

Consonance Capital



Part 2A of Form ADV Brochure for:

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This Brochure provides information about the qualifications and business practices of Consonance Capital Partners, LP (the “Adviser”). If you have any questions about the contents of this Brochure, please contact Wendell Fowler at 212-660-8060 or by e-mail at wfowler@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, and references in this Brochure to the Adviser as a “registered investment adviser” are not intended to imply a certain level of skill or training. Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The following material changes have been made to this Brochure since the last annual amendment filed on March 28, 2014:

- **The Adviser has revised this Brochure to reflect that the form of organization of the Adviser was changed from a limited liability company to a limited partnership in December 2014.**

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Item 4 – Advisory Business

Consonance Capital Partners, LP, a Delaware limited partnership (the “Adviser”), was formed in 2012 as a limited liability company. In December 2014, the Adviser changed its form of organization from a limited liability company to a limited partnership.

The Adviser provides discretionary investment advisory services to pooled investment vehicles organized as private investment funds (the “Funds”). The Funds are:

- Consonance Private Equity, L.P., a Delaware limited partnership (the “Main Fund”);
- Consonance Private Equity PV, L.P., a Delaware limited partnership (the “PV Fund”); and
- Consonance Private Equity AF, L.P., a Delaware limited partnership (the “Friends and Family Feeder Fund” and, together with the Main Fund and the PV Fund, the “Funds”).

The Funds are private investment funds organized principally to invest in healthcare business models that add sustainable value to the healthcare system by facilitating the delivery of higher quality care at a lower cost. Consonance Private Equity GP, L.P., a Delaware limited partnership (the “Lower GP”), serves as the general partner of the Funds. It should also be noted that Consonance GP Capital Feeder, L.P., a Delaware limited partnership (the “GP Capital Feeder”), and Consonance GP Carry Feeder, L.P., a Delaware limited partnership (the “GP Carry Vehicle”), are limited partners of the Lower GP. Certain affiliates of the Adviser are limited partners or members of the GP Capital Feeder and the GP Carry Vehicle. Consonance Private Equity GP, LLC, a Delaware limited liability company (the “Upper GP”), serves as the general partner for the Lower GP, the GP Capital Feeder and the GP Carry Vehicle.

The Adviser is the investment adviser to the Funds, each a private investment fund that invests in private equity investments in lower middle market companies in high growth sectors of the Healthcare Industry (the “Investments”). The Adviser will advise the Funds as to their investment strategy. This strategy typically includes companies in the lower middle market of the healthcare industry, with revenues between \$20 and \$150 million.

The Funds’ investment objectives and/or parameters are set forth in the Funds’ governing documents (the “Fund Documents”) provided to each Investor.

The Adviser does not tailor its advisory services to the individual needs of Investors, and Investors may not impose restrictions on investing in certain securities or types of investments. As applicable, the Fund Documents set forth the Funds’ investment strategy, including guidelines regarding the types of securities the Fund will invest in and portfolio limits (if any).

The Adviser may from time to time recommend that the Funds enter into letter agreements or other similar agreements with one or more Investors that provide such Investors with terms additional to or different from those set forth in the Fund Documents.

Mitchell J. Blutt, MD, Benjamin B. Edmands, Stephen V. McKenna and Nancy-Ann DeParle are the founding members (“Founders”) of the firm and serve on the investment committee. Consonance Capital Partners GP, LLC is the general partner of the Adviser. Mitchell J. Blutt, MD, Benjamin B. Edmands and Stephen V. McKenna (the “Principals”) are the principal owners of Consonance Capital Partners GP, LLC.

The Adviser does not participate in wrap fee programs.

As of January 31, 2014, the Adviser manages \$206,687,500 of Fund assets on a discretionary basis. The Adviser does not currently manage any Fund assets on a non-discretionary basis.

Item 5 – Fees and Compensation

Management Fees

The Adviser receives a management fee in an amount equal to 2% per annum (the “Management Fee”), which is paid quarterly in advance. The Management Fee is based on the aggregate commitments of Investors or the adjusted cost of all unrealized investments, as applicable.

Management Fees and advisory fees applicable to Investors are paid quarterly in advance. Investors may not withdraw from the Funds, and may not sell or transfer any of their interest in the Funds without the prior written consent of the Adviser or its affiliate. As such, the ability to refund a fee is not relevant to Investors.

Expenses

The Funds will pay all expenses relating to the operation of the Funds and proposed or actual investments (whether or not consummated), including but not limited to, expenses of counsel, consultants or advisers, accountants, and custodians, travel and related expenses incurred in connection with transactions (whether or not consummated), portfolio monitoring expenses, any insurance, indemnification or litigation expenses, and any taxes, fees or other governmental charges levied against the Funds.

The Funds will also bear the offering and organizational expenses incurred in the formation of the Funds (including, but not limited to, legal and accounting expenses, and travel expenses) up to \$1.5 million. Offering and organizational expenses in excess of these amounts, together with any placement agent fees, will be borne by the Funds subject to a 100% offset against the Management Fee.

The Adviser (or its affiliate) may be entitled to receive topping, break-up, monitoring, directors’, organizational, set-up, advisory, investment banking, underwriting, syndication, and other similar fees in connection with the purchase, monitoring, or disposition of investments or from un consummated transactions, including warrants, options, derivatives and other rights, in each case valued as of the grant date. These fees will first be applied to reimburse the Adviser or its affiliate for their unreimbursed out-of-pocket expenses in connection with the transaction giving rise to such fees and 100% of the balance, if any, net of any unrecouped fees and expenses for transactions not consummated and other Fund expenses that the Adviser or its affiliate has elected to pay, will be applied to reduce the subsequent installments of the Management Fee.

Performance-Based Fee payable upon Distribution/Realization of Proceeds:

Subject to a clawback, net proceeds from the sale of a portfolio investment and other amounts, including dividends or other proceeds, for each portfolio investment will, in the first instance, be apportioned among Investors pro rata in proportion to their percentage interests in such portfolio

investment. Thereafter, the amount apportioned to the affiliate of the Adviser will be distributed and the amount apportioned to Investors will be distributed in the following amounts and order of priority:

1. 100% to each Investor until the Investor has received cumulative distributions equal to:
 - a. the capital contributions by the Investor that were used to acquire the investment plus the Investor's proportionate share of any permanent write-downs or write-offs of unrealized investments; and
 - b. the Investor's capital contributions for all organizational and Fund-related expenses, including the Management Fee (net of any fees previously applied against such capital contributions in respect of the Management Fee);
2. 100% to all Investors until cumulative distributions are sufficient to provide an 8% cumulative annual return on the Investors' capital contributions;
3. 100% to the affiliate of the Adviser until the cumulative amount distributed equals 20% of the sum of the cumulative amounts distributed to Investors under paragraph (2) above and to the affiliate of the Adviser as described in this paragraph (3); and
4. 80% to all Investors, and 20% to the affiliate of the Adviser.

It should be noted that fees are not negotiable.

It is important that Investors refer to the applicable Fund Documents for a complete understanding of how the affiliate of the Adviser is compensated for services. This is particularly true with respect to performance-based compensation. The information contained herein is a summary only and is qualified in its entirety by such documents.

Item 6 – Performance-Based Fees and Side-by-Side Management

As described in Item 5, an affiliate of the Adviser is eligible to receive performance-based compensation from Investors upon the distribution of investment proceeds.

It should be noted that the possibility of an affiliate of the Adviser's receipt of performance-based compensation creates a potential conflict of interest in that it may create an incentive to make investments that are riskier or more speculative than in the absence of such performance-based fee. Investors are provided with clear disclosure in applicable Fund Documents as to how the performance-based compensation is charged.

Item 7 – Types of Clients

The Adviser provides investment advisory services to pooled investment vehicles operating as private investment funds.

The Funds will offer interests only to certain qualified investors who meet qualification requirements under applicable securities laws and other laws. Admission to the Funds is not open to the general public.

The minimum capital commitment of an Investor in each Fund is \$5,000,000, although lesser commitment amounts may be accepted in the discretion of the Adviser (or its affiliate).

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

As described in Item 4, above, the Adviser provides advisory services to private investment funds that invest in healthcare business models that add sustainable value to the healthcare system by facilitating the delivery of higher quality care at a lower cost.

Investment Strategy

The Adviser focuses on private equity investments in lower middle market companies in high growth sectors of the Healthcare Industry. Transactions include growth equity investments, leveraged buyouts and build-ups. The Adviser invests in companies with proven business models in high growth niches and attempts to generate returns by developing and shaping those companies into strategically valuable assets. The Adviser's goal is to capitalize effectively on the underserved and undermanaged lower middle market of healthcare.

The Adviser targets companies in the Healthcare market with revenue of between \$20 million and \$150 million, which represent the majority of U.S. healthcare companies with over \$10 million in revenue due to the industry's high level of fragmentation. The Adviser sees the lower middle market as providing a compelling opportunity to generate attractive returns for several reasons, including the ideas that (i) the lower middle market is relatively underserved by specialist private equity firms, (ii) novel approaches to improve efficiencies and care outcomes are derived from lower middle market companies and (iii) lower middle market companies can benefit significantly from active strategic and operational improvement.

Investment Process

The Adviser has a proactive, targeted investment approach to sourcing deals in subsectors of the healthcare industry that it believes have outsized growth opportunities. This process emphasizes macro "investable theme" identification and the application of these themes across the hundreds of subsectors that are actively tracked. The Adviser is focused on target identification in high priority subsectors, which is followed by an active calling effort on specific companies.

The Adviser has a systematic process to identify and approach companies with significant growth potential within targeted subsectors of the healthcare market. This process is an important component of weekly investment meetings where key sourcing related action steps are monitored and tracked. The Adviser's investment team, which is comprised of the Founders and three vice presidents (the "Investment Team"), maintains an ongoing list of investable trends that are the result of internal idea generation. The Adviser has an analytical framework to prioritize calling efforts and optimize the yield of actionable investment opportunities.

In the initial stages of identifying a potential investment opportunity, the opportunity will be presented at a weekly investment committee meeting, typically in the form of a memo summarizing the opportunity, including the preliminary investment thesis and the merits and challenges of performing due diligence on the company. The risks and opportunities of the potential investment will be identified, as well as how to best facilitate an evaluation of the key issues and opportunities. The potential exit paths, including natural strategic acquirers and key

parts of the investment thesis that would expand the exit routes to include an IPO or broaden the strategic fit for a potential acquirer, are also outlined. Finally, an assessment of the acquisition process, including valuation expectations, is provided. This assessment, along with all other relevant information about the opportunity, is used to determine whether to proceed with the opportunity.

Once the opportunity receives internal support, a rigorous and analytical diligence work plan is developed. The Adviser prioritizes the critical issues requiring analysis and utilizes the Adviser's extensive network in the healthcare industry to assess the sustainability of the business model, the degrees of risks and opportunities, and the potential for risk mitigation and upside enhancements. This process involves constant formal and informal conversations between team members throughout the diligence process.

Concurrently, the Adviser assesses the management team and potential resource constraints that may be hindering the company's ability to operate optimally. The Adviser also works with management to establish a strategic plan that will address the critical issues uncovered during the diligence process, as well as actions to resolve those issues, including operational improvements, management enhancements, product/geographic expansion, and/or consolidation. This plan usually includes both a long term strategic road map as well as a detailed 100-day execution plan.

Following the initial acquisition, the Adviser is usually in daily or weekly contact with management at portfolio companies and will implement weekly or monthly reports that help both management and the Adviser capitalize on opportunities and mitigate risks emerging in the business.

Market and Investment Risks

General Risk

Investing in portfolio companies involves a high degree of business and financial risk that can result in substantial losses. In order for the Adviser to succeed, it must be able to identify potentially successful business enterprises, a process that is difficult even for those with extensive experience investing in such enterprises. Portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and may require substantial additional capital to support expansion or to achieve or maintain a competitive position. Investment in the Funds is highly speculative, involves a high degree of risk and could result in the loss of part or all of an investor's capital contributions. Prospective investors should not subscribe for Interests unless they can bear such a loss. There can be no assurance that the Adviser's investment objectives will be achieved, and investment results may vary materially from one reporting period to the next. In addition, there will be occasions when the Adviser and its affiliates may encounter potential conflicts of interest in connection with the Funds. Consequently, an investment in the Funds is suitable only for sophisticated investors capable of making an informed independent decision as to the risks involved in an investment in the Funds.

Lack of Operating History and Experience

The Adviser and the Funds have limited operating history upon which prospective investors may evaluate performance or upon which an investor can base its prediction of future success or failure. The Adviser may make investments in markets in which it may have had no prior operating experience. Accordingly, the Adviser may compete for assets with entities that may

have greater experience and knowledge of such markets and may have better relationships with sellers, brokers, lenders or others in such markets. Investments in new markets may require more management time, staff support and expense in order to develop and maintain an appropriate knowledge base and relevant relationships.

Long-Term Nature of Investment; Illiquidity

An investment in the Funds requires a long-term commitment, with no certainty of return. Generally, investments will be illiquid, and there can be no assurance that the Funds will be able to realize on such investments in a timely manner or at all. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in kind to the Investors. In addition, there may be little or no near-term cash flow available to Investors. The Adviser typically will acquire securities for the Funds that cannot be sold except pursuant to a registration statement filed under the 1933 Act, or in a private placement or other transaction exempt from registration under the 1933 Act and that complies with any applicable non-U.S. securities laws. In addition, in some cases, the Adviser may be prohibited or limited by contract from selling certain investments for a period of time, and, as a result, may not be permitted to sell an investment as a time it might otherwise desire to do so.

Additionally, the realizable value of a highly illiquid investment may be less than its intrinsic value. It is generally not expected that partial or complete dispositions of investments will result in a return of capital or the realization of gains (if at all) for a number of years after an investment is made. A variety of factors (including economic conditions, asset conditions, political and regulatory considerations and public opinion) could affect the ability of the Adviser to buy or sell investments on favorable terms.

No Market for Limited Partnership Interests; Restrictions on Transfers

An investment in the Funds is suitable only for certain sophisticated investors that have no need for immediate liquidity in their investment and who understand that they may lose all or a significant portion of their invested capital. Investors must be willing to bear the economic risk of an investment in the Funds for an indefinite period of time. The interests in the Funds have not been, nor will they be, registered under the 1933 Act, the securities laws of any state of the U.S. or the securities laws of any other jurisdiction; and, therefore, cannot be resold unless they are subsequently registered under the 1933 Act and other applicable securities laws or an exemption from registration is available. It is not contemplated that registration of the interests in the Funds under the 1933 Act or other securities laws will ever be effected. There is no public or private market for the interests and none is expected to develop. Interests are not transferable and may not be encumbered except with the prior written consent of the Adviser or its affiliates, and subject to various other limitations. Any credit facility of the Funds, which may be secured by a pledge of unpaid Commitments, may impose additional restrictions on the transferability of interests in the Fund. Withdrawals from the Funds will generally not be permitted. Consequently, investors will not be able to liquidate their investments prior to the end of Funds' terms.

No Assurance of Investment Return

An investment in the Funds involves a significant degree of risk. The Adviser cannot provide assurance that it will be able to choose, make, and realize investments in any particular Fund investment. There can be no assurance that the Funds will be able to generate returns for investors or that the returns will be commensurate with the risks of investing in the type of assets and

transactions described herein. Past investment activities of the Principals, and any entities with which they were associated, provide no assurance of future success. There can be no assurance that any investor will receive any distribution from the Funds. In addition, the Funds will bear the expenses of transactions that are not consummated. While such expenses may be reimbursed by offsetting certain amounts payable to the Adviser, there can be no assurance that sufficient offsetting fees will be generated to reimburse all such expenses. Furthermore, the Adviser may enter into agreements to consummate transactions which involve payments, such as reverse break-up fees, by the Funds in certain circumstances if the Funds do not consummate the transaction. As a result, the Funds could incur a substantial cost with no opportunity for a return. Even if the investments of the Funds are consummated and successful, they may not produce a realized return to the investors for a number of years. Accordingly, an investment in the Funds should only be considered by persons who do not require current income and can afford a loss of their entire investment. Past or current activities of the Principals provide no assurance of future success. There is no assurance that any benefits or advantages to investors suggested or implied will be available or accomplished. There can be no assurance that projected or targeted returns for the Funds will be achieved.

Reliance on Portfolio Company Management

Each portfolio company's day-to-day operations will be the responsibility of such portfolio company's management team. The Adviser intends to seek management rights, including board representation or other rights, where appropriate. However, there is no assurance that these rights, if sought, will be obtained. Furthermore, even in cases where the Adviser may be represented on management boards or have other management rights, the Adviser does not expect to have an active role in the day-to-day operations of its investments. The success or failure of many of the portfolio companies will depend to a significant extent on the financial and management talents and efforts of specific employees of such portfolio companies, whose death, disability or resignation could adversely affect the performance of the portfolio company. In addition, the Adviser may coinvest with non-affiliated co-investors whose ability to influence the day-to-day management and affairs of the portfolio companies' investments may be significant and even greater than that of the Adviser.

Risks of Investing in the Healthcare Sector

The Adviser expects to make investments in the healthcare industry which is subject to regulatory controls by national, local and in some instances international governmental authorities. The nature and scope of healthcare regulations generally are subject to political forces and market considerations, and recently, the U.S. government and other governments have shown significant interest in pursuing healthcare reform. New laws, regulations and judicial decisions, or new interpretations of existing laws, regulations and decisions, that relate to healthcare availability, methods of delivery or payment for products and services, or sales, marketing or pricing, may have a material negative impact on the performance of portfolio companies that operate in this industry. The Adviser cannot predict whether new legislation or regulations governing the healthcare industry will be enacted by legislative bodies or governmental agencies, or what effect such legislation or regulations might have. In the United States, healthcare providers often rely on governmental and other third-party payers, such as federal Medicare, state Medicaid and private health insurance plans, to pay for all or a portion of the cost of the products and services they provide. Their ability to obtain appropriate coverage and reimbursement for their products and services from governmental and other third-party payers is critical to their success. The introduction of cost-containment incentives has and will continue to result in increased discounts

and contractual adjustments to charges for products and services in the healthcare industry. Future legislative or administrative changes to the payment system in the United States could significantly reduce the amount of reimbursement available for the products and services provided by portfolio companies from governmental and other third-party payers or result in a denial of coverage entirely. Further, companies in the healthcare industry are often subject to significant risks related to litigation and liability for damages in connection with their operations, or products and services offered. The litigation and liability environment in the healthcare industry is constantly evolving, and new judicial decisions and legislative activity may increase exposure to any of these types of claims. Even if liability insurance is maintained by a portfolio company, it may not be adequate to cover potential liabilities, including as a result of warranty and product liability claims.

Recent Changes to Healthcare Regulation in the United States

In the United States, there have been a number of recent legislative and regulatory changes to the healthcare system that could affect the ability of portfolio companies to sell their products or services profitably. The Adviser cannot predict whether legislative or regulatory changes will be adopted, or how such changes would affect the healthcare industry generally.

Liability for Return of Distributions

An investor's Commitment is susceptible to risk of loss as a result of any liability of the Funds irrespective of whether such liability is attributable to an investment to which such investor contributed any capital. An investor may be required to return distributions made to such investor under various circumstances, including to meet Fund obligations. In certain circumstances, applicable law may require that an investor return previously received distributions with interest. In addition, an investor may be liable under applicable federal and state bankruptcy or insolvency laws to return a distribution made during the Fund's insolvency.

Recourse to the Funds' Assets

The Funds' assets, including any investments made by the Funds and any capital held by the Funds, are available to satisfy all liabilities and other obligations of the Funds. If the Funds becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Funds' assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

Competitive Market for Investment Opportunities

The activity of identifying, completing and realizing attractive investments is competitive and involves a high degree of uncertainty. The Adviser could be competing for investments with private equity funds, hedge funds, strategic investors, financial institutions, large and well-capitalized industrial groups, commercial, investment and merchant banks, or other investors, and certain of these competitors could have larger capital pools or superior access to investment opportunities. The availability of, and competition for, investment opportunities will depend on, among other things, financial, market, business and economic conditions. There can be no assurance that the Adviser will be able to locate, complete and exit investments that satisfy investment objectives or realize upon their values or that it will be able to invest fully the available capital or to diversify the investment portfolio. Additionally, competition for

appropriate investment opportunities may increase, thus reducing the number of opportunities available and adversely affecting the terms upon which investments can be made.

Limited Number of Investments; Lack of Diversity

The Adviser is expected to participate in a limited number of investments and, as a consequence, the aggregate returns may be materially and adversely affected by the unfavorable performance of even a single investment. On any given investment, loss of all or a portion of the investors' capital is possible. Investors have no assurance as to the degree of diversification in the investments. Because the investments may be concentrated within a single industry or sector, portfolio diversification will be less than would be possible if the Adviser were to invest in a broader range of industries or sectors. Such reduced diversification may increase the volatility of the returns, and could reduce the returns relative to diversified funds to the extent that such industries or sectors do not perform as well as other industries or sectors. Although the Adviser intends to diversify its investments among different assets, no assurances can be given that it will, in fact, so diversify its investments. The Adviser is also expected to make investments that are not diversified geographically. The Adviser may make investments for which third-party financing will be desirable but not necessarily available (on desired terms or at all) at the time of investment. Such financing may never become available, or a refinancing may not be able to be completed on desirable terms. This could result in the Funds having a variety of unintended long-term investments or reduced diversification.

Control Positions

The Adviser may be deemed to have a control or management position with respect to one or more of the portfolio companies in which it has an investment. This in turn could expose the Funds to risk of liability for product defects, failure to supervise management, pension and other fringe benefits, violation of laws and governmental regulations (including securities laws), violation of fiduciary duties to minority owners and other types of liability, including, in the case of debt investments, lender liability. If these liabilities were to arise, the Funds might suffer a significant loss. The exercise of control over a portfolio company could expose the assets of the Funds to claims by such portfolio company, its security holders and its creditors.

Leverage

The Adviser's investments may include companies whose capital structures may utilize significant amounts of leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Additionally, the securities acquired by the Funds may be the most junior in what may be a complex capital structure and thus subject to the greatest risk of loss.

Credit Risks in Investments

The Adviser may invest in various forms of equity and debt securities issued by portfolio companies. The Adviser may enter into financial contracts with third parties or hedging arrangements. There is no minimum credit standard required for investment in any such security or any other financial instrument or the counterparty's credit standing, in the case of financial contracts, and many, if not all, of the securities or instruments issued by portfolio companies or

financial contracts with third parties are expected to be illiquid or non-transferable and non-investment grade or non-rated.

Hedging

Certain of the investments by the Adviser or the portfolio companies may employ hedging techniques designed to reduce risks, such as from adverse movements in prices, inflation, interest rates or currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the Adviser may benefit from the use of these hedging mechanisms, unanticipated changes in prices, inflation, interest rates or currency exchange rates may result in a poorer overall performance for the Fund than if it had not entered into such hedging transactions.

Bridge Financings

From time to time, the Adviser may make loans on a short-term, unsecured basis in anticipation of a future equity or long-term debt take-out refinancing. There can be no assurance that such take-out refinancing will occur on time, on desirable terms or at all, and such bridge loans may remain outstanding. In such event, the Adviser could have a long-term investment in a junior security and the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Adviser.

Risks of Early-Stage Investments

The Adviser may invest in the securities of smaller, less-established companies. Investments in such companies may involve greater risks than are generally associated with investments in more established companies. Less-established companies tend to have less capital and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies may also have shorter operating histories on which to judge future performance. While the Adviser anticipates making investments that range in size from approximately \$15 million to \$50 million, the Adviser has not established any minimum size for the companies in which it will invest.

Investments in Restructurings and Distressed Companies

The Adviser may make investments in portfolio companies that are experiencing or are expected to experience financial difficulties which may never be overcome. These financial difficulties may cause such portfolio companies to become subject to bankruptcy proceedings and could, in certain circumstances, subject the Funds to certain additional potential liabilities which may exceed the value of the investment therein. For example, under certain circumstances, lenders who have inappropriately exercised control over the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. Certain of the Funds' investments may be originated by or acquired from persons or entities, including financial institutions, that are insolvent, in serious financial difficulty or are no longer in existence and, as a result, the standards by which such investments were originated, the recourse to the seller or the standards by which such investments are being developed may be materially and adversely affected. Additionally, under certain circumstances, payments to the Funds and distributions by the Funds to the investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws.

Effects of Bankruptcy Laws

The Adviser may make investments in portfolio companies that are or may become the subject of voluntary or involuntary bankruptcy proceedings under applicable bankruptcy laws. Certain risks faced in bankruptcy cases that must be factored into the investment decision include, without limitation, the potential total loss of any such investment. Upon confirmation of a plan of reorganization under applicable bankruptcy laws, or as a result of a liquidation proceeding, the Funds could suffer a loss of all or a part of the value of the investment in a portfolio company. A bankruptcy filing may adversely and permanently affect a portfolio company. The portfolio company could lose market position and key employees, and the liquidation value of the portfolio company may not equal the liquidation value that was believed to exist prior to the making of the initial investment. In general, bankruptcy laws may be expected to have a variety of adverse impacts on the value of the investments and the timing and amount of any distributions the Funds are able to receive therefrom. In addition, investments in restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.

Accuracy of Third-Party Information

The Adviser may select investments for the Funds, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Adviser by third parties. Although the Adviser will evaluate all such information and data and will ordinarily seek independent corroboration when the Adviser considers it is appropriate and when such corroboration is reasonably available, the Adviser may not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information may not be available.

Difficulty in Valuing Investment Portfolio

The Adviser will value the portfolio investments of the Funds from time to time at their fair market values as determined in good faith by the Adviser in accordance with ASC 820 (or any other standard that replaces ASC 820 as the generally accepted standard in the alternative investment industry). Fund assets that are publicly traded securities for which market prices are readily available will be valued based on their trading prices, however, for almost every portfolio company, there will likely be no public market for its securities. Thus, portfolio valuation inherently is highly subjective and imprecise and requires the use of techniques that are costly and time consuming and ultimately provide no more than an estimate of value. In establishing the value of the investment portfolio, the Adviser may also consult with accounting firms, investment banks and other third parties when needed, to assist with the valuation of the investments. The value set by the Adviser may not reflect the price at which the Funds could dispose of interests in a particular portfolio company at any given time. In addition, valuations may result in adjustments of the aggregate fair market values or gross or net IRR calculations. There can be no assurance that the aggregate fair market values or gross or net IRRs, as calculated based on such valuations, will be accurate on any given date.

It is critical that Investors refer to the applicable Fund Documents for a complete understanding of the material risks involved in an investment in the Funds. The information contained herein is a summary only and is qualified in its entirety by such document.

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

The Adviser serves as investment adviser to the Funds. Affiliates of the Adviser also invest directly in the Funds and employees of the Adviser or its affiliates also invest indirectly in the Funds (through an affiliate).

The Adviser is affiliated with Consonance Capital Management LP, a registered investment adviser. Mitchell J. Blutt, a Principal of the Adviser, is the Managing Member of Consonance CapMan GP LLC, the General Partner of Consonance Capital Management LP. Consonance Capital Management LP advises healthcare focused hedge funds. Certain executive officers of Consonance Capital Management LP also serve as executive officers of the Adviser. Accordingly, conflicts may arise in the allocation of time, services and function between the Adviser and Consonance Capital Management LP. The Adviser believes that the Funds' investment focus on private equity investments is sufficiently distinct from that of its related persons advised by Consonance Capital Management LP, which focuses on investments in public securities with some private equity investments, that the Adviser does not anticipate investing in the same security as Consonance Capital Management LP.

The Adviser, the Lower GP, the Upper GP, the GP Capital Feeder, the GP Carry Vehicle and/or 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 Funds. 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. The Adviser reviews all such business activities for conflicts of interest. The Adviser also requires that all employees receive prior approval from the Chief Financial Officer before engaging in a business activity outside of their employment with the Adviser.

Also, the Lower GP, the Upper GP, the GP Capital Feeder and the GP Carry Vehicle are related persons of the Adviser and as such may be eligible to receive performance-based fees. The adviser attempts to mitigate this conflict by disclosing the fees to investors in the funds prior to their investment.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act"). The Code applies to the Adviser's "Access Persons." Access Persons include, generally, any partner, officer or director of the Adviser and any employee or other supervised person of the Adviser (or an affiliate) who, in relation to the Funds, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All employees of certain affiliates of the Adviser are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account the Adviser's status as a fiduciary and requires Access Persons to place the interests of the Funds and Investors above their own interests and the interests of the Adviser and its affiliates. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of the Adviser's Chief Compliance Officer (the "Chief Compliance Officer"). All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide the Adviser's Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, the Adviser's Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1.

The Adviser manages the potential conflicts of interest inherent in personal trading by Access Persons through rigorous enforcement of its Code, which contains limitations on Access Persons' personal investment activities. Access Persons' personal securities transactions are required to be made in accordance with the Adviser's Code. In addition, the Adviser receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer reviews Access Persons' personal transaction and holdings reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

With the exception of securities of public or private companies in the healthcare industry, initial public offerings and private placements (other than offered by the Adviser), Access Persons are generally permitted to transact in securities for their personal accounts. As such, Access Persons generally are prohibited from personal trading in the securities and investments that comprise the vast majority of the investable universe of the Advisory Clients. However, if upon hire an Access Person holds any such securities or investments, the Access Person may retain them indefinitely or, subject to preapproval by the Chief Compliance Officer, close any such positions, but may not make new investments in such securities while they are Access Persons of the Adviser.

The Adviser believes that these personal trading restrictions effectively address the material potential conflict of interest with the Advisory Clients that may arise as a result of personal trading activities.

The Adviser maintains a “Restricted List” with the names of issuers of securities about which the Adviser (or its Access Persons) has learned material, non-public information or that may require, for business or legal reasons, that the Advisory Clients and Access Persons do not trade in the securities for a specific period of time. Access Persons are strictly prohibited from trading securities on the Restricted List (or any other securities to which the material, non-public information relates).

In addition, the Code seeks to ensure the protection of non-public information about the activities of the Funds. Investors or prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer at wfowler@consonancecapital.com.

As explained in Item 10 above, the Adviser serves as investment adviser to the Funds. The Adviser recommends interests in the Funds to prospective Investors. The Adviser, its affiliates and certain Access Persons may, and have, invest in the Funds.

The fact that the Adviser, its affiliates and Access Persons may each have a financial ownership interests in the Funds creates a potential conflict in that it could cause the Adviser and its affiliates to make different investment decisions than if such parties did not have such financial ownership interests. Such potential conflicts are addressed by the personal securities transaction pre-clearance and holding requirements described in the Adviser’s Code of Ethics.

The Adviser addresses these potential conflicts through regular monitoring of the Funds’ portfolio and investments for consistency with the Funds’ objectives, strategies, and target capacity. Further, the Adviser and its affiliates carefully consider the risks involved in any investments and provide extensive disclosure to clients regarding the potential risks that come with an investment in the Funds. The Code requires Access Persons to place the interests of the Funds and Investors over their own or those of the Adviser, its affiliates and all Access Persons are required to acknowledge their receipt and understanding of the Code.

Further, the Adviser (or its affiliate) receives management and performance-based compensation. The management fees are payable without regard to the overall success or income earned by the Funds and, therefore, may create an incentive on the part of the Adviser to raise or otherwise increase assets under management to a higher level than would be the case if the Adviser was receiving a lower or no management fee. Performance-based fees may create an incentive for the Manager to make Investments that are riskier or more speculative than in the absence of such performance-based fee.

Item 12 – Brokerage Practices

As described in Item 4, above, the Adviser is the investment adviser to private investment funds that invest in private companies in the healthcare industry. Due to the nature of the Funds’ investment programs, the Adviser and its affiliates do not select or recommend broker-dealers for Fund transactions.

The Adviser does not utilize “soft dollars.”

The Adviser recognizes that, as a fiduciary, it has a duty to allocate investment opportunities among its private funds in a fair and equitable manner. If the Adviser determines that it would be

appropriate for more than one fund to participate in an investment opportunity, the Adviser will seek to allocate the investment opportunity to all of the participating funds on a fair and equitable basis. Generally, investment opportunities will be allocated pro rata based upon each participating Fund's assets under management; provided, however, that the Adviser, in its sole discretion, may make allocations based upon other considerations.

Item 13 – Review of Accounts

The Funds' portfolio and Investments are under continuous review by the Adviser's Investment Team. The Adviser is typically in daily or weekly contact with management at portfolio companies and will implement weekly or monthly reports that help both management and the Adviser capitalize on opportunities and mitigate risks emerging in the business.

Generally, Investors will receive unaudited, reports at least quarterly. In addition, Investors will receive annual audited financial statements within 120 days of the fiscal year-end. The Adviser will hold annual meetings to provide Investors with the opportunity to review and discuss with the Adviser (and its affiliates) the Funds' investment activities and portfolio.

Item 14 – Client Referrals and Other Compensation

The Adviser has engaged a third party solicitor to refer prospective investors to the Funds. All such referral activities are conducted in a manner that is consistent with Advisers Act Rule 206(4)-3 and relevant SEC guidance. In general, the Adviser may pay third party solicitors a placement fee based on the amount of capital commitments to the Funds by investors introduced by the placement agent. Any placement agent fees and expenses are borne by the Funds subject to a 100% offset against the amounts payable with respect to the Management Fee.

Item 15 – Custody

The Adviser is deemed to have custody of the Funds' assets pursuant to Advisers Act Rule 206(4)-2. To ensure compliance with Rule 206(4)-2 under the Advisers Act, the Adviser provides audited financial statements to Investors within 120 days after the end of the relevant Funds' fiscal year (i.e., generally by April 30).

As the Adviser's investment program exclusively involves investments in private companies in the healthcare industry, the Adviser generally will be exempt from the requirement that securities be maintained with a "qualified custodian." The Adviser anticipates that the majority of its investments will involve securities that are (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated to the extent ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the client; and (iii) transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer.

To the extent that the Adviser's investments involve securities that are certificated, but also are (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering and (ii) transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer, the Adviser will maintain such certificates with a qualified custodian.

Item 16 – Investment Discretion

The Adviser has discretionary authority to manage securities accounts on behalf of the Funds. The Adviser is authorized to make transaction recommendations for the Funds. Investors do not have the ability to impose limitations on the discretionary authority of the Adviser. Further, Investors must execute subscription documents that contain a power of attorney.

Item 17 – Voting Client Securities

Based upon the Adviser's investment strategy and business as a private equity fund manager (and lack of involvement in publicly-traded equities) it does not vote proxies. If in the future it is contemplated that the Adviser may exercise voting authority with respect to any client securities, the Adviser will adopt proxy policies and procedures that are consistent with Rule 206(4)-6.

Item 18 – Financial Information

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