

## ITEM 1: COVER PAGE

---

### PART 2A OF FORM ADV: FIRM BROCHURE

#### COMMODORE CAPITAL LP

March 2024

---

Commodore Capital LP  
444 Madison Avenue, 35<sup>th</sup> Floor  
New York, New York 10022  
Telephone: (212) 256-8600  
[www.commodorecapital.com](http://www.commodorecapital.com)  
[legal@commodorecapital.com](mailto:legal@commodorecapital.com)

*This firm brochure (the “Brochure”) provides information about the qualifications and business practices of Commodore Capital LP (“Commodore”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about this Brochure, please contact us at the address listed above.*

*The information in this Brochure has not been approved or verified by the SEC or by any state securities authority, and any references in this Brochure to Commodore as a “registered investment adviser” are not intended to imply a certain level of skill or training.*

*Additional information about Commodore is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **ITEM 2 – MATERIAL CHANGES**

Since Commodore's last filing of its Annual Amendment Form ADV submitted to the SEC in March 2023, the Investment Manager has not had any material changes.

There were no material changes to the brochure from the Brochure submitted in March 2023. In the future, if our Brochure, as amended, contains material changes, we will identify and discuss those changes in this section.

### ITEM 3 – TABLE OF CONTENTS

ITEM 1: COVER PAGE .....	i
ITEM 2 – MATERIAL CHANGES .....	ii
ITEM 3 – TABLE OF CONTENTS .....	iii
ITEM 4 – ADVISORY BUSINESS .....	1
ITEM 5 – FEES AND COMPENSATION .....	3
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	5
ITEM 7 – TYPES OF CLIENTS .....	6
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	7
ITEM 9 – DISCIPLINARY INFORMATION .....	37
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	38
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	39
ITEM 12 – BROKERAGE PRACTICES .....	42
ITEM 13 – REVIEW OF ACCOUNTS .....	44
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION .....	45
ITEM 15 – CUSTODY .....	46
ITEM 16 – INVESTMENT DISCRETION .....	47
ITEM 17 – VOTING CLIENT SECURITIES .....	48
ITEM 18 – FINANCIAL INFORMATION .....	49

## ITEM 4 – ADVISORY BUSINESS

### A. General Description of Advisory Firm.

#### 1. Commodore Capital LP.

Commodore Capital LP (the “Investment Manager,” “Commodore,” “we” or “us”) is a Delaware limited partnership that commenced operations in 2019. Our offices are located in New York, New York.

#### 2. Commodore Capital GP LLC.

Our general partner, Commodore Capital GP LLC, is a Delaware limited liability company (the “Commodore General Partner”). Egen Atkinson and Michael Kramarz (the “Managing Partners”) together own a majority interest in the Commodore General Partner and serve as co-managers. The Commodore General Partner has ultimate responsibility for the management, operations, and investment decisions of Commodore.

#### 3. Commodore Capital Domestic GP LP.

Pursuant to relevant SEC guidance, Commodore’s registration on Form ADV will also include Commodore Capital Domestic GP LP, which serves as general partner (the “Fund General Partner”) of various related privately-offered vehicles in a “master-feeder” structure, including: Commodore Capital Master LP, Commodore Capital Domestic LP and Commodore Capital Offshore Ltd. (each, a “Commodore Fund” and together, the “Commodore Funds”). The Fund General Partner serves as the general partner of Commodore Capital Master LP and Commodore Capital Domestic LP.

### B. Description of Advisory Services.

This Brochure generally includes information about us and our relationships with our Clients (as defined below). While much of this Brochure applies to all such Clients and affiliates, certain information included herein applies to specific Clients or affiliates only.

#### 1. Advisory Services.

We serve as an investment adviser with discretionary trading authority to the Commodore Funds (each, a “Client”). We may also provide services to other investment funds, managed accounts or other products in the future.

#### 2. Investment Strategies and Types of Investments.

Each of the Commodore Funds has engaged Commodore as its discretionary investment manager. In that capacity, Commodore manages the assets of each Commodore Fund and invests the assets of each Commodore Fund in accordance with such Commodore Fund’s investment strategy.

Commodore conducts fundamental research into biotech and healthcare sector investment opportunities, including but not limited to research on individual companies, products and services, drug and device development pipelines, early stage medical research at academic and other research institutions, clinical trials, specific product and service markets, intellectual property protection and litigation, political and regulatory developments, and the dynamics of public securities markets. Commodore makes use of this fundamental research to identify investment opportunities, determine how best to structure or “express” an investment thesis, direct the purchase and sale of securities, negotiate structured investment transactions, and generally manage and invest the assets of the Commodore Funds.

The Commodore Funds primarily invest in publicly traded biopharmaceutical equities. The Commodore

Funds also, from time to time, make investments in private companies or other “non-public” investment opportunities (such illiquid investments, “Special Investments”), subject to certain limitations as set forth in the applicable Memorandum.

The types of securities in which the Commodore Funds may invest include, but are not limited to: interests commonly referred to as securities, other financial instruments of U.S. and non-U.S. entities and other assets, including capital stock; shares of beneficial interest; partnership interests and similar financial instruments; bonds, notes and debentures (whether subordinated, convertible or otherwise); currencies; commodities; physical and intangible assets; interest rate, currency, commodity, equity and other derivative products, including (a) futures contracts (and options thereon) relating to stock indices, currencies, U.S. government securities and securities of non-U.S. governments, other financial instruments and all other commodities, (b) swaps, options, swaptions, warrants, caps, collars, floors and forward rate agreements, (c) spot and forward currency transactions and (d) agreements relating to or securing such transactions; repurchase and reverse repurchase agreements; loans; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual funds, exchange traded funds and similar financial instruments; money market funds; obligations of the U.S. or any non-U.S. government, or any country, state, governmental agency or political subdivision thereof; commercial paper; certificates of deposit; bankers’ acceptances; choses in action; trust receipts; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature that exist now or are hereafter created.

Commodore expects to cause the Commodore Funds to invest any excess funds in money market instruments, commercial paper, certificates of deposit, U.S. government obligations, or bankers’ acceptances among other instruments or may hold such excess funds in interest-bearing or non-interest-bearing bank accounts.

Commodore generally has broad investment authority with respect to its Clients, subject to certain pre-agreed limitations applying on a portfolio-wide basis, and the particular investment objectives, strategies, fees and risks of each Commodore Fund, and other relevant information, are contained in each Commodore Fund’s confidential private placement memorandum (each, a “Memorandum”).

Clients may ask Commodore to, and Commodore may, provide investment advice with respect to other investment securities and instruments as is consistent with each respective Client’s investment objective.

#### **C. Tailoring Services to Client Needs.**

Commodore neither tailors its advisory services to the needs of individual investors in the Commodore Funds (“Investors”), nor accepts Investor-imposed investment restrictions other than limits which apply to all Investors in an applicable Commodore Fund as set forth in each Commodore Fund’s Memorandum. Though Commodore utilizes a similar strategy for all of the Commodore Funds, it may tailor the advisory services it provides to Clients to the extent that certain investments cannot be held by certain of Commodore’s Clients for legal, tax or portfolio concentration reasons.

#### **D. Wrap Fee Programs**

We do not currently participate in any Wrap Fee Programs.

#### **E. Assets Under Management.**

The Firm has regulatory assets under management of \$1,356,387,341 as of December 31, 2023, all managed on a discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

### **Asset-Based Compensation**

Commodore charges the Commodore Funds a management fee based on the value of the Commodore Funds' assets under management (collectively, the "Management Fee"). The Management Fee ranges from 1.5% to 2% (per annum) of the net assets of the Commodore Funds and is charged monthly in advance on the first business day of each calendar month. The Management Fee is prorated for any period that is less than a full month. Commodore has the authority to waive, reduce or calculate differently the Management Fee with respect to any Investor in its sole discretion, including Investors that are partners, affiliates or employees of Commodore or the Fund General Partner, members of the immediate family of such persons and trusts or other entities established by them or for their benefit and certain other persons in the discretion of Commodore. The applicable Management Fee is generally deducted from each Investor account by the Commodore Funds' administrator upon Commodore's proper instructions.

### **Performance-Based Compensation**

Commodore and/or the Fund General Partner may be paid performance-based compensation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a Client.

Currently, the Fund General Partner is entitled to a performance allocation from the Commodore Funds that ranges from 17.5% to 20% of the net profits (including net unrealized gains) allocated to an Investor over a three- to five-year period (the "Incentive Allocation Period"), subject to a loss carryforward provision. Depending on the circumstances, the performance allocation with respect to Special Investments is calculated either at the time of realization or at the end of the next Incentive Allocation Period. The Fund General Partner has the authority to waive, reduce or calculate differently the amount of performance allocation with respect to any Investor in its sole discretion, including Investors that are partners, affiliates or employees of Commodore or the Fund General Partner, members of the immediate family of such persons and trusts or other entities established by them or for their benefit and certain other persons in the discretion of Commodore.

For more detailed information and a complete description of the performance-based compensation, if any, paid to Commodore and/or the Fund General Partner by Investors in a particular Commodore Fund, refer to the relevant Commodore Fund's Memorandum.

### **Expenses**

In addition to paying Management Fees and performance-based compensation (if applicable), the Commodore Funds will be subject to other expenses in accordance with their respective governing documents. Such expenses include, without limitation: organizational expenses, including legal expenses and fees of any placement agent or other broker; expenses related to compliance with applicable law or regulation, including expenses related to U.S. and non-U.S. regulatory filings, compliance with the Alternative Investment Fund Managers Directive 2011/61/EU, "blue sky" and "world sky" filings and anti-money laundering laws and regulations; investment-related expenses (whether or not such investments are consummated), including commissions, interest expenses and other indebtedness, investment-related legal costs, custodial fees, brokerage and transaction costs (see Item 12 – Brokerage Practices for more information), research- and investment-related travel expenses, professional fees for consultants, "expert networks," "sourcing" consultants and other similar persons, data and research-related expenses (including news and quotation equipment and services), costs of portfolio exposure and performance reporting, risk management and trade order management expenses; ongoing operating expenses, including administrative expenses for regulatory and legal compliance, accounting and tax

accounting, communications equipment and services and other back-office and mid-office services (including administrator fees and expenses), litigation, investigation and indemnity expenses, audit, tax preparation and related advisory expenses, insurance costs (including directors' and officers' insurance, errors and omissions insurance, cybersecurity insurance and other similar policies), expenses of preparing and distributing reports to Investors (including financial statements, tax returns and other reports), taxes, expenses of communications and meetings with Investors, and extraordinary expenses.

The Commodore Funds' assets may also be invested in money market mutual funds, exchange-traded funds ("ETFs") or other registered investment companies from time to time. In such cases, the Commodore Funds will also bear their *pro rata* share of the investment management fees and other expenses of such investment entities, which are in addition to the compensation paid to Commodore.

Certain expenses may be attributable to more than one Client. Such shared expenses will, to the extent permitted by the Clients' governing documents, generally be apportioned among all participating Clients *pro rata* based on, without limitation and depending on the nature of the expense, position size, fund size (*i.e.*, capital commitments or net asset value, as applicable), available cash, or in any other manner deemed equitable by Commodore. Commodore seeks to allocate shared expenses for products and services benefitting Commodore and the Client and not explicitly covered in the Client's arrangements in a fair and reasonable manner.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Commodore and/or the Fund General Partner may be paid performance-based compensation by a Client. In addition, Commodore's investment personnel may be compensated on a basis that includes a performance-based component. Such performance-based compensation may create an incentive for Commodore to make investments on behalf of a Client that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements.

In addition, since the performance allocation received by the Fund General Partner is calculated on a basis that includes unrealized appreciation of the Commodore Funds' assets, such compensation may be greater than if it were based solely on realized gains. As a result, the Fund General Partner may receive a performance allocation from a Commodore Fund reflecting unrealized gains at the end of a valuation period or upon an Investor's withdrawal or redemption from a Commodore Fund, as applicable, that are not subsequently realized by such Commodore Fund.

Commodore is involved with the valuation of securities held by the Commodore Funds, which in turn determines the calculation of the Management Fee and the performance allocation it receives from the Commodore Funds. This creates an incentive for Commodore to increase the value of the Commodore Funds' assets during the valuation process. Commodore addresses this conflict of interest by using readily available market quotations and other commonly used and recognized valuation methods in making valuation determinations in consultation with its third-party administrator.

Commodore does not currently have side-by-side management considerations given that the Commodore Funds are comprised of one "master-feeder" structure.



## **ITEM 7 – TYPES OF CLIENTS**

Commodore's clients currently consist of private investment funds. It is not expected that any Client will be an individual, trust, investment company or pension plan; however, the investors participating in the Clients may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may also include, directly or indirectly, principals or other employees of Commodore and its affiliates and members of their families or service providers retained by Commodore. With respect to the Commodore Funds, any initial and additional subscription minimums are disclosed in the relevant offering documents for each Commodore Fund. Minimum investment amounts have been, and may in the future be, reduced in the sole discretion of Commodore (or by such Commodore Fund, as applicable). In general, investors in Clients will be required to be accredited investors and qualified purchasers (as each such term is defined under applicable law) or qualified knowledgeable Commodore personnel.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. Methods of Analysis, Investment Strategies and Risk of Loss.

Please see Item 4 of this Brochure for a description of the methods of analysis and investment strategies that we use in formulating investment advice and managing assets.

The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, as well as investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

### B. Material, Significant or Unusual Risks Relating to Investment Strategies

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in our investment program. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

#### Risks Related to Investment Strategies and Risk Management

**Risks of Investing in Healthcare Companies.** Certain healthcare companies, including those developing new medicines, may present risks not typical of investments made in other industry sectors, including, but not limited to, the following:

- Scrutiny of U.S. drug pricing practices may result in increased government oversight and regulation, which could adversely affect the profitability of certain healthcare companies. Dramatic changes in pricing may adversely affect a healthcare company's valuation.

- Certain healthcare companies derive a large portion of their revenues from reimbursement by national governments and commercial insurers. Dramatic changes in reimbursement policies or additional government regulation may adversely affect a healthcare company's valuation.

- Medical product development is an inherently risky endeavor due to the relative unpredictable nature of biological systems. Success rates are generally low and medical products in the pipeline may fail despite success of an initial product. The Investment Manager's ability to predict outcomes of biological trials and estimate the probability of success is also subject to imprecision and errors.

- Many healthcare companies face high research and development costs and long development timeframes resulting in persistent losses. As a result, significant ongoing financing may be necessary, which may result in shareholder dilution. An inability to obtain any such financing may have a significant adverse effect on the financial condition of such healthcare companies.

- Early stage healthcare companies may not have a material amount of revenue for many years, if ever. Valuation of these companies is highly imprecise and subject to significant volatility in their share prices, particularly as a result of negative news related to the company.

- A healthcare company's revenue stream may be largely dependent upon such company's

intellectual property patent estates. Loss of critical patents, inability to obtain such patents or infringement on patents of others (*i.e.*, no freedom to operate) may adversely affect such company's valuation.

- A healthcare company's revenue stream may be highly dependent upon such company's technology. Rapid innovation by others in the industry may render such company technology obsolete which may adversely affect such company's valuation.

- Due to the highly profitable nature of successfully bringing a drug to market, many drug targets and therapeutic approaches are being pursued concurrently by multiple companies which, if all are successful, could limit the value to any one company.

- The viability of many healthcare companies depends largely on whether such companies can obtain and maintain various regulatory approval (*i.e.*, Food and Drug Administration ("FDA") or European Medicines Agency ("EMA")) of their products or services. Failing to obtain or maintain regulatory approval for one or more of its products or services may have a significant adverse effect on the financial condition of a company and threaten its ability to operate as a going concern.

- Many new therapeutic approaches (*i.e.*, gene therapy) require highly complex commercial manufacturing processes. The inability of a company to adequately manufacture sufficient quantities of the product to supply the market at scale could result in a significant adverse effect on the financial condition of such healthcare companies.

- Successful medical product development is highly dependent on clinical trial results showing therapy is both safe and effective. If clinical trials are not successful, or if new scientific knowledge causes a product to be unsafe to patients or uncompetitive in the market, a company may lose most of its market value.

- The Investment Manager must rely on company provided information to make decisions about a company, including an expectation that companies will accurately state financial or clinical results. Any error or misrepresentation in such information could negatively impact the financial condition of the company.

- Products with seemingly favorable profiles in clinical trials may fail to provide a clinically meaningful benefit in practice, resulting in decreased patient and physician demand. Such decreased demand may result in lower than expected company revenues which would adversely affect the financial condition of the company.

- Many healthcare companies are highly dependent on a single product or technology. If for some reason such product or technology is impaired there may be little or no residual value in the company.

- Except in certain situations, small healthcare companies are not able to effectively market products on their own and thus are often required to partner with larger companies. Failure to forge strategic partnerships with larger companies may limit the revenue potential of the company's products which may adversely affect the financial condition of the company.

- In the case of any direct investments by Commodore Capital Master LP (the "Master Fund") in biotechnology assets, the Investment Manager may not be successful in structuring these investments in a way that shields the Commodore Funds from liability in the event of lawsuits relating to any products or rights in which the Commodore Funds have a direct or indirect interest, thereby potentially resulting in the Commodore Funds bearing such liabilities and, in such event, the Commodore Funds may suffer potentially significant losses beyond its investment.

- The prices at which investments by the Master Fund will be made may be based, in part, on assumptions that a limited number of other products will compete with the relevant underlying products in

the markets in which they are sold, or that the underlying products will otherwise command a pricing premium in these markets, which assumptions may prove to be inaccurate.

- Some of the licensing agreements or other rights relating to the investments held by the Master Fund may be terminated, which may have a material adverse effect on the value of such investments.

- Investor sentiments and preferences with regards to life sciences sector investments (some of which are perceived as risky) may change, which may have an adverse effect on the values of the securities held by the Master Fund in any companies in such sector.

- Certain of the companies in which the Master Fund may invest may also experience adverse impact from reliance on third party manufacturers, collaborators, and clinical research organizations who may fail to perform according to agreed specifications; inability to control the development of out-licensed drug compounds or drug candidates; inability of collaborators' to develop and commercialize product candidates; inability to maintain or obtain adequate product liability and other insurance coverage; inability to compete against third parties with greater resources; inability to in-license potential drug compounds or drug candidates or other technology; excessive leverage; limitations on their ability to incur additional indebtedness and incur liens on their assets restricting their ability to obtain additional capital when needed; cost of goods sold remaining high enough that it is difficult to achieve profitability; third-party payors for drugs or diagnostics rescinding or modifying their contracts or reimbursement policies or delaying payments; inability to expand as expected outside the United States; failure of physicians to prescribe a drug or diagnostic to the extent anticipated; inability to obtain inputs necessary to the manufacture of a drug or diagnostic at the anticipated cost; failure of information technology and telecommunications systems that are critical to their business; failure to appropriately handle or dispose of biological and hazardous materials; misplaced reliance on third-party distributors; difficulties in integrating legacy companies from a merger or acquisition; and inability to recruit talented personnel, including scientists.

- The healthcare industry is (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. As noted above, certain segments may be highly dependent upon various government (or private) reimbursement programs. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Master Fund invests. The healthcare industry has been, and will likely continue to be, significantly impacted by legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals have been, and will be, introduced from time to time, which, if adopted, could have a significant impact on the healthcare industry in general and/or on companies in which the Master Fund may invest.

### Risks Relating to Private Investment Funds Generally

**Legal and Regulatory Environment for Private Investment Funds and their Managers.** The legal, tax and regulatory environment worldwide for private investment funds (such as the Commodore Funds) and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Master Fund to pursue its investment program and the value of investments held by the Master Fund. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Master Fund to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on the applicable Commodore Funds and the investments by the limited partners of the applicable Commodore Funds (the "Limited Partners") therein. In addition, the Investment Manager may, in its sole discretion, cause the Commodore Funds to be subject to certain laws and regulations if it believes that an investment or business activity is in the Master Fund's interest, even if such laws and regulations may have

a detrimental effect on one or more Limited Partners.

**AIFM Directive.** The Alternative Investment Fund Managers Directive (the “AIFM Directive”) regulates: (i) alternative investment fund managers (each, an “AIFM”) based in the European Economic Area (the “EEA”) or the United Kingdom; (ii) the management of any alternative investment fund (“AIF”) established in the EEA or the United Kingdom (irrespective of where an AIF’s AIFM is based); and (iii) the marketing of any AIF, such as the Domestic Fund, to professional investors in the EEA or the United Kingdom.

Under the AIFM Directive, certain conditions must be met to permit the marketing of the Interests to any potential and existing investors in the EEA or the United Kingdom. The ability of the Commodore Funds or the Investment Manager to offer the Interests in the EEA or the United Kingdom will depend on the relevant state permitting the marketing of non-EEA or United Kingdom domiciled funds under the national private placement regimes implementing the AIFM Directive and the ability of the Commodore Funds and the Investment Manager to comply with such national private placement regimes, where available. Compliance with the requirements of such regimes may increase the costs of the administration of the Commodore Funds significantly, including the costs of regulatory reporting services to the Commodore Funds and custody and prime brokerage services provided to the Master Fund. As such, the Commodore Funds’ ability to market the Interests to EEA or United Kingdom investors may be limited.

**Systemic Risk.** Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Master Fund interacts, as well as the Master Fund, are all subject to systemic risk. A systemic failure could have material adverse consequences on the Master Fund and on the markets for the Investments in which the Master Fund seeks to invest.

**Assumption of Business, Terrorism and Catastrophe Risks.** The Master Fund may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters (which may be caused, or enhanced in frequency and severity, by climate change factors); war, terrorism and other armed conflicts; social or political unrest; cyberterrorism; major or prolonged power outages or network interruptions; and public health crises, including infectious disease outbreaks, epidemics and pandemics. To the extent that any such event occurs and has a material effect on global financial markets or specific markets or issuers in which the Master Fund invests (or has a material negative impact on the operations of the Investment Manager or the Service Providers), the risks of loss can be substantial and could have a material adverse effect on the Commodore Funds and the Investors’ investments therein. Furthermore, any such event may also adversely impact one or more individual Investors’ financial condition, which could result in substantial withdrawal requests by such Investors as a result of their individual liquidity situations and irrespective of the performance of the Commodore Funds.

**FATCA Withholding.** Under Sections 1471 through 1474 of the Code, applicable Treasury regulations and additional guidance thereunder (“FATCA”), the Master Fund will be subject to a 30% U.S. withholding tax on certain payments it receives, or is treated as receiving, unless it can certify to the relevant withholding agent that it qualifies for an exemption from, or an appropriate reduction of, this tax. The Master Fund believes that it is complying, and intends to continue to comply, with the requirements necessary to qualify for an exemption from, or an appropriate reduction of, the FATCA tax, but it is nevertheless possible that the Master Fund will not be able to satisfy the applicable requirements at all times.

**Tax Audits of the Applicable Commodore Funds and Indemnification for Taxes.** Under general rules with respect to U.S. federal income tax audits of partnership tax returns, any U.S. federal income tax arising from an audit of a tax return of the Master Fund, as well as any resulting interest and penalties, will generally be payable by the Master Fund in the year in which the determination becomes final unless the Master Fund elects to send statements to its partners for the audited year informing them of their

shares of the adjustments made on audit. If the applicable Commodore Funds receive such statements from the Master Fund, they may, in the discretion of its partnership representatives, either pay the relevant tax, interest and penalties or send corresponding statements to the persons who were Partners in the audited year.

If the Master Fund pays any tax, interest and/or penalties resulting from such an adjustment, each partner and former partner of the Master Fund to which such payment is attributable, including the applicable Commodore Funds, will bear the economic burden of, and will be required to indemnify the Master Fund for, the portion of the payment that is attributable to such Master Fund partner. Similarly, if the applicable Commodore Funds pay any tax, interest and/or penalties resulting from such an adjustment or is required to indemnify the Master Fund for any such payment that the Master Fund makes, each Limited Partner and former Limited Partner to which such payment is attributable will bear the economic burden of, and will be required to indemnify the applicable Commodore Funds for, the portion of the payment that is attributable to such Limited Partner or former Limited Partner. Each Limited Partner and former Limited Partner will also be required to indemnify the applicable Commodore Funds for any other taxes borne by the applicable Commodore Funds that are attributable to such Limited Partner or former Limited Partner. A Limited Partner's obligation to indemnify the applicable Commodore Funds for any such taxes, interest and penalties will survive the Limited Partner's withdrawal from the applicable Commodore Funds and the dissolution of the applicable Commodore Funds. If a partner of the Master Fund other than the applicable Commodore Funds fails to indemnify the Master Fund for the payment of any tax, interest and/or penalties that is attributable to such Master Fund partner, or if a Limited Partner or former Limited Partner fails to indemnify the applicable Commodore Funds for the payment of any tax by the Commodore Funds that is attributable to such Limited Partner or former Limited Partner, a portion of the economic burden of any such payment will be borne by each Limited Partner.

#### Risks Relating to Management

**Limited Operating History.** Each of the Commodore Funds, the General Partner and the Investment Manager has a limited operating history upon which prospective and current Limited Partners can evaluate their anticipated performance. The portfolio managers and research and investment professionals of the Investment Manager have been performing research and using investment strategies described herein for a limited amount of time. There can be no assurance that the Master Fund will achieve results comparable to those that the portfolio managers and research and investment professionals have achieved in the past. The past performance of the research and investment professionals of the Investment Manager should not be construed as an indication of the future performance of the Commodore Funds.

**No Assurance of Investment Return.** The Investment Manager cannot provide assurance that it will be able to select, execute and realize investments in any particular company. In particular, the Master Fund may be unable to find a sufficient number of attractive investment opportunities to meet its investment objectives. There is also significant risk that the Master Fund will be unable to negotiate and execute such investments on favorable terms and to realize such investments by sale or other disposition at attractive prices. There is no assurance that the Master Fund will be able to generate returns or that the returns will meet the projected or targeted level. An investment in the applicable Commodore Funds should only be considered by persons who can afford a loss of their entire investment. The past investment performance of the Investment Manager should not be construed as an indication of future results of any investment in the applicable Commodore Funds. There can be no assurance that the Master Fund will be able to achieve its investment objective or that investors will receive any return of capital.

**Dependence on the Investment Manager.** The success of the applicable Commodore Funds is dependent upon the ability of the Investment Manager to manage the Master Fund and effectively implement the Master Fund's investment program. Neither the applicable Commodore Funds' nor the Master Fund's governing documents permit the Limited Partners of the applicable Commodore Funds (or the limited partners of the Master Fund) to participate in the management and affairs of the applicable Commodore Funds. If the Master Fund was to incur substantial losses or was subject to an unusually high level of withdrawals, the revenues of the Investment Manager may decline substantially. Such losses and/or

withdrawals may impair the Investment Manager's ability to retain employees, provide the same level of service to the Master Fund as it has in the past and continue operations. The loss of the services of the Investment Manager or its key personnel could have a material adverse effect on the Master Fund and the Limited Partners' investments in the applicable Commodore Funds.

**Dependence on Certain Third Parties.** The Master Fund is also dependent upon its counterparties and the businesses that are not controlled by the Investment Manager that provide services to the Commodore Funds (the "Service Providers"). Examples of Service Providers include the Administrator, the Prime Brokers, legal counsel and the Auditors. Errors are inherent in the business and operations of any business, and although the Investment Manager will adopt measures to prevent and detect errors by, and misconduct of, counterparties and Service Providers, and transact with counterparties and Service Providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on the Master Fund and the Limited Partners' investments in the applicable Commodore Funds. As the Commodore Funds have no employees, the Commodore Funds are reliant on the performance of Service Providers. Each Limited Partner's relationship in respect of its Interests is with the applicable Commodore Fund only. Accordingly, absent a direct contractual relationship between the investor and the relevant Service Provider, no Limited Partner will have any contractual claim against any Service Provider for any reason related to its services to the Commodore Funds. Instead, the proper plaintiff in an action in respect of which a wrongdoing is alleged to have been committed against the Commodore Funds, as the case may be, by the relevant Service Provider is, *prima facie*, the Commodore Funds, as the case may be.

**Banking Relationships.** The Investment Manager and the Commodore Funds will hold cash and, with respect to the Master Fund, other assets in accounts with one or more banks, custodians or depository or credit institutions (collectively, "Banking Institutions"), which may include both U.S. and non-U.S. Banking Institutions from time to time. The distress, impairment, or failure of, or a lack of investor or customer confidence in, any of such Banking Institutions may limit the ability of each of the Investment Manager and the Commodore Funds to access, transfer or otherwise deal with its assets, or rely upon any of such other relationships, in a timely manner or at all, and may result in other market volatility and disruption, including by affecting other Banking Institutions. All of the foregoing could have a negative impact on the Commodore Funds. For example, in such a scenario, the Master Fund could be forced to delay or forgo an investment or a distribution, including in connection with a withdrawal, or generate cash to fund such investment or distribution from other sources (including by disposing of other investments or making other borrowings) in a manner that it would not have otherwise considered desirable. Furthermore, in the event of the failure of a Banking Institution, access to a depository account with that institution could be restricted and U.S. Federal Deposit Insurance Corporation ("FDIC") protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to Banking Institutions in other jurisdictions not subject to FDIC protection). In such a case, the Investment Manager or the Commodore Funds, as applicable, may not recover all or a portion of such excess uninsured amounts and could instead have an unsecured or other type of impaired claim against the Banking Institution (alongside other unsecured or impaired creditors). The Investment Manager does not expect to be in a position to reliably identify in advance all potential solvency or stress concerns with respect to its or the Commodore Funds' banking relationships, and there can be no assurance that the Investment Manager or the Commodore Funds will be able to easily establish alternative relationships with and transfer assets to other Banking Institutions in the event a Banking Institution comes under stress or fails.

**Retention and Motivation of Employees.** The success of the Master Fund (and thus the other Commodore Funds) is dependent upon the talents and efforts of highly skilled individuals employed by the Investment Manager and the Investment Manager's ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that the Investment Manager's investment professionals will continue to be associated with the Investment Manager throughout the life of the Master Fund, and the failure to attract or retain such investment professionals could have a material adverse effect on the Master Fund and the Limited Partners'

investments in the other Commodore Funds. Competition in the financial services industry for qualified employees is intense and there is no guarantee that, if lost, the talents of the Investment Manager's investment professionals could be replaced.

**Investment and Due Diligence Process.** Before making investments, the Investment Manager will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Investment Manager may be required to evaluate important and complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, the Investment Manager will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Investment Manager at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

**Increased Regulatory Oversight.** Increased regulation (whether promulgated under securities laws or any other applicable law) and regulatory oversight of and changes in law applicable to private investment funds and their managers may impose administrative burdens on the Investment Manager, including responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert the Investment Manager's time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof). Regulatory inquiries often are confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

**Effect of Substantial Losses or Withdrawals.** If, due to extraordinary market conditions or other reasons, the applicable Commodore Funds and other private investment funds managed by the Investment Manager were to incur substantial losses or were subject to an unusually high level of withdrawals, the revenues of the Investment Manager may decline substantially. Such losses and/or withdrawals may hamper the Investment Manager's ability to (i) retain employees, (ii) provide the same level of service to the applicable Commodore Funds as it has in the past, and (iii) continue operations.

**Increasing Assets Under Management.** The rates of return achieved by trading advisers or managers often diminish as the assets under their management increase. The Investment Manager has not agreed to limit the amount of capital it will manage.

#### Risks Relating to the Structure of the Commodore Funds

**Use of the "Master Fund/Feeder Fund" Structure.** The applicable Commodore Funds invest all or substantially all of their investable assets through a "master fund/feeder fund" structure in the Master Fund. The Master Fund generally does not enter into separate transactions or make different investment decisions with respect to the other Commodore Funds. Accordingly, all transactions entered into and investment decisions made by the Master Fund will affect both other Commodore Funds notwithstanding that the Limited Partners and the shareholders of the other Commodore Funds may have different tax concerns. The "master fund/feeder fund" structure may therefore result in transactions and investment decisions that are less tax-efficient for the Limited Partners than they would have been if the applicable Commodore Funds were "parallel funds" that directly engaged in transactions and made investment decisions.

**Cross-Subsidization of Feeder Fund-Specific Expenses.** Because the Master Fund is responsible for all costs and expenses of establishing and maintaining the operations of the Commodore Funds (other than the taxes of the other Commodore Funds, which are borne by the applicable Commodore Funds), investors in Commodore Capital Domestic LP will bear their proportionate share of expenses that are specific to Commodore Capital Offshore Ltd. and any other applicable Commodore Fund. As a result, investors in Commodore Capital Domestic LP will bear certain expenses that they would not otherwise bear if expenses specific to other applicable Commodore Funds were borne solely by the applicable Commodore



Fund. In addition, investors in Commodore Capital Domestic LP will bear less of fund-specific expenses because investors in Commodore Capital Offshore Ltd. and any other applicable Commodore Fund will share in such expenses.

**Co-Investments.** The Investment Manager and its affiliates may, from time to time, offer one or more Investors and/or other third-party investors (including affiliates of the Investment Manager and their respective members, partners, officers or employees or affiliates of any of them, and including the principals and other Investment Manager-related investors) the opportunity to co-invest with the Commodore Funds in particular investments. The Investment Manager and its affiliates expect to offer co-investment opportunities to Investors and/or other third-party investors based on factors such as, but not limited to, the nature of the opportunity, speed of execution required, tax considerations, such persons' familiarity with and history of making similar investments (including successfully consummating prior co-investment opportunities with the Investment Manager and its affiliates) or ability to consummate co-investment opportunities generally and in a meaningful size, such person's prior expressions of interest in making similar investments, the ability of such persons to generate future investment opportunities or provide other benefits to the Commodore Funds and/or the Investment Manager and/or to provide analytical and market advice or other expertise that may be valuable to the Commodore Funds, and other factors deemed by the Investment Manager and its affiliates to be relevant. The Investment Manager has a conflict when determining which Limited Partners, if any, it will offer co-investment opportunities to. In addition, the principals and other Investment Manager-related investors may co-invest with the Commodore Funds whether or not the particular co-investment opportunity is offered to Investors or other third-party investors.

The Investment Manager and its affiliates are not required to offer co-investment opportunities to any Investor or other third-party investors, and no Limited Partner will be entitled (or obligated) to participate in such an opportunity by reason of being an investor in the Commodore Funds.

The decision of the Investment Manager or its affiliates to offer (or not offer) co-investment opportunities to any Investor will be made in the sole discretion of the Investment Manager or its affiliates, as applicable. If the Investment Manager advises a committed co-investment vehicle in the future, such vehicle may be offered a co-investment opportunity before such opportunity is offered to any Investor or other third-party investor, and no Investor or other third-party investor will be entitled (or obligated) to participate in such an opportunity by reason of being an investor in the Commodore Funds. The Investment Manager and its affiliates are similarly not required to offer co-investment opportunities to any investor in a co-investment vehicle – all such decisions to offer co-investment opportunities to investors in a co-investment vehicle will be made in the sole discretion of the Investment Manager and its affiliates, as applicable.

The Investment Manager or its affiliates will receive fees and/or allocations from co-investors, which will differ as among co-investors, and which also may differ from the fees and/or allocations borne by the Investors. For the avoidance of doubt, fees, allocations and expenses borne by the Commodore Funds will differ from the fees, allocations and expenses borne by co-investment vehicles, even when both are investing in the same security. To the extent that the fees and/or allocations from co-investors differ from those paid by the Investors, the Investment Manager will have a conflict of interest in determining the appropriate allocation to the Commodore Funds with respect to such investments.

The Investment Manager seeks to fairly allocate expenses among accounts, including the Master Fund, and any co-investors. Generally, accounts and co-investors that own an investment will share in expenses related to such investment, including expenses originally charged solely to any account. However, it is not always possible or reasonable to allocate or re-allocate expenses to a co-investor, depending upon the circumstances surrounding the applicable investment (including the timing of the investment) and the financial and other terms governing the relationship of the co-investor to the accounts with respect to the investment, and, as a result, there may be occasions where co-investors do not bear a proportionate share of such expenses. In addition, co-investors may not bear certain expenses (e.g., broken deal expenses) associated with potential co-investment opportunities that are ultimately not consummated and such

amounts (including, for the avoidance of doubt, the portion thereof that corresponds to prospective co-investors' intended proportionate participation in the unconsummated transaction) will be borne by the Commodore Funds.

Co-investors may, and for the avoidance of doubt, in certain cases do, have rights in addition to, or are subject to different terms as compared to the rights and terms applicable to the Commodore Funds. For example, co-investors may receive minority protections, board seats, information rights, rights to future allocations of co-investments in the same security, or other control rights and may have different or advantageous terms or rights with respect to their ability to exit the co-investment. Similarly, if the Investment Manager advises a committed co-investment vehicle in the future, the fees, allocations and other terms and rights applicable to the committed co-investment vehicle (and its investors) may differ from the fees, allocations and other terms and rights applicable to Limited Partners.

The Investment Manager may in the future effect co-investments by creating other accounts that are co-investment vehicles established to make a single investment or otherwise engage in an investment program more concentrated than that of the Funds. To the extent that the Investment Manager causes the Master Fund to make subsequent investments in the same securities held by those co-investment vehicles, these investment opportunities, and particularly those investment opportunities subject to pre-emptive rights granted to such co-investment vehicles, may be required to be made available to such co-investment vehicles on a priority basis.

**Absence of Regulatory Oversight Over the Commodore Funds.** The applicable Commodore Funds and the Interests are not expected to be registered under the securities laws of any country. In particular, the applicable Commodore Funds will not be registered as an investment company under the Company Act, and, therefore, will not be required to adhere to the restrictions and requirements under the Company Act. Accordingly, the provisions of the Company Act (which, among other things, require investment companies to have a majority of disinterested directors, require securities to be held in custody by a bank or broker in accordance with rules requiring the segregation of securities, prohibit the investment companies from engaging in certain transactions with its affiliates and regulate the relationship between advisers and investment companies) are not applicable.

The Master Fund is regulated as a mutual fund under the Mutual Funds Act (As Revised) of the Cayman Islands (the "Mutual Funds Act"). However, registration under the Mutual Funds Act does not involve an examination of the merits of the Master Fund or supervision of the investment performance of the Master Fund by the Cayman Islands government or the Cayman Islands Monetary Authority (the "Authority"). There is no financial obligation or compensation scheme imposed on or by the government of the Cayman Islands in favor of or available to the investors in the Commodore Funds.

**Liability of the Commodore Funds.** Each of the Commodore Funds is a single legal entity. There is no limited recourse protection for any tranche of Interests. Generally, creditors of a Commodore Fund that is not the Master Fund may enforce claims against all assets of such Commodore Fund, but not against assets of the Master Fund, and creditors of the Master Fund may enforce claims against all assets of the Master Fund, but not against any assets of the other Commodore Funds. However, all assets of the applicable Commodore Funds, including their interests in the Master Fund, may be available to meet all liabilities of the applicable Commodore Fund, and all assets held by the Master Fund may be available to meet all liabilities of the Master Fund, even if, in either case, the liability relates to a particular Capital Account or Master Fund Capital Account of the applicable Commodore Fund, as the case may be (e.g., new issues and any corresponding hedge positions). Thus, for example, in the event that the assets attributable to a Master Fund Capital Account participating in a particular transaction were completely depleted by losses or liabilities (but not completely satisfied), a creditor could enforce a claim against the assets of the Master Fund which effectively would be borne by other Master Fund Capital Accounts that did not participate in the investment or transaction.

**Effect of Substantial Withdrawals.** Substantial withdrawals could be triggered by a number of

events, including, without limitation, unsatisfactory performance, events in the markets, a significant change in personnel or management of the Investment Manager, removal or replacement of the Investment Manager as the investment manager of the applicable Commodore Funds, legal or regulatory issues that investors perceive to have a bearing on the applicable Commodore Funds or the Investment Manager, or other events. Actions taken to meet substantial withdrawal requests from the applicable Commodore Funds (as well as similar actions taken simultaneously by investors of any Other Accounts) could result in prices of Investments held by the Master Fund decreasing and the expenses of the Master Fund, and thus the applicable Commodore Funds, increasing (e.g., transaction costs and the costs of terminating agreements). The overall value of the Master Fund (and thus, the other Commodore Funds) also may decrease because the liquidation value of certain assets may be materially less than their cost or mark-to-market value. The Master Fund may be forced to sell its more liquid positions, which may cause an imbalance in the portfolio that could have a material adverse effect on the remaining Limited Partners. Substantial withdrawals could also significantly restrict the Master Fund's ability to obtain financing or transact with derivatives counterparties needed for its investment strategies, which would have a further material adverse effect on the Commodore Funds' performance. The applicable Commodore Funds and the Investment Manager generally will not disclose to Limited Partners the amount of pending withdrawals or withdrawal requests and are under no obligation to make any such disclosure.

Similarly, in the event that there are substantial withdrawals from the applicable Commodore Funds (and thus, the Master Fund), it may be more difficult for the Master Fund to generate the same level of profits operating on a smaller capital base. In the event that there are substantial withdrawals on any date, the Investment Manager may find it difficult to adjust its asset allocation to the suddenly reduced amounts of assets under management. Under such circumstances, in order to provide sufficient funds to pay withdrawals, the Investment Manager may be required to liquidate positions at an inappropriate time or on unfavorable prices or other terms, or to suspend withdrawals in whole or in part.

**Limited Liquidity.** An investment in each of the applicable Commodore Fund has limited liquidity because Limited Partners will generally have only limited rights to withdraw capital from the applicable Commodore Fund or transfer their Interests, and the applicable Commodore Fund has the right to suspend withdrawals, as described herein. Limited Partners must be prepared to bear the financial risks of an investment in the applicable Commodore Fund for an indefinite period of time. Further, there may be limited or no rights to redeem any part of a Limited Partner's Capital Account attributable to private, illiquid Special Investments.

**Differing Withdrawal Rights.** The applicable Commodore Funds may issue Interests having different liquidity terms than the Interests already issued, or enter into Side Letter Agreements (as defined below) resulting in similar differences in liquidity. As a result, certain Partners may be able to make withdrawals more frequently than the holders of other Interests and may be able to react more quickly to information or events affecting the Investment Manager or the Commodore Funds.

**Access to Information and Effect on Withdrawals.** Because of the wide range of potential investments, potentially rapid shifts in the concentration of investments among types of financial instruments or strategies, the inherent complexity of many of the Master Fund's investment strategies, and other factors, prospective Limited Partners and Limited Partners will not have sufficient information to analyze or evaluate in detail the specific risks and potential returns of the Master Fund's investment program prospectively. The Investment Manager generally will not provide detailed information about the Master Fund's portfolio or any advance notice of anticipated changes in the composition of the Master Fund's portfolio, nor will the Investment Manager provide information to prospective Limited Partners as to how (if at all) the Master Fund voted proxies. Furthermore, in response to questions and requests, in connection with due diligence meetings and other communications, and pursuant to Side Letter Agreements (as defined below), the applicable Commodore Funds and the Investment Manager may provide additional information to certain Limited Partners and prospective Limited Partners that is not distributed to other Limited Partners and prospective Limited Partners. Such information may affect a prospective Limited Partner's decision to

invest in the applicable Commodore Fund, and Limited Partners (which may include personnel and affiliates of the Investment Manager) may be able to act on such additional information and withdraw their Interests potentially at higher values than other investors. Any such withdrawals may result in reduced liquidity for other investors and, in order to meet larger or more frequent withdrawals, the Master Fund may need to maintain a greater amount of cash and cash-equivalent investments than it would otherwise maintain, which may reduce the overall performance of the Master Fund. Each Limited Partner is responsible for asking such questions as it believes are necessary in order to make its own investment decisions, must decide for itself whether the limited information provided by the Investment Manager and the applicable Commodore Fund is sufficient for its needs and must accept the foregoing risks.

**Delayed Schedules K-1.** The applicable Commodore Funds will provide Schedules K-1 to the Limited Partners as soon as practicable after receipt of all of the necessary information from the underlying investments of the Master Fund. The applicable Commodore Funds may not be able to provide final Schedules K-1 to Limited Partners for any given fiscal year until after April 15 of the following year. The Limited Partners should be prepared to obtain extensions of the filing deadline for their federal, state, and local income tax returns.

**No Distributions for Taxes.** The applicable Commodore Funds may realize significant taxable income in a given year during which the applicable Commodore Funds do not generate corresponding significant returns. In determining their U.S. federal income tax liability for any taxable year, Limited Partners will be required to take into account their respective shares of the applicable Commodore Funds' taxable income (including its share of the Master Fund's taxable income), without regard to whether the Limited Partners have made any withdrawals, or otherwise received any distributions, from the applicable Commodore Funds. The applicable Commodore Funds will not make distributions to Limited Partners in order for such Limited Partners to satisfy any U.S. federal, state, or local income taxes imposed on such Limited Partners in respect of their shares of the applicable Commodore Funds' taxable income. Accordingly, a Limited Partner that has not made any withdrawal from the applicable Commodore Funds will generally be required to use cash from sources other than distributions from the applicable Commodore Funds in order to satisfy any tax obligation arising from its investment in the applicable Commodore Funds.

**In-Kind Distributions.** Although the applicable Commodore Funds do not intend to make distributions in kind, under certain circumstances a withdrawing Limited Partner may receive Investments (to the extent received by the applicable Commodore Funds from the Master Fund) in lieu of, or in combination with, cash. The General Partner, after consultation with the Investment Manager, may make distributions in cash or in kind, or in a combination thereof at any time in its discretion. Such distributions may include interests in one or more special purpose vehicles holding Investments owned by the Master Fund, or participations therein. To the extent a withdrawing Limited Partner is paid in interests in special purpose vehicles, such withdrawing Limited Partner will continue to be at risk with respect to the Commodore Funds' business. The value of Investments distributed in kind may increase or decrease before they are sold either by the withdrawing Limited Partner, if received directly, or by the Investment Manager or its affiliates, if held through a special purpose vehicle. In either case, the withdrawing Limited Partner will incur transaction costs in connection with the sale of any such Investments and, in the case of interests in special purpose vehicles, will bear a proportionate share of the operating and other expenses borne by such vehicle. Investments distributed in kind may not be readily marketable. The risk of loss and delay in liquidating these Investments will be borne by the Limited Partner, with the result that such Limited Partner may ultimately receive less cash than it would have received on the date of withdrawal if it had been paid in cash. Furthermore, to the extent that a withdrawing Limited Partner receives interests in special purpose vehicles, such withdrawing Limited Partner will generally have no voting rights or any control over when and at what price the Investments in which such vehicles have an interest are sold.

**Governmental Entity Investors.** Governmental entities, including pension plans maintained by governmental agencies and instrumentalities, may invest in the Commodore Funds. Such investors may be subject to laws that affect the applicability or enforcement of certain terms generally governing the Commodore Funds. For example, exculpation, indemnification, confidentiality, choice of law and choice of venue provisions

may be applied differently with respect to such investors. In addition, investment in the Commodore Funds by certain governmental entities may subject the Commodore Funds, the Investment Manager and/or the General Partner to increased regulatory burdens and public disclosures about the Commodore Funds, its investors and its activities.

#### Risks Relating to the Operations of the Applicable Commodore Funds and Investment Activities of the Master Fund

**Systems and Operational Risks Generally.** The Master Fund depends on the Investment Manager to develop and implement appropriate systems for the Master Fund's activities. The Master Fund relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain Investments, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Master Fund's activities. In addition, the Master Fund relies on information systems to store sensitive information about the Master Fund, the Investment Manager, their affiliates and the Limited Partners. Certain of the Master Fund's and the Investment Manager's activities will be dependent upon systems operated by third parties, including brokers, Prime Brokers, the Administrator, market counterparties and other Service Providers, and the Investment Manager may not be in a position to verify the risks or reliability of such third-party systems. Failure in the systems employed by the Investment Manager, brokers, Prime Brokers, the Administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Investment Manager's operations may cause the Master Fund (and thus the other Commodore Funds) to suffer, among other things, financial loss, the disruption of trading or investment operations, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Master Fund and the Limited Partners' investments in the other Commodore Funds.

**Security, Information and Cybersecurity Risks.** As part of its business, the Investment Manager processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Master Fund and personally identifiable information of the Limited Partners. Similarly, Service Providers of the Investment Manager, the Commodore Funds, especially the Administrator, may process, store and transmit such information. The Investment Manager has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Investment Manager may be susceptible to compromise, leading to a breach of the Investment Manager's network. The Investment Manager's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Investment Manager to the Limited Partners may also be susceptible to compromise. Breach of the Investment Manager's information systems may cause information relating to the transactions of the Master Fund and personally identifiable information of the Limited Partners to be lost or improperly accessed, used or disclosed.

The Service Providers of the Investment Manager and the Commodore Funds (including telecommunications service providers, as well as brokers, administrators, custodians, etc.) are subject to the same electronic information security threats as the Investment Manager. Our Service Providers have and may in the future fail to adopt or adhere to adequate data security practices and our ability to implement safeguards with respect to data maintained on third party systems is more limited than with respect to our own systems. Recent events in the market, as well as recent events impacting the Investment Manager and its affiliates, illustrate that this is not a theoretical concern, but is a risk that all market participants face. Specifically, like other financial services firms, the Investment Manager and its Service Providers are

(and have been) the targets of unauthorized access, phishing attacks and other forms of social engineering, acts of vandalism, computer viruses, malware, ransomware, spam attacks, SIM swaps and other cyber-attacks. Such attacks can corrupt, obstruct, or result in unauthorized access to information relating to the transactions of the Master Fund and personally identifiable information of the Limited Partners. There can be no assurances that such incidents will not occur again in the future.

The loss or improper access, use or disclosure of the Investment Manager's, the Master Fund's or the other Commodore Funds' proprietary information may cause the Investment Manager or the Commodore Funds to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the applicable Commodore Funds, the Limited Partners' investments therein or on the Limited Partners themselves.

**Use of Systems.** The Investment Manager relies extensively on the use of computer systems, hardware, software, and telecommunications equipment. The Investment Manager makes use of its own equipment as well as equipment, systems and services (including so-called "cloud" based storage and other services) provided by third parties. Accordingly, the Master Fund is exposed to the risk that computer hardware, software, electronic equipment and other services used by the Investment Manager may cease to be available, for example, due to the insolvency of the provider, the discontinuation of services or software updates, or the interruption of communication access. In such circumstances, the Investment Manager would seek to obtain equivalent hardware, software and services from an alternative supplier, which could take time to accomplish and which could be costly.

**System Failure.** As the Investment Manager makes extensive use of computer hardware, systems and software, the Master Fund is exposed to risks caused by failures of IT infrastructure and data. In addition, outright failure or a partial impairment (whether due to external situations or internal file corruption) of the underlying hardware, operating system, software or network may leave the Master Fund unable to trade either generally or in certain of its positions or investments, and this may expose it to risk in the ordinary course, and additional risk should the outage coincide with turbulent market conditions. To ameliorate this risk, backup and failover plans have been put in place by the Investment Manager. It is possible that a systems failure could impede the Investment Manager's ability to carry out the investment program, and could prevent the Investment Manager from acting to prevent losses in a crisis; in the worst case, the Investment Manager may have to liquidate the Master Fund's entire portfolio as the only safe way to proceed should a crippling system outage occur.

**Valuation of Assets and Liabilities.** The Master Fund's assets and liabilities are valued in accordance with the Investment Manager's Valuation Policy (as defined below). The valuation of any asset or liability involves inherent uncertainty. The value of an Investment determined in accordance with the Valuation Policy may differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on the net asset value of the applicable Commodore Funds if the judgments of the Investment Manager regarding the appropriate valuation should prove to be incorrect.

**GAAP Net Asset Value Divergence.** Due to GAAP requirements, the net asset value of the applicable Commodore Funds for purposes of GAAP-compliant financial reporting may diverge from the net asset value of the applicable Commodore Funds for all other purposes, including, without limitation, for purposes of allocating gains and losses among the Limited Partners, which is relevant to, among other things, determining the balance of each Capital Account, calculating the Incentive Allocation, and calculating the amounts payable by the applicable Commodore Funds in respect of a withdrawal by or distribution to a Limited Partner. Net asset value divergence may occur, for example, in connection with the amortization of the organizational and initial offering expenses of the applicable Commodore Funds, the measuring of fair value (as a result of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820), or the recognition or unrecognition of uncertain tax positions (as a

result of FASB ASC 740).

**Counterparty Risk and Other Adverse Events or Actions.** The Master Fund expects to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Master Fund to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Master Fund will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Master Fund's activities, create losses, preclude the Master Fund from engaging in certain transactions or prevent the Master Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the applicable Commodore Funds' business due to the Master Fund's reliance on such counterparties.

Some of the markets in which the Master Fund may effect transactions are not "exchange-based," including "over-the-counter" or "interdealer" markets. The stability and liquidity of over-the-counter transactions depends in large part on the creditworthiness of the parties to the transactions. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes the Master Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Master Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Fund has concentrated its transactions with a single or small group of counterparties. Generally, the Master Fund will not be restricted from dealing with any particular counterparties. The Investment Manager's evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Master Fund's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Master Fund.

If there is a default by a counterparty, under most normal circumstances, the Master Fund or the Investment Manager acting on behalf of the Master Fund, will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Master Fund being less than if the Investment Manager had not caused the Master Fund to enter into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Master Fund's Investments from such counterparty or the payment of claims therefor may be significantly delayed and the Investment Manager may recover substantially less on behalf of the Master Fund than the full value of the Investments entrusted to such counterparty. In addition, there are a number of rules and proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceedings and may impact whether the Master Fund may terminate its agreement with an insolvent counterparty.

Collateral that the Master Fund posts to its counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the Master Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, the Investment Manager may cause the Master Fund to use counterparties located in jurisdictions outside the U.S. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to the Master Fund's assets are subject to substantial limitations and uncertainties. For example, capital deposited at certain non-U.S. broker-dealers may not be subject to client money protection rules, which could subject the Master Fund to the risks of being an unsecured creditor in the event of a broker-dealer insolvency. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and

jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Master Fund and its assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering the Master Fund's Investments and collateral from or the payment of claims therefor by such counterparty and a loss to the Master Fund, which could be material.

In addition to the risk of a counterparty default, there is also the risk that the Master Fund's counterparties may be required to restrict the amount of credit granted to the Master Fund due to their own financial difficulties, which could result in a forced liquidation of substantial portions of the Master Fund's accounts.

**Regulation in the Derivatives Industry.** There are many rules related to derivatives that may negatively impact the Master Fund, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter ("OTC") instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of the Investment Manager and the Master Fund, and increase the amount of time that the Investment Manager spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Master Fund.

These rules are operationally and technologically burdensome for the Investment Manager and the Master Fund. These compliance obligations require employee training and use of technology, and there are operational risks borne by the Master Fund in implementing procedures to comply with many of these additional obligations.

These regulations may also result in the Master Fund forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants ("FCMs")), as the use of other parties may be more efficient for the Master Fund from a regulatory perspective. However, this could limit the Master Fund's trading activities, create losses, preclude the Master Fund from engaging in certain transactions or prevent the Master Fund from trading at optimal rates and terms.

Many of these requirements were implemented pursuant to the Dodd-Frank Act, the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation or ("EMIR")) and similar regulations globally. In the U.S., the Dodd-Frank Act divides the regulatory responsibility for derivatives between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The SEC has regulatory authority over "security-based swaps" and the CFTC has regulatory authority over "swaps." EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to security-based swaps and EMIR regulations that are still in the proposal stage or are expected to be introduced in the future.

The following describes derivatives regulations that may have the most significant impact on the Master Fund:

### *Reporting*

Some swap transactions have become subject to anonymous "real time reporting" requirements, meaning that information relating to transactions entered into by the Master Fund will become visible to the market in ways that may impair the Master Fund's ability to enter into additional transactions at comparable prices or could enable competitors to "front run" or replicate the Master Fund's strategies.



### *Central Clearing*

In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared through central clearinghouses. In the U.S., clearing requirements have been implemented as part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. The CFTC and the SEC may introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for the Master Fund in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Master Fund would be exposed under non-cleared derivatives), the Master Fund could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and, as a result, the Master Fund may not be able to hedge its risks or express an investment view as well as it would have been able to had it used customizable derivatives available in the over-the-counter markets. The Master Fund may have to split its derivatives portfolio between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the-counter positions potentially leading to increased costs.

Another risk is that the Master Fund may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the Master Fund's FCM and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that, unlike traditional bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject the Master Fund to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Master Fund. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Master Fund to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Master Fund. In addition, clearinghouses may not allow the Master Fund to portfolio-margin its positions, which may increase the Master Fund's costs.

Although standardized clearing for derivatives is intended to reduce counterparty risk (for instance, it may reduce the counterparty risk to the dealers to which the Master Fund would have been exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and the Master Fund's FCM, subjecting the Master Fund to the risk that the assets of the FCM are insufficient to satisfy all of the FCM's payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

### *Swap Execution Facilities*

In addition to the central clearing requirement, certain swap transactions are required to trade on regulated electronic platforms such as swap execution facilities ("SEFs"), which require the Master Fund to subject itself to regulation by these venues and subject the Master Fund to the jurisdiction of the CFTC.

It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore

increasing risk. It may also become relatively expensive for the Master Fund to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of these regulations.

#### *Margin Requirements for Non-Cleared Swaps*

Rules issued by the U.S., EU and other regulators globally impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian (the “Margin Rules”). Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that the Master Fund will be required to post to swap counterparties may increase by a material amount, and as a result the Master Fund may not be able to deploy capital as effectively. Additionally, to the extent the Master Fund is required to segregate initial margin with a third party custodian, additional costs will be incurred by the Master Fund.

**Competition; Availability of Investments.** Certain markets in which the Investment Manager may cause the Master Fund to invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Investment Manager will be able to identify or successfully pursue attractive investment opportunities in such environments.

**Volatility Risk.** The Investment Manager’s investment program may involve the purchase and sale of relatively volatile Investments and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such Investments and/or markets can adversely affect the value of investments held by the Master Fund. To the extent that the Investment Manager causes the Master Fund’s portfolio to hold derivative instruments that are specifically designed to profit from change in market volatility, the risk of loss to the Master Fund’s portfolio is magnified.

**Credit Ratings.** In general, the credit rating assigned by a nationally recognized rating agency to an Investment represents such rating agency’s opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such Investments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency’s analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer’s current credit standing. The Master Fund may incur losses if the Investment Manager makes investments based on credit ratings that subsequently change in a way not favorable to the Master Fund’s investment objective.

**Co-Investments with Third Parties.** The Master Fund may co-invest with third parties, including through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Master Fund or is in a position to take (or block) action in a manner contrary to the Master Fund’s investment objective. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

**Significant Positions in Investments; Regulatory Requirements.** In the event the Investment Manager causes the Master Fund to acquire a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Master Fund may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Master Fund and the Investment Manager. Any such requirements may impose additional costs on the Master Fund and may delay the acquisition or disposition of the Investments or the Master Fund’s ability to respond in a

timely manner to changes in the markets with respect to such Investments.

In addition, “position limits” may be imposed by various regulators that may limit the Investment Manager’s ability to effect desired trades on behalf of the Master Fund. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer’s securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Master Fund’s position limits were aggregated with an affiliate’s position limits, the effect on the Master Fund and resulting restriction on the Investment Manager’s investment activities may be significant. If at any time positions managed by the Investment Manager were to exceed applicable position limits, the Investment Manager would be required to liquidate positions, which might include positions of the Master Fund, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Investment Manager might have to forego or modify certain of the Master Fund’s contemplated trades.

In addition, if the Master Fund, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Master Fund may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances, the Investment Manager will be prohibited from causing the Master Fund to enter into a short position in such issuer’s securities, and therefore limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

**Exposure to Material Non-Public Information.** From time to time, the Investment Manager and its investment professionals may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Investment Manager may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position held by the Master Fund in such issuer, (ii) causing the Master Fund to establish an initial position or take any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. Such results could lead to losses to the Master Fund.

It is possible that the Investment Manager’s internal controls relating to the management of material non-public information could fail and result in the Investment Manager, or one of its investment professionals, buying or selling a security while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on the Investment Manager’s reputation, result in the imposition of regulatory or financial sanctions and, as a consequence, negatively impact the Investment Manager’s ability to provide its investment management services to its investment funds, including the Commodore Funds. In addition, while the Investment Manager currently intends to operate without information barriers, it could be required by certain regulations, or decide that it is advisable, to establish information barriers. In such event, the Investment Manager’s access to certain personnel could be impaired, which would impair its ability to properly manage the Commodore Funds’ investments.

**Currency Exchange Exposure.** The Investment Manager may cause the Master Fund to invest in Investments denominated in currencies other than the U.S. dollar. The Investment Manager, however, values the Master Fund’s Investments in U.S. dollars. The Investment Manager may or may not seek to hedge the Master Fund’s non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that Investments suitable for hedging currency or market shifts will be available at the time when the Investment Manager wishes to cause the Master Fund to use them, or that hedging techniques employed by the Investment Manager will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Master Fund’s positions denominated in currencies other than U.S. dollars will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

**Use of Alternative Data.** The Investment Manager expects to obtain and use alternative data in its investment process. Alternative data (sometimes also referred to as “big data”) generally refers to data collected from a variety of sources, either by the Investment Manager or third parties, including medical, hospital and insurance records, surveys of doctors and other service providers and participants in the healthcare industry, prescription drug usage data, and government and other public records and databases. The Investment Manager intends to use alternative data to better identify trends and themes in the healthcare industry. There is no assurance that the Investment Manager will be successful in utilizing alternative data in its investment process. There has been increased scrutiny from a variety of regulators regarding the use of alternative data for investment purposes, and the use or misuse of alternative data under current or future laws and regulations could create liability for the Investment Manager or the Commodore Funds in numerous jurisdictions. The Investment Manager cannot predict what, if any, regulatory or other actions may be asserted with regard to the use of alternative data, but any adverse inquiries or formal actions could cause reputational, financial, or other harm to the Investment Manager or the Commodore Funds, and any future limitations on the use of alternative data could have a material adverse impact on the performance of the Commodore Funds. Although the Investment Manager conducts due diligence reviews of data providers and requires that they make certain representations about the sources of the data that they provide, such actions may not be effective to protect against the effect of misrepresentations or violations of law by such data providers.

### Risks Relating to Market Conditions Generally

**General Economic and Market Conditions.** The success of the Master Fund’s activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Master Fund’s investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Master Fund’s investments. Volatility or illiquidity could impair the Master Fund’s profitability or result in losses. The Master Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Certain of the trading strategies employed by the Investment Manager make certain assumptions about the persistence of the market environment: the models assume that repeated past behavior of the markets can be used to predict the future, at least in limited ways. These strategies are developed by simulating the performance of a given strategy over historical data. At their core, financial and economic patterns are not immutable and there can be no guarantees that the relationships that appeared to govern financial instruments and their prices in the past will continue in the future.

While the Investment Manager will make efforts to estimate and control the risks associated with market changes, and will attempt to identify changes as they occur, market environment changes can be sudden and extreme. When these changes occur, certain market dynamics can make the changes more severe and can cause their adverse effects to spread to other markets not affected by the initial changes.

In particular, events can cause other market participants to liquidate large positions in a short period of time in order to raise capital, reduce risk or meet margin calls. To the extent that these market participants hold positions in a portfolio of strategies similar to that of the Master Fund, all of these strategies may begin to exhibit adverse returns and correlations not seen under normal markets, even if the initial changes were in markets in which the Master Fund was not involved. Unusual market developments may result in returns on the strategies that the Master Fund will employ, that are not consistent with the past performance or correlation of such strategies.

**Governmental Interventions.** Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an “emergency” basis, suddenly and substantially eliminating market

participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Master Fund's strategies.

**Interest Rate Increases.** Uncertainty of the U.S. and global economy, and sensitivity of interest rates to changes in U.S. government and other nations' monetary and fiscal policies, including changes in the federal funds rate, create a risk that interest rates will be volatile in the future. Interest rate volatility is difficult to predict, and may cause the value of any assets sensitive to interest rates held by the Master Fund to decrease, which may result in substantial withdrawals from the other Commodore Funds that, in turn, force the Master Fund to liquidate such instruments at disadvantageous prices negatively impacting the performance of the Master Fund. In addition, interest rate increases may have a particularly adverse impact on the valuation and financing capability of high growth companies, including those in which the Master Fund may invest.

**Proprietary Trading Methods.** Because the trading methods employed by the Investment Manager on behalf of the Master Fund are proprietary to the Investment Manager, a Limited Partner will not be able to determine any details of such methods or whether they are being followed.

**Correlation Risk.** The Master Fund may be exposed to correlated risks. These occur when funds and other investors hold similar positions and employ similar strategies, resulting in intensified risks which may lead to potential cascading losses in times of market stress.

In extreme cases, to the extent other market participants using a similar strategy seek to divest one or more positions comprising of a particular strategy, "correlation crises" could occur.

No assurance can be given that the Investment Manager's strategies will be successful under all or any market conditions. The Investment Manager's trading strategies are proprietary, so Limited Partners will not be able to determine the details of such strategies or how they are being implemented.

**Trading Judgment.** The success of the Master Fund is subject to the judgment and skills of the Investment Manager's research and trading personnel. Additionally, the Investment Manager's trading abilities with regard to execution and discipline are important to the returns of the Master Fund. There can be no assurance that the Investment Manager's investment decisions or actions will be correct. Incorrect decisions or poor judgment may result in substantial losses.

**Risk of Loss.** No guarantee or representation is made that the Master Fund's investment program, including, without limitation, the Master Fund's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past performance is no guarantee of future results.

**Long/Short.** The Investment Manager may employ various long/short investment strategies. The success of these strategies depends upon the Investment Manager's ability to identify and purchase Investments that are undervalued and identify and sell short Investments that are overvalued. The identification of investment opportunities in the implementation of the Investment Manager's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the positions that the Investment Manager causes the Master Fund to acquire were to fail to converge toward, or were to diverge further from values expected by the Investment Manager, the Master Fund may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Investment Manager to close out one or more of the Master Fund's positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the Investment Manager's long/short strategies may become outdated and inaccurate as market conditions change.

**Short-Selling.** The Investment Manager may cause the Master Fund to engage in short-selling investment programs. The success of these programs depends upon the Investment Manager's ability to identify and sell short Investments that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying Investment could theoretically increase without limit, thus increasing the cost to the Master Fund of buying those Investments to cover the short position. There can be no assurance that the Investment Manager will be able to maintain the Master Fund's ability to borrow Investments sold short. In such cases, the Master Fund can be "bought in" (*i.e.*, forced to repurchase Investments in the open market to return to the lender). There also can be no assurance that the Investments necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing Investments to close out a short position can itself cause the price of the Investments to rise further, thereby exacerbating the loss. For instance, a so-called "short squeeze" can occur if multiple short sellers seek to cover their short positions by purchasing the security and the price of a security starts to rise rapidly. If enough short sellers buy back the security, the price is pushed even higher, thereby making it more expensive for other short sellers to cover their short positions. Certain market participants, such as retail investors, may speculate by purchasing securities subject to a short squeeze, thereby driving the price even higher. If such speculation is conducted in a coordinated or targeted manner, for example, through social media platforms, the losses to the Master Fund could be material.

Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Master Fund may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Investment Manager, acting on behalf of the Master Fund, secures a "good borrow" of the Investment sold short at the time of execution, the lending institution may recall the lent Investment at any time, thereby forcing the Investment Manager to cause the Master Fund to purchase the Investment at the then-prevailing market price which may be higher than the price at which such Investment was originally sold short by the Master Fund.

**Relative Value.** Relative value investment strategies generally use spread trades consisting of a long position in one Investment offset by a short position in another. Such offsetting positions are meant to neutralize or reduce risk. The portfolio profits of the Investment Manager's relative valuation leads to a rise in the value of the long position(s) and/or a decline in the value of the short position(s). The Investment Manager may employ a variety of relative value investment strategies on behalf of the Master Fund whose success depends upon the Investment Manager's ability to identify and exploit perceived inefficiencies in the pricing of Investments, financial products, or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that the Investment Manager will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for the Investment Manager to maintain a position. Even pure arbitrage positions can result in significant losses if the Investment Manager is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which the Investment Manager seeks to invest will reduce the scope for the Master Fund's investment strategies. In the event that the perceived mispricings underlying the Master Fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by the Investment Manager, the Master Fund may incur losses.

**Short-Term Market Considerations.** The Investment Manager's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

## **Leverage and Borrowing.**

*Leverage for Investment Purposes.* The Investment Manager may use leverage as part of the Master Fund's investment program commensurate with the amount of net exposure. Leverage may take the form of, among other things, certain of the Investments described herein, including, without limitation, derivative instruments which are inherently leveraged and products with embedded leverage such as options, short sales, swaps and forwards, as well as borrowing on margin. The use of leverage will allow the Investment Manager to cause the Master Fund to make additional investments, thereby increasing the Master Fund's exposure, such that its total risk exposure may exceed its capital. However, leverage will also magnify the volatility of changes in the value of the Master Fund's portfolio. The effect of the use of leverage by the Investment Manager, on behalf of the Master Fund, in a market that moves adversely to the Master Fund's investments could result in substantial losses to the Master Fund, which would be greater than if the Master Fund were not leveraged.

*Borrowing for Cash Management Purposes.* The Investment Manager will have the authority to cause the Master Fund to borrow for cash management purposes, such as to satisfy withdrawal and/or redemption requests. The rates at and terms on which the Investment Manager can cause the Master Fund to borrow will affect the operating results of the Master Fund.

*Collateral.* The instruments and borrowings utilized by the Master Fund to leverage investments may be collateralized by all or a portion of the Master Fund's portfolio. Accordingly, the Investment Manager may cause the Master Fund to pledge its Investments in order to borrow or otherwise obtain leverage for investment or other purposes. Should the Investments pledged to brokers to secure the Master Fund's margin accounts decline in value, the Master Fund could be subject to a "margin call," pursuant to which the Investment Manager must either cause the Master Fund to deposit additional funds or Investments with the broker or suffer mandatory liquidation of the pledged Investments to compensate for the decline in value. The banks and dealers that provide financing to the Master Fund can apply essentially discretionary margin, "haircut," financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Master Fund may have similar rights. There can be no assurance that the Master Fund will be able to secure or maintain adequate financing.

*Costs.* Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Master Fund's portfolio. Any investment income and gains earned on investments made through the use of borrowings that are in excess of the interest costs associated therewith may cause the net asset value of the Master Fund to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the net asset value of the Master Fund may decrease more rapidly than would otherwise be the case.

**Lending of Portfolio Securities.** The Investment Manager may cause the Master Fund to lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Master Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

**Diversification and Concentration.** The Investment Manager's strategy is limited to a single industry: healthcare. The Investment Manager may select investments that are concentrated in a limited number or variety of Investments. In addition, the Investment Manager may cause the Master Fund's portfolio to become significantly concentrated in Investments related to a single or a limited number of

issuers sectors, asset classes, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Master Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such Investments.

**Hedging Transactions.** The Investment Manager may cause the Master Fund to utilize Investments for risk management purposes in order to: (i) protect against possible changes in the market value of the Master Fund's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Master Fund's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any Investments; (iv) enhance or preserve returns, spreads or gains on any Investment in the Master Fund's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Master Fund's Investments; (vii) protect against any increase in the price of any Investments the Investment Manager anticipates causing the Master Fund to purchase at a later date; or (viii) act for any other reason that the Investment Manager deems appropriate. The Master Fund will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Investment Manager may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Investment Manager may cause the Master Fund to enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance for the Master Fund than if the Investment Manager had not caused the Master Fund to engage in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

#### Risks Associated with Particular Types of Investments

**Equity Securities Generally.** The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Master Fund may suffer losses if the Investment Manager causes the Master Fund to invest in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction and the Master Fund has not hedged against such a general move. The Master Fund also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

**Preferred Stock.** Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

**American Depositary Receipts and Global Depositary Receipts.** American Depositary Receipts ("ADRs") are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by foreign issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global Depositary Receipts ("GDRs") are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company's publicly traded securities that are traded on foreign stock exchanges or foreign over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited Investment or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks



(including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale of disposition proceeds, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

**Convertible Securities.** A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Master Fund is called for redemption, the Master Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Investment Manager's ability to achieve the Master Fund's investment objective.

**Micro-, Small- and Medium-Capitalization Companies.** The Investment Manager may cause the Master Fund to invest in securities of micro- and smaller-capitalization companies. Such securities involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in the securities of some micro- and small-capitalization companies, an investment in those companies may be less liquid than large-capitalization companies.

**Derivative Instruments Generally.** Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives are subject to change. In addition, the Investment Manager may, in the future, cause the Master Fund to invest in opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which the Investment Manager may cause the Master Fund to participate is evolving, and changes in the regulation or taxation of such Investments may have a material adverse effect on the Master Fund.

*Call Options.* The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying Investment) assumes the risk of a decline in the market price of the underlying Investment below the purchase price of the underlying Investment less the premium received, and gives up the opportunity for gain on the underlying Investment above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying Investment above the exercise price of the option. The Investments necessary to satisfy the exercise of an uncovered call option may only be available for purchase at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing Investments to cover the exercise of an uncovered call option can cause the price of the Investments to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

*Put Options.* The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying Investment) assumes the risk of an increase in the market price of the underlying Investment above the sales price (in establishing the short position) of the underlying Investment plus the

premium received, and gives up the opportunity for gain on the underlying Investment if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying Investment below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the Investments included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular Investment, whether the Master Fund will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the Investment market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular Investments.

*Index Futures.* The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Master Fund also is subject to the Investment Manager's ability to correctly predict movements in the direction of the market.

*Swaps.* Whether the Investment Manager's use of swaps or swaptions on behalf of the Master Fund will be successful will depend on the Investment Manager's ability to select appropriate transactions for the Master Fund. Swaps and options on swaps ("swaptions") can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, volatility/variance, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Master Fund's portfolio. Moreover, the Master Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Master Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Investment Manager to cause the Master Fund to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Investment Manager's ability to cause the Master Fund to terminate swap transactions or to realize amounts to be received under such transactions.

*Futures Contracts.* The value of futures contracts depends upon the price of the Investments or other items, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Master Fund's positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Investment Manager from promptly liquidating the Master Fund's unfavorable positions and subject the Master Fund to substantial losses or prevent the Investment Manager

from causing the Master Fund to enter into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of an Investment or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

*Non-U.S. Futures Transactions.* Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally “linked” to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, the Master Fund may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

*Forward Contracts.* Financial regulators generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Master Fund. In its forward trading, the Master Fund will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Investment Manager causes the Master Fund to trade. Master Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Investment Manager may order trades for the Master Fund in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Master Fund to the risk of loss.

*Contracts for Differences.* Contracts for differences (“CFDs”) are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument’s value at the end of the contract. The underlying instrument may be a single Investment, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any Investment, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying Investment will require the posting of additional margin. CFDs also carry counterparty risk, *i.e.*, the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Master Fund’s obligation to its counterparty under the CFDs

and the return on related assets in its portfolio, the CFD transaction may increase the Master Fund's financial risk.

**Non-U.S. Investments.** Investing in the Investments of companies (and, from time to time, governments) outside of the U.S. involves certain considerations not usually associated with investing in Investments of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Master Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Investment Manager may be unable to structure the Master Fund's transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Master Fund's rights in such markets. For example, Investments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Master Fund under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

**Exchange-Traded Funds.** The Investment Manager may cause the Master Fund to invest in Exchange-Traded Funds ("ETFs"), which are shares of publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying Investments they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying Investments they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. In addition, the Master Fund may bear, along with other shareholders of an ETF, its *pro rata* portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing the Management Fee, Limited Partners may also indirectly bear similar expenses of an ETF.

**Illiquid Investments.** The Investment Manager anticipates that the Master Fund will predominantly hold tradable securities or financial instruments. However, the Master Fund may also invest in, or come to hold, securities or financial instruments that are subject to legal or other restrictions on transfer or for which no liquid market exists (the "Special Investments"). All private investments made by the Master Fund through special purpose vehicles will be illiquid. There may be limited information available about the issuers of illiquid securities or financial instruments that may make valuation of such securities or financial instruments difficult or uncertain. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Investment Manager may not be able to sell them on behalf of the Master Fund when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities or financial instruments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities or financial instruments eligible for trading on national securities exchanges or in the over-the-counter markets. The Master Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the Master Fund may be required to hold such securities or financial instruments despite adverse price movements. In addition, even those markets that the Investment Manager expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen

in the past where previously liquid investments have rapidly become illiquid. (See “Correlation Risk” above).

Traditional exit opportunities for private investments have consisted primarily of initial public offerings and acquisitions of portfolio companies by publicly traded companies, sometimes for stock. The ability of the Master Fund to sell securities and realize investment gains will depend upon favorable market conditions. Initial public offering and merger and acquisition opportunities may be limited or non-existent for extended periods of time, whether due to economic, regulatory, or other factors. In addition, general fluctuations in the market prices of securities may affect the value of the investments held by the Master Fund. Therefore, there is no assurance that the Master Fund will be able to realize liquidity for such investments in a timely manner, if at all. The market prices, if any, for illiquid securities tend to be volatile and the Master Fund may not be able to sell them when they desire to do so or to realize what they perceive to be their fair value in the event of a sale. The markets for these securities can be expected to involve wider price spreads and more sensitivity to buying and selling pressure than is found in more active markets. The sale of restricted or illiquid securities often requires more time and results in lower sale prices and higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. These considerations may adversely affect the Master Fund’s ability to respond in a timely manner to changes in the financial condition or prospects of the issuer of the security or financial instrument or other factors that may affect its value and may ultimately adversely affect the Master Fund’s return on investment in such securities and financial instruments.

**Undervalued Securities.** The Investment Manager may cause the Master Fund to invest in securities of companies which the Investment Manager believes to be undervalued. However, the identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund’s investments that the Investment Manager causes the Master Fund to make may not adequately compensate for the business and financial risks assumed.

**Investments in PIPEs.** The Master Fund may invest in private investments in public companies (“PIPEs”). PIPE investments offer the opportunity for significant gains, but also involve a high degree of risk, including the complete loss of capital. Among these risks are the general risks associated with investing in companies operating at a loss or with substantial variations in operating results from period to period and investing in companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. In addition, PIPE transactions will generally result in the Master Fund acquiring either restricted stock or an instrument convertible into restricted stock. As with investments in other types of restricted securities, such an investment may be illiquid. The Master Fund’s ability to dispose of securities acquired in PIPE transactions may depend on the registration of such securities for resale. Any number of factors may prevent or delay a proposed registration, including a failure of a company to comply with registration obligations under the agreements pursuant to which such securities have been sold to the Master Fund. Alternatively, it may be possible for securities acquired in a PIPE transaction to be resold in transactions exempt from registration in accordance with Rule 144 under the Securities Act, or otherwise under the U.S. federal securities laws. There can be no guarantee that there will be an active or liquid market for the stock of any small capitalization company due to the possible small number of stockholders. As a result, even if the Master Fund is able to have securities acquired in a PIPE transaction registered or sell such securities through an exempt transaction, the Master Fund may not be able to sell all the securities on short notice, and the sale of the securities could lower the market price of the securities. There is no guarantee that an active trading market for the securities will exist at the time of disposition of the securities, and the lack of such a market could hurt the market value of the Master Fund’s investments.

**Investments in SPACs.** A special purpose acquisition company (a “SPAC”) is a publicly traded

company formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more undervalued operating businesses. Following the acquisition of a target company, a SPAC typically would exercise control over the management of such target company in an effort to increase the value of such target company. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company's value increased. In the event that a SPAC is unable to locate and acquire target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in "blank check" companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made. In addition, most SPACs are illiquid and have a concentrated shareholder base that tends to be comprised of hedge funds (at least at inception). The Master Fund may invest in a SPAC that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be limited basis for the Master Fund to evaluate the possible merits or risks of such SPAC's investment in any particular target business. To the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies. For these and additional reasons, investments in SPACs are speculative and involve a high degree of risk.

**Control Group Disclosure.** Section 13(d) of the Exchange Act provides that any "group" acquiring in excess of 5% of a public company's equity must make certain public disclosures on Schedule 13D or 13G. Should the Master Fund, either alone or together as a "group" with other funds or other persons, acquire in excess of 5% of a public company's equity securities, the Master Fund would be required to file a Schedule 13D or 13G. The filing of such a Schedule might adversely affect the Master Fund's ability to acquire sufficient additional securities at appropriate prices to pursue its strategy with respect to that company. In addition, even if the Master Fund is not acting as part of a "group" in acquiring a company's equity securities, the company or the SEC could challenge the Master Fund's strategy by alleging that it is part of a "group" and should have made a Section 13 filing. If such a challenge were successful, the Master Fund could be treated as having violated the Exchange Act, which could have a material adverse effect on the Commodore Funds. The determination of what constitutes a "group" is fact-specific; however, the Master Fund does not intend to possess voting or investment control, either alone or together with other funds or other persons, over more than 5% of a public company's equity without making the required filings.

**New Issue Trading.** The Master Fund may from time to time invest in securities issued in initial public offerings ("New Issues"). Investing in New Issues poses unique risks arising out of their transient illiquidity, lack of trading history and concentration of ownership. In the event that the Investment Manager elects to trade New Issues on behalf of the Master Fund, investors that are restricted persons under applicable Financial Industry Regulatory Authority rules are not permitted to participate or participate fully in the returns generated by those trades.

*The risk factors enumerated above do not represent the entire universe of potential risks to our Clients.*

## **ITEM 9 – DISCIPLINARY INFORMATION**

There are no legal or disciplinary events involving either Commodore or any of its management persons.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Broker-Dealer Registration Status.**

Commodore and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

### **B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.**

Commodore and its management persons are not registered as, and do not have any application pending to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

### **C. Material Relationships or Arrangements with Industry Participants.**

As investment adviser to the Clients, certain inherent conflicts of interest may present themselves. For more information, please see Items 6 and 11 of this Brochure.

The Fund General Partner is an affiliate of Commodore. The Fund General Partner serves as the general partner to certain of the Commodore Funds. The Fund General Partner is responsible for the management, operations and investment decisions made on behalf of such Commodore Funds, operates as a single advisory business together with Commodore, has delegated investment management authority to Commodore and generally shares common owners, officers, partners, employees, consultants or persons occupying similar positions with Commodore. We do not believe our relationship with the Fund General Partner causes any material conflicts of interest.

### **D. Material Conflicts of Interest Relating to Other Investment Advisers.**

Commodore does not recommend or select other investment advisers for its Clients and does not receive compensation directly or indirectly from other investment advisers nor does it have other business relationships with other investment advisers.



## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics.**

Commodore has adopted a Code of Ethics (the “Code”), which is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the “Advisers Act”). The Code applies to all of Commodore’s employees and sets forth a standard of business conduct that takes into account Commodore’s status as a fiduciary. In seeking to meet these standards, the Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of Clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- employees must comply with applicable provisions of the federal securities laws and make prompt reports to Commodore or other appropriate party of any actual or suspected violations of such laws or of the Code by Commodore or its employees;
- information concerning the identity of securities and financial circumstances of our Clients, including the Clients’ investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

All of Commodore’s employees are provided with a copy of the Code and are required to acknowledge receipt of the Code and certify their compliance with the Code on at least a quarterly basis. Clients may request a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

### **B. Securities in which Commodore or a Related Person Has a Material Financial Interest.**

#### **Cross Trades**

Commodore may, on behalf of any Client, for liquidity, portfolio rebalancing or other reasons, enter into cross transactions with other Clients. The terms of any such cross transactions will be commercially reasonable and will not be materially less favorable to the Clients than those available in the market. None of Commodore or its affiliates will receive special fees or other compensation in connection with cross transactions. Expenses incurred in such transactions will be allocated equitably in Commodore’s good faith discretion between the Clients that are party to the cross transaction. Similarly, if a cross transaction is cancelled, any costs incurred will be allocated equitably in Commodore’s good faith discretion between the Clients that are party to the cross transaction.

#### **Principal Transactions**

Commodore may cause a Client to enter into transactions and other arrangements with other Clients that may be viewed as related party or principal transactions. Commodore will only consider causing a Client to engage in such a transaction to the extent permitted by applicable law, including, if required or appropriate, the making of appropriate disclosure to and receipt of consent from the limited partner advisory

committee of the Commodore Funds. Certain of the Commodore Funds may invest in private companies where a Managing Partner, affiliate or other related person of Commodore has a close personal relationship with the management of that company or a personal investment in that company. When Commodore deems the relationship to create the appearance of a potential conflict of interest, Commodore will inform Investors in the investing Commodore Funds of the relationship and, if required or appropriate, seek the consent of the Investors or the limited partner advisory committee.

C. Investing in Securities that Commodore or a Related Person Recommends to Clients.

The Code places numerous restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to Commodore on a periodic basis, and requires that employees pre-clear most personal securities transactions and generally prohibits employees from trading in securities that Commodore is actively trading on behalf of the Clients. Commodore, its affiliates and its employees may give advice that may differ from, conflict with or be adverse to advice given for Clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients.

Commodore has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as Client trades.

D. Conflicts of Interest Created by Contemporaneous Trading.

Commodore may manage investments on behalf of a number of Clients. Certain Clients may have investment programs that are similar to or overlap with each other and may, therefore, participate with each other in investments. Subject to any relevant restrictions or other limitations contained in a Client's governing documents, we expect to allocate investment opportunities that we consider appropriate for multiple Clients among such Clients fairly and equitably, to the extent practical and in accordance with each such Client's applicable investment strategies, in each case as we determine in our sole discretion, over time. In making such decisions, Commodore may take into account such factors as it deems appropriate, including, without limitation: (i) the overall liquidity profile and risk profile of the various Clients' respective investment portfolios; (ii) the potential for withdrawals from each Client; (iii) the transferability of such investments; (iv) the minimum denominations of such investments; (v) the availability of price quotes with respect to such investments; (vi) the structural and operational differences (and any applicable investment limitations, including, without limitation, exposure limits, hedging limits, and diversification considerations) between, the Clients; (vii) the eligibility of each Client to make such investment under applicable laws and regulations; and (viii) any other applicable tax, legal, regulatory, compliance, operational or administrative issues.

In allocating an investment opportunity among Clients with differing fee, expense, and compensation structures, we may have an incentive to allocate investment opportunities to the Clients from which we may derive, directly or indirectly, a higher fee, compensation, or other benefit. In addition, our professionals may participate indirectly in investments made by our Clients through their interests in such Clients. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a given Client.

Commodore's policy is to allocate investment opportunities fairly and equitably among its Clients over time. However, there can be no assurance that the application of the trade allocation procedures described above will result in a Client participating in all investment opportunities that fall within its investment objectives.

Commodore may, but is not obligated to, aggregate orders for the purchase or sale of the same securities for its Clients, for the purpose of reducing transaction costs and to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, Commodore will allocate price and transaction costs in a manner it believes to be fair and equitable.

## ITEM 12 – BROKERAGE PRACTICES

### A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

Commodore, subject to the overall authority of the Fund General Partner, is responsible for choosing the broker-dealers used for the Commodore Fund's portfolio transactions.

In selecting brokers and dealers to effect portfolio transactions for the Commodore Fund, Commodore may consider, among other factors, such factors as the broker or dealer's quality of execution, including its ability to follow and accurately execute specific trade instructions, access liquidity, execute the trade within Commodore's desired timing and otherwise achieve Commodore's objective, the broker or dealer's and its personnel's overall experience, reputation and trustworthiness, the broker or dealer's willingness to commit capital and provide liquidity, the quality of the broker or dealer's relationship with Commodore, including its responsiveness to requests, reliability, understanding of Commodore's strategy and interests, ability to provide market intelligence regarding trading activity in securities that Commodore trades and the nature and quality of investment ideas it generates, the broker or dealer's ability to execute trades in difficult markets, the broker or dealer's capabilities with capital markets, syndicate and block trading, the financial strength and stability of the broker or dealer, the broker or dealer's ability to evaluate market information across asset classes and sectors, the ability and willingness of the broker or dealer to provide research and trading services on a global basis across asset classes, the broker or dealer's ability to provide access to company management and to access deal flow, the receipt of brokerage or research products and services which are of benefit to the Commodore Fund and the receipt of other services that are beneficial to Commodore and its affiliates, but that are not necessarily beneficial to the Commodore Fund.

Subject to its duty of best execution, Commodore is not required to consider any particular criteria (including those identified above), need not solicit competitive bids and does not have an obligation to seek the lowest available commissions or other transaction costs. Accordingly, the commissions and other transaction costs (which may include dealer markups or markdowns) charged to the Commodore Fund by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such products or services, or such brokers or dealers may charge other customers different commission rates based on the other services utilized by such customers.

On a quarterly basis, Commodore's Operations Committee, including the Chief Compliance Officer, will review the quality of Commodore's execution and the effectiveness of its order execution arrangements and execution policy. Such reviews include a thorough analysis of the services provided by each broker-dealer.

#### 1. Research and Other Soft Dollar Benefits

The commission rates charged to the Commodore Fund by certain brokers may be higher than those charged by other brokers who do not offer the proprietary or third party services or capabilities described in this section. The Investment Manager intends that its use of commission or "soft dollars" to pay for research or brokerage services will fall within the safe harbor for soft dollars created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, and prevailing guidance thereunder. The Section 28(e) safe harbor allows Commodore to pay more than the lowest available commission *provided* that (i) it determines in good faith that the commissions paid are reasonable in relation to the value of the brokerage and research services provided by such brokers and/or dealers and (ii) payments are made in compliance with applicable law. Soft dollars are not intended to be used to pay for items not falling within the safe harbor. Where a product or service obtained with commission dollars provides both eligible and non-eligible products or services to Commodore, Commodore will make a reasonable allocation of the cost which may be paid for with commission dollars and Commodore will pay the remainder. In making such allocations of cost in good faith, Commodore will face a conflict of interest by reason of Commodore's allocation of the costs of such benefits and services between those that primarily benefit Commodore and

those that primarily benefit the Commodore Fund.

While the continued provision of soft dollar brokerage and research services described above is not conditioned on Commodore directing any particular level of transactions to these brokerage firms, such services are provided without a separate charge in consideration for Commodore's use of such brokerage firms to execute trades for client accounts. As such, Commodore receives a benefit because it does not have to pay for such research products or services, and Commodore has an incentive to select or recommend a broker-dealer based on its interest in receiving such services rather than its clients' interest in receiving the most favorable execution.

The Commodore Fund's securities transactions can be expected to generate brokerage commissions and other compensation, all of which the Commodore Funds, not Commodore, will be obligated to pay. The Investment Manager has complete discretion in deciding what brokers and dealers the Commodore Funds will use and in negotiating the rates of compensation the Commodore Funds will pay. In addition to using brokers as "agents" and paying commissions, the Commodore Funds occasionally buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

From time to time, brokers' "capital introduction" services or other marketing or client referral services may assist Commodore and the Commodore Funds in raising additional funds from Investors. The Investment Manager may also receive consulting assistance services from prime brokers, including consulting assistance with facilities, technology, real estate, service providers, operations, finance, compliance and human resources. The Investment Manager will not commit to a broker to allocate a particular amount of brokerage in any such situation nor does Commodore otherwise compensate any broker or receive compensation, directly or indirectly, in exchange for such broker providing referrals in any such situation.

## **2. Brokerage for Client Referrals**

Commodore does not utilize any broker-dealers or third parties to solicit Client referrals.

## **3. Directed Brokerage**

Commodore does not have any directed brokerage arrangements.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **A. Frequency and Nature of Review of Client Accounts or Financial Plans.**

Commodore will review at least monthly the portfolio status and activity of the Clients and to consider whether the portfolio of investments and capital allocation should change based on various factors, which may include, but are not limited to, changes in company fundamentals, key industry personnel, scientific and medical developments, news and press releases, general market conditions and assessment of the financial consequences of particular events derived from general information or such other material as is appropriate under the particular circumstances. Commodore personnel conducting such review includes the Managing Partners, the Chief Compliance Officer, and the Chief Financial Officer.

### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review.**

Other than periodic reviews, a review of a Client may be triggered by any unusual activity or special circumstances such as material changes in market conditions, industry outlook, market outlook, price levels, or portfolio company fundamentals.

### **C. Content and Frequency of Account Reports to Clients.**

We provide annual audited financial statements within 120 days of each Client's fiscal year end. Investors in our Clients generally receive an unaudited quarterly statement from Commodore documenting the performance of the applicable Client. In addition, Commodore issues investors tax reports concerning their respective Clients within 90 days of the end of each Client's fiscal year, or as soon as reasonably practicable thereafter.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefits for Providing Services to Clients.**

Commodore provides investment advice only to the Commodore Funds. Other than the soft dollar benefits described in Item 12 above, Commodore does not receive any economic benefit for providing advice to the Commodore Funds from anyone other than the Commodore Funds.

### **B. Compensation to Non-Supervised Persons for Client Referrals.**

Neither we nor any of our related persons directly or indirectly compensates any person who is not a supervised person for Client referrals.

## ITEM 15 – CUSTODY

With respect to the Commodore Funds, Commodore or its related person, the Fund General Partner, is deemed to have custody of Client funds and securities because it has the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to Commodore.

Commodore is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Commodore Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Commodore Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Commodore Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.



## **ITEM 16 – INVESTMENT DISCRETION**

Commodore serves as the investment manager with discretionary trading authority to its Clients. Our investment decisions and advice with respect to each Client are subject to each Client's investment objectives and guidelines, as set forth in its Memorandum and governing documents.

Commodore entered into an investment management agreement with the Commodore Funds, pursuant to which Commodore was granted discretionary trading authority.

## ITEM 17 – VOTING CLIENT SECURITIES

Commodore's investment management agreement with the Commodore Funds grants Commodore the authority to cast all proxy votes. Commodore has adopted a proxy voting policy, as required by the Advisers Act. The policy provides that Commodore will act in the best interests of its Clients in determining whether and how to vote on any proxy voting matter, including how to maximize the value of the relevant Client's investment.

Commodore does not anticipate any conflicts of interest between Commodore and the Clients in terms of proxy voting. If Commodore, however, encounters an identifiable conflict of interest with respect to a particular vote, Commodore will not put its own interests ahead of those of any Client and will resolve any possible conflicts between its interests and those of the Client in favor of the Client. In the event that a potential conflict of interest arises, Commodore will determine on a case-by-case basis how to vote the proxy consistent with the best interests of the Clients and in a manner consistent with Commodore's proxy voting policy. If a conflict of interest is considered material, Commodore will generally refrain from exercising its discretion to vote the proxy and instead refer the vote to an independent party for consideration. If it is determined that such conflict or potential conflict is not material, Commodore may vote the proxy.

Because Commodore provides investment advice to commingled investment entities, individual Investors will not be able to direct Commodore on how to cast a proxy vote.

Clients may obtain a copy of Commodore's proxy voting policies and procedures and information about how Commodore voted a Client's proxies by contacting Ameya Bapat (Chief Compliance Officer) at [legal@commodorecapital.com](mailto:legal@commodorecapital.com) or (212) 256-8600

## **ITEM 18 – FINANCIAL INFORMATION**

Commodore is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.