established for each investor in Consonance Capital Onshore and Consonance Capital Offshore will permit Consonance Capital Advisors to properly determine the performance allocation for each investor at the master fund level. Since Consonance Capital Advisors will receive the performance allocation at the master fund level, no additional performance allocation or fee will be paid at the level of Consonance Capital Onshore and Consonance Capital Offshore.

Consonance Capital Advisors may reduce, waive, or rebate the performance allocation with respect to any investor, including affiliates of Consonance Capital Management and/or Consonance Capital Advisors.

The performance allocation may create an incentive to enter into more risky investments than it otherwise would. Consonance Capital Management mitigates this conflict through the use of risk management techniques which are reasonably designed to reduce, as possible, the risk of loss.

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

Consonance Capital Management provides investment advice to the Funds, as described above in Item 4. Consonance Capital Management may consider fund clients if they have sufficient assets to carry on their potential investment program. The Funds may also set minimum requirements and minimum investment amounts for investors. The minimum initial investment with respect to Consonance Capital Onshore and Consonance Capital Offshore is \$1,000,000. The Funds may accept contributions of a lesser amount (but in no event less than \$100,000 other than with respect to Consonance Capital Onshore).

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

#### **Investment Objective**

With respect to each of the Funds, the investment objective is to seek capital appreciation without consideration for generating current income. We seek to meet this objective by focusing on investment opportunities in the publicly traded stocks of healthcare companies. There is no guarantee that our investment objective will be achieved and investment results may vary substantially.

#### **Investment Strategy**

We seek to meet our investment objective by investing substantially in the common stock of publicly traded healthcare companies, and by investing broadly across all subsectors in this broader category, including healthcare information technology, managed care, pharmaceuticals, specialty pharmaceuticals, commercial stage biotechnology, healthcare facilities and services, medical devices and supplies, diagnostics and consumer-based healthcare companies. The Investment Manager believes that understanding and evaluating healthcare companies requires special domain knowledge and expertise. We believe the healthcare sector possesses unique qualities, including rapid innovation, significant regulation, and clinical and commercial complexity that lead to misunderstandings and dislocations of value that can be profited from. The Investment Manager uses its substantial medical, scientific and investment expertise to identify these opportunities and exploit value disparities on both the long and short side of the market. In addition, an active risk management approach, a low amount of margin leverage, our private-equity style due diligence process that manifests itself in a concentrated long portfolio and deep proprietary network of physicians, clinicians, scientists, industry executives, and healthcare administrators and policy experts contribute significantly to the Investment Manager's value proposition, and we believe provides the opportunity for superior risk-adjusted returns.

We anticipate investing primarily in healthcare companies in the U.S., and on an opportunistic basis in the rest of the world. Generally, it is anticipated that the portfolio will be comprised of ten (10) to twenty (20) long positions, and twenty (20) to thirty (30) short positions. The

Investment Manager anticipates that the five (5) largest long positions may approximate fifty (50%) of the portfolio at market value. Generally, it is anticipated that no single investment will represent more than 15% of the portfolio at market value in long positions and more than 4% of the portfolio at cost in short positions. We will attempt to generate absolute returns commensurate with the potentially higher volatility, but will not sacrifice absolute returns for the sole purpose of reducing volatility.

## **Methods of Analysis**

We apply over 25 years of healthcare of investing experience to a fundamental, private equity-styled process of sourcing, due diligence, and investing in publicly traded equities and other securities. We seek to identify and analyze companies trading below their intrinsic value, which may include deep value as well as growth companies.

Our target universe includes over 400 healthcare companies with market capitalizations ranging from \$100 million to over \$5 billion.

In addition to the traditional sources of new investment ideas including financial screens, sell-side analysts, buy-side analysts, investment bankers, industry conferences, Consonance Capital Management pulls from active discussions with physician/colleagues, healthcare executives and the private equity community. The Investment Manager has over 25 years of experience in the healthcare investment industry in both public and private companies and has developed a deep and proprietary network of physicians, clinicians, scientists and industry executives that contribute significantly to our sourcing and due diligence processes.

Once an idea merits a level of discussion, a preliminary assessment is made, including business description, consensus valuation, initial investment thesis, view of core value-creation driver, and biographies of senior management and the board of directors. On the basis of this initial assessment we determine if the idea is worth pursuing in more depth, and if so, a path of due diligence is mapped out including a pooled effort to identify appropriate points of contact, including physicians and other industry executives. The due diligence process includes analysis of proprietary valuation models, overall market opportunity and growth attributes for the company's key products, the company's financial position, the abilities of senior management of the company, competition, and the regulatory and reimbursement environment. We consider the forecasted return opportunity, strength of proprietary insight/thesis, unique touch points of due diligence, and access to senior management to be the key elements in our investment process.

The process continues towards developing further perspective and analysis, and each position is tracked closely to ensure our core investment thesis remains intact and that the asymmetric risk-return opportunities we seek remain favorable. While we track and monitor the portfolio's sub sector exposures, we believe the idiosyncratic qualities of each position to be of more importance. The Funds will use short positions to generate alpha and potentially absolute return, and these positions may indirectly serve as a portfolio hedge. We will maintain risk management processes, including adherence to price targets, monitoring portfolio concentration and liquidity, and other methods that are deemed appropriate.

## **Market and Investment Risks**



Prospective investors should be aware that an investment in the Funds entails risks of significant losses arising from a variety of factors, including the following:

*Healthcare Industry Risks.* The Fund will focus its investments in the publicly traded securities of healthcare companies. Healthcare related stocks, especially those of smaller, research-oriented companies, tend to be more volatile than the overall market.

In addition, the healthcare industry may be subject to extensive government regulation and may therefore be affected by government regulatory requirements, regulatory approval for new drugs and medical products, patent protection considerations, product liability concerns, reimbursement risk and similar significant matters. As these factors impact the industry, the value of the Fund's investments may fluctuate significantly over relatively short periods of time.

*High Growth Industry Related Risks.* Healthcare is one of the largest and fastest-growing sectors of the U.S. economy. Certain of the healthcare companies in which the Funds may invest allocate, or may have allocated, greater than usual amounts to research and product development. The securities of healthcare companies may experience above-average price movements associated with the perceived prospects of success or failure of the research and development programs. In addition, healthcare companies in which the Funds invest could be adversely affected by a lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these healthcare companies may have limited operating histories, limited financial resources and may lack experienced management. As a result, they may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

The markets in which many healthcare companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing. There can be no assurance that healthcare companies in which the Funds invest will successfully penetrate their markets or establish or maintain competitive advantages.

*Portfolio Liquidity.* It is anticipated that the Investment Manager will invest a portion of the Funds' assets in securities for which there is no public market and for which valuations may be difficult. In addition, because some of the Funds' investments may occur over a substantial period of time, the Funds face the risks of changes in long-term interest rates and adverse changes in the relevant markets. These investments may be more difficult to dispose of and, even if the investments of the Funds are successful, they may not produce a realized return to the investors for a period of several years.

*Equity Securities of Small-Cap Companies.* Many healthcare companies may have relatively small market capitalizations and trading volumes may be low. Liquidity issues, together with adverse developments, either industry or healthcare company specific, may significantly impact share prices. In addition, many small and medium size companies are not well known to the investing public, do not have significant institutional ownership and are followed by relatively few analysts, and thus there may tend to be less publicly available information concerning these

companies compared to what is available for companies that have larger market capitalizations. Finally, some securities traded in the over-the-counter (“OTC”) market may have fewer market makers and wider spreads between their quoted bid and asked prices.

*Diversification.* The Funds focus their investments in the publicly traded securities in the healthcare industry. An investment in the Funds does not constitute a diversified investment program. The Funds may hold a few relatively large investments in relation to their capital. Consequently, a loss in any single investment could result in a proportionately higher reduction in the Funds' capital than if the Funds' capital had been spread among a wider number of investments.

*Non-U.S. Currencies and Investments.* Investing in non-U.S. issuers involves certain considerations comprising both risks and opportunities not typically associated with investing in U.S. issuers. These considerations include changes in exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of the Funds' investments will be U.S. dollar denominated, investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. The Investment Manager intends, but is under no obligation, to employ hedging techniques to minimize these risks, but there can be no assurance that these hedging strategies will be effective.

*Private Investments.* The Funds' allow investors to elect whether they wish to participate in any private investments which may be made by the Funds. Private investments give rise to a number of risks. An investor that withdraws its common account generally remains exposed to the risk of loss on any private investment attributable to any special accounts established for that private investment until that private investment is realized or deemed realized. Management fees, the performance allocation and other expenses will continue to accrue and will reduce the amount of proceeds from a special account ultimately recoverable by the investor. Moreover, if the proceeds are insufficient to pay a withdrawn investor's share of accrued expenses, other investors may be required to absorb these charges.

*Board Participation.* The Investment Manager anticipates that the Funds' investment program may from time to time enable the Funds to place its representatives on boards of certain companies in which the Funds have invested. While this representation may enable the Funds to enhance the sale value of its investments, it may also prevent the Funds from freely disposing of their investments and may subject the Funds to additional liability. The Funds will indemnify Consonance Capital Advisors, the Investment Manager or any other person designated by Consonance Capital Advisors or the Investment Manager for claims arising from board representations. The Funds will attempt to balance the advantages and disadvantages of board representation when deciding whether and how to exercise its rights with respect to these companies, but the exercise of these rights could produce adverse consequences in particular situations.

*Leverage.* The Funds may leverage their capital when the Investment Manager believes that the use of leverage may enable the Funds to capitalize on opportunities to achieve a higher rate of return as well as to satisfy withdrawals which would otherwise result in the premature liquidation of investments. While borrowing will increase the investment opportunities available to the Fund, it will also increase the risk of loss on leveraged investments.

*Political, Economic and Other Conditions.* The Funds' investments may be adversely affected by changes in economic conditions or political events that are beyond its control. For example, a stock market break, continued threats of terrorism, the outbreak of hostilities involving the United States, or the death of a major political figure may have significant adverse effects on the Funds' investment results.

*Interest Rate Fluctuations.* The prices of securities tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the Funds of borrowed securities and leveraged investments. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the Funds to losses.

*Equity Securities Generally.* The Investment Manager will invest in equity securities. Market prices of equity securities generally are subject to greater volatility than prices of fixed-income securities. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future.

*Short Selling.* The Investment Manager will engage in selling securities short. Selling securities short inherently involves leverage because the short sale of a security may involve the sale of a security not owned by the seller. The seller may borrow the security for delivery at the time of the short sale. If the seller borrows the security, the seller must then buy the security at a later date in order to replace the shares borrowed. If the price of the security at the later date is lower than that at the date of the short sale, the seller realizes a profit; if the price of the security has risen, however, the seller realizes a loss. Selling a security short which is borrowed exposes the seller to unlimited risk with respect to the security due to the lack of an upper limit on the price to which a security can rise.

*Trading Is Speculative.* The Investment Manager may engage in futures trading. A principal risk in trading futures is the traditional volatility and rapid fluctuation in the market prices. The profitability of futures trading will depend primarily on the prediction of fluctuations in market prices. Price movements for futures are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; weather and climate conditions; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the psychological emotions of the market place. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets and may cause these markets to move rapidly.

*Futures Trading Is Highly Leveraged.* The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investors. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Thus, like other leveraged investments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied in trading will increase the risk of loss by the amount of additional leverage applied.

*Institutional Risks.* Brokers, dealers and other financial institutions will have custody of the assets of the Funds. These firms may encounter financial difficulties that impair the operating capabilities or the capital position of the Funds.

*Bankruptcy of Broker-Dealers.* Any cash and securities maintained by the Fund at accounts at U.S. broker-dealers registered with the SEC and FINRA are protected to a limited degree by the U.S. Securities Investor Protection Corporation. In the event of the bankruptcy of a broker-dealer, if sufficient funds are not available in the broker-dealer's customer accounts to satisfy claims, the reserve funds of the SIPC will be used to supplement the distribution, up to a ceiling of \$500,000 per customer, including a maximum of \$100,000 for cash claims. Therefore, the Funds could be at risk of loss for any amounts in excess of the SIPC limit to the extent that the broker-dealer does not maintain insurance sufficient to cover any amounts owed. Assets held outside the U.S. may be subject to different and/or diminished protection in the event of a counterparty failure located in a non-U.S. jurisdiction.

*Counterparty Risk.* The Funds will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes, which could subject the Funds to substantial losses.

*Government Intervention; Dodd Frank Wall Street Reform and Consumer Protection Act.* The global financial markets have in the past few years gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Governmental intervention has in certain cases been implemented on an "emergency" basis, and may have suddenly and substantially eliminated some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. The regulations relating to the Wall Street Reform and Consumer Protection Act are still being developed and may negatively impact the Funds or their ability to profit on certain opportunities.

## **Item 9. Disciplinary Information**

Neither Consonance Capital Management nor any of its management persons have had any legal or disciplinary events that would be material to an investor's evaluation of Consonance Capital Management or the integrity of Consonance Capital Management's management.

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

Neither Consonance Capital Management nor any of its principals are registered or have an application pending to register as:

1. a broker-dealer or a registered representative of a broker-dealer; or
2. a futures commission merchant, commodities pool operator, a commodity-trading advisor, or an associated person of the foregoing entity

Consonance Capital Management, Consonance Capital Advisors and each of their members, principals, managers, affiliates and employees (the “Consonance Affiliates”) may engage in other activities, including providing investment management and advisory services to other funds and accounts, and shall not be required to refrain from any activity, to disgorge profits from these activities or to devote all or any particular amount of time or effort of any of their officers, directors or employees to the Funds, or its affairs. These other funds or accounts may pursue a substantially similar investment strategy as that of the Fund. These activities could be viewed as creating a conflict of interest in that the time and effort of the Consonance Affiliates will not be devoted exclusively to the business of the Funds, but will be allocated between the business of the Funds and other business activities of Consonance Affiliates.

Also, the General Partner, which acts as the general partner of Consonance Capital Onshore and Consonance Capital Master, is a related person of the Investment Manager. Consonance Capital Management attempts to mitigate this conflict by disclosing the fees to investors in the funds prior to their investment.

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

As a fiduciary, Consonance Capital Management and all of its employees owe investors their loyalty and trust to act solely on their behalf. It is the policy of Consonance Capital Management that all employees shall hold themselves to the highest standards of fairness in all these matters.

Consonance Capital Management expects all employees to act with integrity, competence, dignity, and in an ethical manner when dealing with the public, investors, prospective clients and fellow employees.

Consonance Capital Management expects all employees to adhere to the highest standards with respect to any potential conflicts of interest with investors. Simply stated, no employee should ever enjoy a benefit at the detriment of any investor.

Consonance Capital Management expects all employees to preserve the confidentiality of information obtained in the course of business and to use this information properly and not in any way adverse to the interests of Consonance Capital Management’s investors, subject to legal requirements.

Consonance Capital Management is committed to fostering a culture of compliance. All employees are urged to contact the Compliance Officer regarding any actual or suspected compliance violation.

Consonance Capital Management will provide a copy of its Code of Conduct to any client or prospective investor upon request. Any client or prospective client may submit a written request to Consonance Capital Management at the address on the cover page of this brochure requesting a copy of the Code of Conduct.

### **Personal Trading Policy**

Except as expressly permitted by Consonance Capital Management in writing, and except for any investments in place at the time of becoming an employee of Consonance Capital Management, employees are prohibited from trading in healthcare securities, as defined in the policy, and from acquiring securities in initial public offerings or private placements on behalf of their personal accounts.

### **Reporting Requirements**

Upon employment with Consonance Capital Management, each employee is required to disclose to Consonance Capital Management all personal security holdings in or on behalf of any employee account.

Employees are required to have duplicate monthly statements of their personal brokerage accounts sent directly to the Chief Compliance Officer or a designee. Quarterly statements may be provided if monthly statements are not available. In the absence of duplicate account statements, employees are required to report personal securities transactions within 14 calendar days after the end of each quarter.

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

We are responsible for selecting broker-dealers to execute trades and negotiating any commissions paid on transactions. Consonance Capital Management has an obligation to seek best execution for its investors based on the circumstances of each transaction it places. In selecting a broker for each specific client portfolio transaction, traders will use their best judgment to choose the broker most capable of providing “best execution”. Brokers are selected on the basis of an evaluation by Consonance Capital Management of the overall value and quality of the brokerage services provided by the firms to clients. As a general definition, “best execution” is the execution of client trades at the best net results (i.e., price) under the circumstances. Best execution requires the placement of trades in a manner that is intended to maximize the value of the client’s investment objectives. When a trader places a discretionary order for a client account, many factors must be considered. In seeking the best price and execution quality, traders must consider not only the commission rate, spread or other compensation paid, but the price at which the transaction is executed, bearing in mind that it may be in the client’s best interest to pay a higher commission, spread or other compensation in order to receive better execution.

A portion of the commissions associated with the Fund's brokerage transactions may generate "soft dollar" credits. The Investment Manager will be authorized to enter into agreements whereby "soft dollar" credits are used to pay for eligible research and other brokerage services and products used by the Investment Manager consistent with the "safe harbor" provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended. The operating expenses and overhead costs of the Investment Manager will not be paid for through the use of "soft dollars." We use soft-dollar credits only to pay for research products and services, including Bloomberg and healthcare industry due diligence consultants. Where a research product or service obtained with soft dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost that may be paid for with soft dollars. These soft dollar credits may, however, incentivize Consonance Capital Management to choose brokers that provide the research, as it may offset costs that Consonance Capital Management would otherwise have to pay. Consonance Capital Management attempts to mitigate this conflict by choosing brokers that otherwise satisfy the best execution factors. The Funds do not "pay up" so that Consonance Capital Management may receive these benefits. As there is only one master-feeder structure that is Consonance Capital Management's client, the client receiving the benefit of research is the client that pays for the research.

### **Item 13. Review of Accounts**

On a daily basis, the Funds' portfolio will be monitored closely to ensure our core investment thesis remains intact and that the asymmetric risk-return opportunities we seek remain favorable. While we track and monitor the portfolio's sub sector exposures, we believe the idiosyncratic qualities of each position to be of more importance. The Funds will use short positions to generate alpha and potentially absolute return, and these positions may indirectly serve as a portfolio hedge. We will maintain risk management processes, including adherence to price targets, monitoring portfolio concentration and liquidity, and other methods that are deemed appropriate.

After the end of each fiscal year (generally within 90 days or as soon thereafter as is reasonably practicable) the Funds will prepare and deliver to each investor their Schedule K-1, or equivalent report, and the Funds' audited financial statements prepared in accordance with United States generally accepted accounting principles (except to the extent that the General Partner determines that certain matters shall not be prepared in accordance with generally accepted accounting principles). If the General Partner is unable to deliver Schedule K-1 by April 15, the General Partner will provide investors with estimates of the taxable income or loss allocated to their investments in the Funds. In addition, the Funds will send to each investor at least quarterly an unaudited statement setting forth the Fund's performance for the quarter and year-to-date. Unless otherwise restricted by law, all reports, financial statements, and other information may be delivered to investors electronically.

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

Consonance Capital Management does not pay anyone to solicit clients, nor will there be sales charges payable to the Funds in connection with the sale of interests or shares. The Funds, the General Partner, the Investment Manager or any of their respective affiliates may, however, enter into agreements with one or more third parties providing for, among other things, payments by

the General Partner or the Investment Manager of a one-time or ongoing fee based upon the capital contribution of certain investors introduced by the third parties. In either circumstance, arrangements with third parties will be made in compliance with all applicable rules and regulations and any fees will be borne by the Investment Manager and the General Partner through a reduction of the amounts that they are otherwise entitled to be paid by the Funds.

Consonance Capital Management does not receive any economic benefit from a person who is not a client for providing investment advice or other advisory services to Consonance Capital Management's clients. We do not directly or indirectly compensate any person who is not a supervised person for client referrals.

### **Item 15. Custody**

Consonance Capital Management has custody over the Funds' assets due to Consonance Capital Advisors acting as a general partner of the Master Fund. Consonance Capital Management maintains custodial, clearing, settlement and related services on behalf of its clients through what is known as a "prime brokerage" arrangement. Under that arrangement, a single brokerage firm (the "Prime Broker") maintains custody of each client's assets (either directly or through its clearing brokerage firm). The Prime Broker is a "qualified custodian" and maintains custody of each client's funds and securities in a separate account for that client.

At the end of each fiscal year, each of our Funds has its financial statements examined and certified by an independent certified public accounting firm. Copies of audited financial statements are furnished to each investor of a Fund as soon as practicable after the end of each fiscal year. Unaudited quarterly performance reports also will be provided to each investor in the Funds.

### **Item 16. Investment Discretion**

We have broad discretion, without limitation, to use any trading or investment techniques, whether or not contemplated by the strategies described above, in order to attempt to achieve the return goals and the best interests of the Funds.

The Investment Management Agreements entered into between each Fund and Consonance Capital Management provide that we have complete discretion regarding the investment of the Funds' assets in accordance with the investment objectives, policies, and parameters set forth in the Funds' offering documents.

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

Consonance Capital Management has adopted a proxy voting policy to ensure that proxies it votes, on behalf of each investor, are voted to further the best interest of that investor. Consonance Capital Management determines how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. Consonance Capital Management votes in a manner that we believe reasonably furthers the best interests of the investor and is consistent with our investment philosophy.



Consonance Capital Management will generally vote in favor of matters which follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices. If a proxy vote creates a material conflict between the interests of Consonance Capital Management and an investor, we will resolve the conflict before voting the proxies. Consonance Capital Management maintains records of (a) all proxy statements and materials we receive on behalf of investors, (b) all proxy votes that are made on behalf of the investors, (c) all written requests from investors regarding voting history, and (d) all responses (written and oral) to investors' requests. These records are available to the investors (and owners of an investor that is an investment vehicle) upon request.

### **Item 18. Financial Information**

Consonance Capital Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. Consonance Capital Management has not been the subject of a bankruptcy petition.