

## ITEM 1: COVER PAGE

### **Broadfin Capital, LLC**

Form ADV, Part 2A (the “*Brochure*”)

February 14, 2012

237 Park Avenue, Suite 900  
New York, New York 10017  
(212) 808-2460

*www.broadfincapital.com*

This Brochure provides information about the qualifications and business practices of Broadfin Capital, LLC (“Broadfin” or “the Investment Manager”). If you have any questions about the contents of this Brochure, please contact us at the number above. The information in this Brochure has not been approved or verified by the Securities and Exchange Commission (the “SEC”) or by any state securities authority. Broadfin is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

If you have any questions about the contents of this Brochure, please contact Kevin Kotler, Broadfin’s Managing Partner and Chief Compliance Officer (“CCO”), at +1-212-808-2460 or by e-mail at [kevin@broadfincapital.com](mailto:kevin@broadfincapital.com). In addition, Kinetics Partners provides assistance complying with relevant SEC rules and regulations and additional ongoing regulatory compliance consulting services.

Additional information about the Investment Manager is also available on the SEC’s website at *www.adviserinfo.sec.gov*.

## **ITEM 2: MATERIAL CHANGES**

Because this is our first brochure prepared using the SEC's revised Form ADV Part 2A, we have no material changes in prior filings to report. All information in this brochure is given as of the date set forth on the cover page.

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#### **ITEM 4: ADVISORY BUSINESS**

Broadfin Capital, LLC was founded in June 2005 and is a leading fundamental research-based, value oriented investment manager focused on the healthcare sector. Broadfin manages investments in publicly traded equity securities and equity derivatives, as described more fully in Item 8 below. The principal owner (defined as a person who owns 25% or more) of Broadfin is Kevin Kotler.

Broadfin offers investment advisory services to the following entities, organized as a single master-feeder structure with two feeder funds:

- Broadfin Healthcare Master Fund, Ltd a Cayman Islands exempted company (the “Master Fund”);
- Broadfin Healthcare Offshore Fund, Ltd., a Cayman Islands exempted company (the “Offshore Feeder Fund”); and
- Broadfin Healthcare Fund, LP, a Delaware, USA limited partnership (the “Domestic Feeder Fund”).

The Master Fund, Offshore Feeder Fund and Domestic Feeder Fund are collectively referred to as the “Funds” or the “Clients”. The Offshore and Domestic Feeder Funds (together, the “Feeder Funds”) invest all of their assets in the Master Fund. The Funds are managed only in accordance with their own characteristics and are not tailored to any particular private fund investor (each an “Investor”).

As of December 31, 2011, Broadfin managed \$230,000,000 on a discretionary basis, and \$0 on a non-discretionary basis.

## ITEM 5: FEES AND COMPENSATION

### *Compensation for Advisory Services.*

As investment adviser to the Funds, Broadfin receives management fees at an annual rate of 2.0% of the value of the net assets of the Master Fund as of the first business day of each calendar quarter. This management fee is deducted from Fund assets. Management fees are prorated for any investment period that is less than a full calendar quarter.

In addition to management fees, Broadfin's affiliate, Broadfin Advisors, LLC is entitled to receive a performance allocation based upon a percentage of the net profits of the Fund. The allocation for Series A shares (redemption rights commencing on the first anniversary of investment) is 20% of net profits; for Series B shares (redemption rights commencing on the second anniversary of investment), the allocation is 17.5% of net profits. Calculation of the performance allocation is subject to a "high water mark". Fees and allocations are described in further detail in the Fund offering documents.

### *Redemption fees.*

Investments in the Broadfin Healthcare Offshore Fund, Ltd are subject to an early redemption fee of 3% if shares are redeemed prior to the first anniversary for Series A shares or the second anniversary for Series B shares.

### *Other Types of Expenses.*

Expenses absorbed by Broadfin include but are not limited to: utilities, furniture and fixtures, stationery, secretarial/internal administrative services, salaries, entertainment expenses, employee insurance, and payroll taxes.

Fees, costs, and expenses, other than management and incentive fees paid by the Fund include, but are not limited to: (1) legal and accounting fees; (2) fees of outside consultants, analysts or advisors Broadfin may engage to provide advice related to portfolio investments; (3) brokerage commissions and securities transaction costs; (4) custodial, transfer agent and distributions agent charges; (5) premiums for insurance; (6) taxes and other governmental charges, fees and duties; (7) organizational expenses; and (8) other fees, costs, expenses, and liabilities that are incurred by, or arise out of, the operation and activities of the pooled investment vehicle. Other expenses paid by the Fund include the fees payable to Broadfin, legal, compliance, audit, accounting and administrator fees and expenses (including third party accounting services); shareholder proxy voting services; organizational expenses; investment expenses such as commissions, research fees and expenses (including research-related travel, food and lodging); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; expenses relating to insurance (including directors' and officers' insurance, errors and omission insurance,

Fund indemnification coverage and other similar policies); Director's fees and expenses; each Feeder Fund's pro rata share of the Master Fund's expenses; and any other expenses reasonably related to the purchase, sale or transmittal of Fund assets.

Each Feeder Fund will invest in the Master Fund on substantially the same terms and conditions and therefore will generally be allocated a proportionate share of the Master Fund's gains, losses and expenses based on their interest in the Master Fund.

The Fund will incur brokerage fees. Please see Item 12 of this brochure for further discussion of Broadfin's brokerage practices.

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

Consistent with the provisions of Rule 205-3 under the Investment Advisers Act of 1940, Broadfin charges a performance fee in connection with its management of the Fund.

Because all assets are managed in the Master Fund, there are no side-by-side conflict of interest issues.

Performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Currently, all trades are effected through the Master Fund so there are no account allocation decisions to be impacted by this issue.

No other hourly, flat or asset-based fees are charged to the Funds.

## **ITEM 7: TYPES OF CLIENTS**

Through the Funds we advise, Broadfin may provide investment management services to individuals, investment companies, pension and profit sharing plans, trusts, estates, governmental plans, endowments, foundations, charitable organizations, corporations, insurance companies, limited partnerships, commingled investment trusts, and other entities.

Investors in the Fund must be “accredited investors” as that term is defined in Rule 501 of Regulation D of the Securities Act of 1933 and “qualified purchasers” within the meaning of Section 2(a)(51) and Rule 2a51-1 under the Investment Company Act of 1940.

Investors are required to commit or contribute certain minimum capital amounts to become limited partners of our limited partnerships. Currently, the minimum required investment is \$1,000,000. This minimum amount is subject to change at the sole direction of the Fund’s Board of Directors.



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

### *Investment Objective*

The Fund seeks to generate capital appreciation in all market environments. The Investment Manager seeks to achieve this objective by employing a long/short equity strategy, primarily by investing in companies in the healthcare industry. The Investment Manager leverages the expertise of the portfolio manager and the investment personnel of the Investment Manager to make investments in medical technology and supplies, pharmaceuticals, biotechnology, healthcare services and related sub-sectors.

### *Investment Philosophy*

The Investment Manager believes that a focused approach to investing is a superior way to maximize the investment return potential of the Fund. The Investment Manager also believes that the healthcare sector is well suited to a focused approach given: (1) its unique market characteristics – complex products, rapid technological change, capital intensity and regulatory/reimbursement issues; (2) a large number of companies; and (3) industry-specific valuation catalysts and parameters.

The Investment Manager believes that portfolio returns will be higher if capital allocation is focused on investment opportunities that have the highest return potential with an appropriate level of risk. By focusing on a more limited number of core investments, a deeper knowledge base can be developed for each investment. This acquired knowledge can be a key element of risk control and is expected to complement position guidelines, risk exposure reports, liquidity reports, stress models and other risk management tools. Further, the Investment Manager believes that capital preservation plays as important a role in the generation of investment returns as capturing upside potential, and that a value-oriented investment strategy most effectively incorporates both.

### *Investment Strategy*

The Investment Manager pursues the Fund's investment objective by investing in the securities of U.S. and non-U.S. issuers in the healthcare industry evaluated through the application of extensive investment and risk management analysis. This focus on the healthcare sector enables the development of specialized expertise and allows the Investment Manager to benefit from the enhanced information flow captured through a mosaic of data points generated from primary research and a network of industry participants, clinicians, management teams, venture capitalists and private equity investors.

The Investment Manager focuses on long-term performance and generally invests with a 9 to 18 month time horizon. This allows the investment team to focus on making fundamental investments versus short-term investments, allows the retention of positions through periods of market turbulence, concentrates research efforts on the discovery of incremental information, and in some cases allows time to accumulate positions. This strategy can also lead to higher returns for investors.

The Investment Manager believes that material binary corporate events can introduce an unacceptable level of risk for the portfolio and generally attempts to minimize the Fund's exposure to such events.

### *Healthcare Market Opportunity*

The Investment Manager believes that the healthcare industry remains an attractive investment opportunity for several reasons:

- Continued healthcare budget growth in the U.S. – total healthcare expenditures reached \$2.2 trillion in 2007, which translates to \$7,421 per person or 16.2 percent of the nation's GDP. Average annual national health expenditures growth is expected to be 6.2% per year from 2008 through 2018, according to reports from the Department of Health and Human Services. Demand from emerging markets is being fueled by a rising middle class, especially in countries such as Brazil, Russia, India and China.
- Healthcare coverage in the U.S. has the potential to expand.
- Favorable demographics – in particular, the populations of the U.S. and Europe, the two largest markets for healthcare products, are aging. The U.S. Census Bureau expects the population mix to change dramatically over the next few decades. By 2030, 70 million Americans are expected to be over 65 years versus 35 million in 2000.
- Technological innovation – despite medical breakthroughs, significant unmet healthcare needs remain, including non-surgical treatment of coronary and vascular disease, external and implanted systems for treating heart rate disorders and pain management, new drugs and devices to treat neurological diseases such as Alzheimer's and Multiple Sclerosis, and drugs and ablative therapies for the oncology market.
- Greater understanding of the human genome – this is driving the development of new diagnostic tests and is guiding the use of more targeted therapeutic approaches to attack disease.
- The U.S. government and non-profit foundations are sponsoring new initiatives to fight disease globally and combat the threat of bioterrorism.

### *Investment Selection Process*

The Investment Manager's investment selection process includes company screens, conversations with its network of experts and a rigorous approach to meeting with a large number of companies. Company screens include qualitative screens (searching for companies within specific industry sub-sectors or with specific product types) and quantitative screens (searching for specific financial parameters, such as certain P/E ranges, certain Enterprise Value / Sales ranges, or specific Cash / Share ratios). In addition, the Investment Manager has developed an established network of experts to assist in the research process, including industry experts (such as physicians, scientists, engineers and professional organizations), investment research and investment management contacts, and other healthcare and technology industry participants.

The Investment Manager's research and analysis process includes: attending medical conferences, regular conversations with leading clinicians and industry experts, company facility visits, discussions with industry competitors, review of scientific literature and financial filings, building of financial models and scenario analyses, and gauging investor sentiment and expectations. The Investment Manager believes that its ability to research and analyze companies to a greater level of depth than many other funds allows it to focus on a smaller universe of stronger candidates for inclusion in the Fund's portfolio. This allows

for a higher level of conviction with each investment, which the Investment Manager believes to be an important factor in superior performance. Potential investors should not consider diversification to be a Fund objective.

The limited number of core holdings in the portfolio combined with a longer holding period for a typical core position (though holding periods may vary, at the sole discretion of the Investment Manager) allows for more time to research and develop a broad information network for each core position.

The Investment Manager has made short sales of securities a part of its investment strategy. Short sales are made when the Investment Manager feels securities are overvalued and there could be a catalyst that could cause a decline in the market price. Short sales may also be used to reduce sector-specific risks.

#### *Flexibility*

The Investment Manager intends to pursue the investment strategy described above as long as such strategy is in accord with the Fund's investment objective. In addition, it may also formulate and implement new approaches to carry out the investment objective of the Fund.

While the Fund invests primarily in long and short positions of publicly-traded equity and equity-linked securities and related instruments, the Fund has broad and flexible investment authority. Accordingly, the Fund's assets may at any time include long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, private investments in public equity ("PIPEs"), preferred stocks, stock warrants and rights, corporate or sovereign debt, bonds, notes or other debentures or debt participations, partnership interests, interests in investment companies, convertible securities, swaps, options (purchased or written), futures contracts and other derivative instruments. The Fund, however, will not purchase, hold, sell or otherwise deal in commodities, commodity contracts, commodity futures, financial futures or options thereon until, to the extent required, the Investment Manager has registered with the Commodity Futures Trading Commission or has been advised that such registration is not required. The Fund may also invest in new issues of securities ("New Issues"), provided that the Fund first complies with all of the rules and regulations pertaining to such investments, including the Rules of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Fund's investments in equity securities that are not publicly traded are limited to 5% of the Fund's gross assets (measured at the time of investment); provided that this calculation will not include any PIPE investments. The Fund may utilize leverage. At times, the amount of such leverage may be substantial.

#### **RISK FACTORS**

The Fund may be deemed to be a highly speculative investment and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the economic risk of the loss of their investment in the Fund and who have a limited need for liquidity in their investment. The following risks (some of which will be indirectly borne by investors solely as a result of the Fund's investment in the Master Fund) should be carefully evaluated before making an investment in the Fund:

### *Nature of Investments*

The Investment Manager has broad discretion in making investments for the Fund. Investments will generally consist of equity securities and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Fund's activities and the value of its investments. In addition, the value of the Fund's portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that the Fund's investment objective will be achieved.

### *Healthcare and Related Risks*

Healthcare securities, especially those of smaller, research-oriented companies, tend to be more volatile than the overall market. The medical device and drug development companies (biotechnology and pharmaceutical) in which the Fund may invest may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. Only a limited number of healthcare companies have reached the point of approval of products by government regulatory bodies, such as the U.S. Federal Drug Administration and the subsequent commercial production and distribution of such products. Therefore, the success of investments in the healthcare sector generally, and the biotechnology industry in particular, is often based upon expectations about future products, research progress, and new product filings with regulatory authorities. In addition, a number of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, operate at a loss, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many healthcare companies with proprietary platform technologies rely on patent protection and non-disclosure agreements to establish and protect their proprietary rights, which may be essential to the growth and profitability of the company. Patents have limited duration and, upon expiration, competitors may market substantially similar "generic" products which cost less to develop and may cause the original developer of a product or service to lose market share and/or reduce prices, resulting in lower profits for the original developer. In addition, there can be no assurance that a particular company will be able to protect these rights, or will have the financial resources to do so. Conversely, other companies may make infringement claims against a company in which the Fund invests, which could have a material adverse effect on such company.

The healthcare sector is subject to extensive government regulation. The industry will be affected by government regulatory requirements, regulatory approval for new drugs and medical products, product liability concerns, and similar significant matters. Changes in governmental policies may have a material effect on the demand for or costs of certain healthcare products and services and securities prices of healthcare companies can fluctuate dramatically as a reaction to adverse legal judgments and the adverse

publicity associated with accompanying threatened litigation. As these factors impact the industry, the value of the Fund's interests may fluctuate significantly over relatively short periods of time.

Health care companies are frequently dependent upon private and governmental third-party sources of reimbursement for products and services provided to their customers. In addition to market and cost factors affecting the fee structures implemented by healthcare companies, numerous Medicare and Medicaid regulations, cost containment and utilization decisions of third-party payers and other payment factors over which the companies do not have control may affect the amount of payment that healthcare companies receive for their products and services. These third-party payers are increasingly challenging the prices charged for healthcare products and services and, in some cases, refusing payments for products and services they deem inappropriate.

#### *Lack of Diversification/Portfolio Concentration*

It is anticipated that the Fund's portfolio will be invested primarily in equities of companies in the healthcare field. Accordingly, the Fund's portfolio may not be diversified among industries or types of securities. Further, the Fund's portfolio may not be diversified among a wide range of issuers. Accordingly, the investment portfolio of the Fund may be subject to more rapid change in value than would be the case if the Fund were required to maintain a wide diversification among industries, investment areas, types of securities and issuers.

#### *Non-U.S. Securities*

The Investment Manager may invest in non-U.S. securities. Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations involving risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

#### *Currency Risks*

The Fund's investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

In most instances where the Fund invests in non-U.S. securities, efforts will be made to hedge against exchange rate risk.

#### *Use of Leverage*

As noted in Section 4 above, the Fund may utilize leverage. This results in the Fund controlling substantially more assets than the Fund has equity. Leverage increases the Fund's returns if the return earned on investments purchased with borrowed funds exceeds the Fund's cost of borrowing such funds. However, the use of leverage exposes the Fund to additional levels of risk, including:

(i) greater losses from investments than would otherwise have been the case had the Fund not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's cost of borrowing such funds. In the event of a rapid and material decline in the value of the Fund's assets, the Fund may not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, the Investment Manager may find it difficult or impossible to obtain leverage for the Fund. Since leveraging its assets may be a significant part of the investment strategy of the Fund, in such event the Fund could find it more difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Investment Manager being forced to unwind positions quickly and at prices below what the Investment Manager deems to be fair value for such positions.

#### *Special Situations*

The Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. Investment opportunities involving any such type of special situation carry risks that the contemplated transaction will be unsuccessful, will take longer than expected to consummate, or will result in a distribution of cash or a new security with less value than the purchase price of the security or other financial instrument for which the distribution is received. Similarly, if an anticipated transaction does not occur, the Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund may invest, there is a potential risk of loss by the Fund of its entire investment in the securities of such companies.

#### *Small-to-Medium Capitalization Companies*

The Fund may invest a portion of its assets in the stocks of companies with small-to medium-sized market capitalizations. While the Investment Manager believes these investments often provide significant potential for appreciation, such stocks, particularly smaller-capitalization stocks, can involve higher risks in some respects than investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

#### *High Growth Industry Related Risks*

The Fund has investments in the securities of high growth companies (e.g., medical technology and biotechnology companies). These securities may be very volatile. In addition, these companies may face

undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

### *Options*

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss).

### *Short Sales*

The Fund utilizes short sales of common stocks, bonds, and options as part of its investment program. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Fund's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

There is also the risk that the securities borrowed by the Fund in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. The Fund's inability to continue to borrow securities previously sold short may also force the Fund to unwind other elements of an investment position, possibly at a loss.

### *Counterparty Risk*

To the extent the Fund invests in swaps, swaptions, "synthetic" equivalents, derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, the Fund take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from that entailed in exchange-traded transactions, which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. The Fund will seek to mitigate

these risks by engaging only highly-rated firms with substantial capital, credit and market expertise. The Investment Manager may diversify the Fund's hedging relationships.

#### *Custody and Prime Brokerage Risk*

There are risks involved in dealing with the custodians or prime brokers who settle Fund trades. The Fund maintains a custody account with UBS Securities, LLC, its prime broker (the "Prime Broker"). Although the Investment Manager monitors the Prime Broker and believes that it is an appropriate custodian, there is no guarantee that the Prime Broker, or any other custodian that the Fund may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970, as amended, seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Fund assets, the Fund would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

The Fund and/or the Prime Broker may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Fund. The Prime Broker may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Fund as a result of the bankruptcy or insolvency of any such sub-custodian. The Fund may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the Fund. Under certain circumstances, including certain transactions where the Fund's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the Prime Broker, or where the Fund's assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Fund and hence the Fund could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of the Fund to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Fund may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing the Fund's rights to its assets in the case of a bankruptcy or insolvency of any such party.



## **ITEM 9: DISCIPLINARY INFORMATION**

Neither we nor any of our management personnel are subject to or have in the past been subject to any criminal or civil action in any domestic or foreign court, and neither we nor any of our management personnel have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

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

No Broadfin management persons are engaged in other financial industry activities or affiliations.

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

Broadfin is not obligated to refrain from investing in securities held by the Fund that it manages except to the extent that such investments violate the Code of Ethics (“Code”) adopted by Broadfin in conformity with Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”). As a condition of employment, all personnel are subject to the Code and must certify that they have read and understand the Code and agree to be subject to its provisions. As discussed below, the Code contains provisions relating to personal transactions, insider trading and sets forth standards of business conduct – including the requirement that all personnel adhere to the Federal Securities Laws and their fiduciary duties as investment advisers. Any member or employee of Broadfin who fails to comply with the Code risks serious sanctions, including dismissal and personal liability.

From time to time, employees and members of the Investment Manager or any related person(s) may have interests in securities owned by or recommended to Broadfin’s clients. As these situations may represent a potential conflict of interest, Broadfin’s Code contains procedures relating to personal securities transactions and insider trading that are designed to identify and mitigate or prevent actual conflicts of interest.

### **Code of Ethics**

The Code governs personal transactions by all employees in order to ensure that their interests do not conflict with the interests of the Fund. The Code restricts the purchase of any healthcare security by any employee. Healthcare securities owned prior to the implementation of this Code are “grandfathered” and can be sold pursuant to a liquidation plan approved by the Managing Member and Chief Compliance Officer (“CCO”). All employees must provide quarterly reports of their personal transactions to the CCO within thirty (30) days of the end of the calendar quarter and may direct their brokers to send copies of all brokerage confirmations and statements relating to personal securities transactions to the CCO. The Code also requires all employees to comply with ethical restraints relating gifts and entertainment, including restrictions on giving gifts to, and receiving gifts from, investors or affiliates in violation of our gift policy as well as provisions intended to prevent violations of laws prohibiting “insider trading”, as discussed below. If you would like a copy of Broadfin’s Code of Ethics please forward your written request to the contact information on the cover page of this document.

### **Insider Trading Policy**

Broadfin and its related persons may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Specifically, the Code of Ethics prohibits our officers, directors and employees from buying or selling securities either for themselves or on behalf of others while in possession of material, non-public information about the company that violate applicable securities laws. The Code of Ethics also prohibits the communication of material, non-public information about a company to others who have no official need to know. Depending on the circumstances surrounding the information received, Broadfin may place

the issuer on the firm-wide “Restricted Securities List,” which would bar any purchases or sales of the issuer’s securities by any Broadfin employee (including any related person) or the Fund.

Additional provisions of the Code outline Broadfin’s policies governing (1) gifts, meals, entertainment, and political activity, which include preapproval requirements and limitations on such activities; (2) employee activities outside their employment, including serving as a director and certain fiduciary appointments; (3) the confidentiality of certain information.

## **ITEM 12: BROKERAGE PRACTICES**

### *Selection of Broker-Dealers*

Broadfin's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution on transactions effected for accounts. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors will be considered as they are deemed relevant.

These factors include, but are not limited to, Broadfin's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived soundness of the broker or dealer selected and other brokers or dealers considered; services rendered on a continuing basis and in other transactions; the reasonableness commissions; and the research services and products furnished by the broker or dealer, if any.

### *Research and other Soft Dollar Transactions*

Consistent with obtaining best execution, brokerage commissions (including dealer spreads paid on certain principal transactions in accordance with SEC interpretations) on portfolio transactions may be directed by Broadfin to a broker or dealer in recognition of research services furnished by the broker or dealer or a designated third party (also referred to as "soft dollar transactions"), as well as for services rendered in the execution of orders by such broker or dealer. In considering such research, Broadfin first determines that the product or service falls within the definition of brokerage and research services in Section 28(e) of the Securities Exchange Act of 1934. A determination is then made that the amount of commissions paid is reasonable in light of the value of the brokerage and research services provided.

### **ITEM 13: REVIEW OF ACCOUNTS**

Broadfin's investment and finance staff review and monitor Fund accounts on an ongoing basis. Broadfin professionals also monitor performance as appropriate.

Limited partners receive monthly account statements from the Fund's administrator as well as audited financial statements annually. Monthly account balances are reviewed by Broadfin's operations and finance staff and the Funds' administrator before statements are sent to limited partners.

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

Broadfin has not entered into any arrangements with brokers or third party marketers for client referrals. Broadfin representatives may from time to time speak at conferences and programs sponsored by brokers that are directed at investors interested in investing in hedge funds. In addition, brokers may refer such funds to, or arrange for meetings with, potential investors who are also often clients of such brokers. While these conferences, programs, references and meetings (collectively, a “Capital Introduction Program”) may be arranged by brokers, there is no guarantee that any potential investor participating in a Capital Introduction Program will invest. Generally, other than the standard commission rates and customary brokerage fees paid by a fund (which Broadfin believes are paid solely for trade execution and brokerage services), the brokers do not receive any compensation, directly or indirectly, for such funds’ participation in a Capital Introduction Program or any subsequent investments which may result from such participation.

## **ITEM 15: CUSTODY**

We will generally not maintain physical possession of our Client's funds or securities. Such physical custody of our Client's assets will be maintained with a qualified custodian selected by us in our exclusive discretion, which selection may change from time to time without the consent of investors in the relevant Fund. We do deduct management fees from our Client's accounts and therefore may be deemed to have custody under Rule 206(4)-2 of the Advisers Act. This Rule requires that registered investment advisers with custody of client assets undergo an annual surprise examination of those assets by an independent public accountant registered with the Public Accounting Oversight Board (PCAOB). However, an adviser to pooled investment vehicles (i.e., funds) that are subject to an annual financial statement audit that distributes the audited financial statements (prepared in accordance with GAAP) to the fund's investors is deemed to have satisfied the annual surprise examination requirement as long as the financial statements are delivered within 120 days of the end of the fund's fiscal year end. It is our policy to deliver audited financial statements to all of our limited partners and shareholders within 120 days of the fiscal year end of the respective Fund.



## **ITEM 16: INVESTMENT DISCRETION**

Broadfin has discretionary investment authority pursuant to its advisory agreement with the Fund.

## **ITEM 17: VOTING CLIENT SECURITIES**

Rule 206(4)-6, “Proxy Voting by Investment Advisers” requires all investment advisers who exercise voting authority over client proxies to: (1) adopt policies and procedures for voting proxies in the best interest of the client; (2) describe the procedures to clients; and (3) inform clients how they may obtain information about how the adviser has actually voted their proxies.

Broadfin has always taken seriously its responsibility to exercise voting authority with respect to the securities that form part of its clients’ portfolios. We believe the right to vote such proxies is a valuable asset, and we have always sought to vote such proxies in a manner that would maximize the value of our clients’ holdings.

We have policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interests of our clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. Proxies will be voted in accordance with our proxy voting guidelines by our investment staff unless an exception is warranted. The receipt of each proxy, the communication of the votes to third parties, and the maintenance of all supporting documentation will be coordinated by our operations staff.

Clients may obtain copies of Broadfin’s written proxy voting policies and procedures as well as information on how proxies were voted for their own account by requesting such information from Broadfin at the address and phone listed on the Cover Page of this Brochure. Broadfin will not disclose proxy votes for a client to other clients or third parties unless specifically requested, in writing, by the client.

## **ITEM 18: FINANCIAL INFORMATION**

We are not subject to any financial condition that is reasonably likely to impair our ability to meet our financial obligations to our clients.