

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

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This brochure provides information about the qualifications and business practices of MBF Healthcare Management, LLC ("MBFHM"). If you have any questions about the contents of this brochure, please contact us at the above telephone number or send an email to [InvestorRelations@mbfhp.com](mailto:InvestorRelations@mbfhp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about MBFHM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This is neither an offer to sell nor a solicitation of an offer to buy interest in any investment fund managed by MBFHM or its affiliates.

## **ITEM 2 – MATERIAL CHANGES**

This is the first brochure (the “Brochure”) submitted by MBFHM. Therefore, MBFHM has no material changes to report.

In the future when MBFHM amends its Brochure for its annual update (or otherwise), and the amended version contains material changes from the last update, it will identify and discuss those changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, MBFHM will provide the date for the last annual update of its Brochure.

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#### **ITEM 4 – ADVISORY BUSINESS**

**ITEM 4A.** MBFHM was organized as a Florida Limited Liability Company. MBFHM provides advisory services solely to MBF Healthcare Partners, LP (the “Fund”), a Delaware limited partnership.

Mr. Miguel B. Fernandez (“Mr. Fernandez”) founded MBFHM in 2005 along with Mr. Marcio C. Cabrera and Mr. Jorge L. Rico, collectively (the “Principals”). Mr. Fernandez is the principal owner of MBFHM and controls the firm.

MBF Healthcare Advisors I, L.P., a Delaware limited partnership, serves as the general partner of the Fund (“General Partner”). The General Partner and MBFHM are related parties under common control.

MBF Family Investments, Ltd. (“MBF Family”), owns 79% of the Fund. Mr. Fernandez owns 100% of MBF Holdings, Inc., the general partner of MBF Family, and therefore controls MBF Family.

**ITEM 4B.** MBFHM provides discretionary advisory services that generally seek to generate long-term capital appreciation by making privately negotiated investments in healthcare-related entities. These services are only provided to the Fund.

**ITEM 4C.** Generally, with respect to the Fund, MBFHM neither tailors its advisory services to the individual needs of investors in the Fund nor accepts investor-imposed investment restrictions.

**ITEM 4D.** MBFHM does not participate in any wrap fee programs.

**ITEM 4E.** As of December 31, MBFHM manages \$179.7 million of committed capital from the Fund on a discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

**ITEM 5A.** As compensation for its services to the Fund, MBFHM receives a management fee (the “Management Fee”) from the Fund, payable quarterly in advance, at an annualized rate of up to 2% of the Fund’s aggregate capital commitments reduced by the amount of the aggregate amount of distributions and permanent investment write-downs made pursuant to the Agreement of Limited Partnership of the Fund (“Partnership Agreement”). The General Partner may also receive certain distributions from the Fund as described more fully in Item 6 below.

**ITEM 5B.** The Fund calls capital from its investors for the payment of Management Fees to MBFHM on a quarterly basis in advance. The Management Fee is not deducted from an investor’s account.

**ITEM 5C.** MBFHM may receive certain fees from the Fund’s investments in connection with the purchase, monitoring or disposition of investments or in connection with unconsummated transactions (e.g., transaction, directors’, consulting, management, investment banking, advisory, closing, topping, break-up and other similar fees). Investors of the Fund receive no benefit from such fees.

**ITEM 5D.** As noted above, Management Fees are paid quarterly in advance. In the event that an investor withdraws from the Fund on a date other than the last day of the quarter, a pro rata portion of the fee is repaid by MBFHM to the withdrawing investor.

**ITEM 5E.** MBFHM or its related parties do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

As noted in Item 5 above, The General Partner may receive distributions from the Fund based on the performance of the Fund (the “Carried Interest”). As described more fully in the Partnership Agreement, the Fund distributes to the General Partner a Carried Interest equal to 20% of the cumulative distributions made by the Fund, subject to a preferred return of 8% and a general partner catch-up. As noted above, the Fund is MBFHM’s only client.

The Carried Interest that the General Partner may receive may create an incentive for MBFHM to make investments that are riskier or more speculative than would be the case if the Fund did not pay a Carried Interest.

## **ITEM 7 – TYPES OF CLIENTS**

MBFHM's only client is the Fund. The Fund's investors consist of high net worth individuals, trusts and other US entities that qualify as "accredited investors" pursuant to Regulation D under the Securities Act of 1933, as amended. The minimum subscription amount for each investor of the Fund is \$1,000,000, subject to waiver at the General Partner's discretion.

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

**ITEM 8A.** MBFHM employs a "top-down" approach to its investment decisions under which it actively identifies and invests in companies where direct, proactive involvement strives to create value. MBFHM will seek to develop the Fund's portfolio companies through organic growth and add-on acquisitions. In pursuing this strategy, the focus is on buyouts, re-capitalizations, restructurings and equity and equity-related investments in portfolio companies.

MBFHM focuses on investing in companies that operate in sectors with attractive industry dynamics with clear exit opportunities. In partnership with experienced management teams, MBFHM acquires these businesses at attractive prices with optimal capitalizations that allow management the flexibility to make the changes needed to improve and grow the business. Upon acquisition, value is expected to be created by: (i) stabilizing (when necessary) and improving the base business through the implementation of marketing, operational, growth and management strategies, and (ii) using the base business as a platform from which to grow, both organically and through acquisitions. MBFHM pursues friendly transactions and perform extensive due diligence in connection with investments before investing its capital. Once the initial investment is complete, MBFHM works with management and takes a hands-on, value-added approach to improving the underlying business, and guiding it to greater market share and critical mass.

MBFHM adheres to certain key principles that it believes, when consistently applied, can lead to superior private equity performance over time. These principles include: (i) partnering with strong management; (ii) employing significant leverage; (iii) emphasizing growth as central to value creation; (iv) focusing on creating market leadership and scale; (v) being solution-oriented businessmen rather than financial engineers; and (vi) building value to maximize both the options for exit and the realization of returns.

The execution of MBFHM's investment strategy has several components. Its investments are anticipated to be made primarily in companies engaged in the healthcare industry. MBFHM identifies investment opportunities through its sourcing process. Once an opportunity is identified, MBFHM designs an investment structure that supports the investment thesis and is appropriate for the opportunity. Next, MBFHM performs careful and extensive due diligence in connection with unaffiliated third party transactions, confirming the investment thesis and the applicability of the investment structure. Thereafter, MBFHM executes the transaction, negotiating contracts, accessing the debt markets as required and performing a financial restructuring as appropriate. Then, MBFHM actively monitors the investment, assisting the management team by providing significant financial, operational, marketing and other advisory assistance and by being involved in all major decisions. Finally, MBFHM leads the sale process when the time comes to sell the investment.

Any investment advice provided by MBFHM involves a high degree of risk, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risk of an investment. There can be no assurance that MBFHM will meet its investment objectives or otherwise be able to carry out its investment program successfully or that the Fund will receive a return of its capital. In addition, there can be no assurance MBFHM will be able to generate returns for the Fund or that returns will be commensurate with the risks of the Fund's investments. Investment advice by MBFHM should only be taken by persons that can afford a loss of their entire investment.



**ITEM 8B.** MBFHM is not restricted from recommending investments outside the healthcare industry. Investments can be made outside the healthcare industry despite the fact that the Principals have spent the great majority of their professional lives involved primarily dealing with businesses in the healthcare sector. The Principals may not have the same success in investing in industries outside of healthcare.

MBFHM and the Principals are not prohibited from recommending investments in companies that may be directly or indirectly competitive with any of the Fund's investments. Moreover, MBFHM and the Principals are not required to present any opportunities for investment to the Fund before making an investment in such entity, irrespective of the nature of the business of the acquired company and whether it is engaged in a business similar or complementary to, or competitive with, a Fund investment. The Principals may at any time form, sponsor, invest in or otherwise participate in a private equity fund or other investment vehicle which might be deemed directly or indirectly competitive with the Fund. The investors will have no interest, economic or otherwise, in any such other, direct or indirect, investment made by the Principals outside of the Fund. Finally, there are no limitations on MBFHM entering into transactions with affiliates of MBFHM, which transactions may not be made on terms and conditions as favorable to MBFHM as could have been made if the transactions were entered into on an arms-length basis between two independent parties.

The activity of identifying and implementing potential operating improvements at investment companies entails a high degree of uncertainty. There can be no assurance that MBFHM will be able to successfully identify and implement such improvements.

While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. The Fund's investments may utilize a high degree of leverage, as a result of which recessions, operating problems and other general business and economic risks (as well as particular risks associated with investing in any particular industry sector) may have a more pronounced effect on the profitability or survival of such companies. Moreover, rising interest rates may significantly increase the company's interest expense, causing losses and/or the inability to service debt levels. If an investment company cannot generate adequate cash flow to meet debt obligations, the Fund may suffer a partial or total loss of capital invested in the investment.

MBFHM may recommend investments in restructurings which involve companies that are experiencing or are expected to experience financial difficulties, which may never be overcome. Such investments could, in certain circumstances, subject the Fund to certain additional potential liabilities which may exceed the value of the Fund's original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions.

MBFHM may participate in a limited number of investments and, as a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of even a single investment. Most of the Fund's investments are currently associated with the healthcare industry. Concentration in a single sector may involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns.

There will be a significant period of time before MBFHM will have completed its Fund investments in companies. Such investments are currently expected to take several years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved.

Transaction structures typically will not provide for liquidity of the Fund's investment prior to that time. It is unlikely that there will be a public market for the securities held by the Fund at the time of their acquisition. The Fund will generally not be able to sell its securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the Fund may be prohibited by contract from selling certain securities for a period of time.

The performance of the Fund will be in large part dependent on the performance of the Principals. The loss of the services of any of the Principals could have a material adverse effect on the success of the Fund. It should further be noted that MBFHM does not carry key person life insurance policies on the Principals for the Fund's benefit. Additionally, each investment's day-to-day operations will be the responsibility of such company's management team. Although MBFHM will be responsible for monitoring the performance of each investment there can be no assurance that the existing management team, or any successor, will be able to operate the investment in accordance with MBFHM's plans, or that MBFHM will be able to attract and retain a management team with sufficient ability to successfully operate a company.

While there is no limitation on the nature of the business of any Fund investment, the current focus is primarily on investments in the healthcare industry. Many areas of the healthcare industry are subject to specific state and federal regulations and regulatory oversight. In addition, state and federal payments are increasing in importance as Medicare and Medicaid coverages continue to grow. While MBFHM and its Principals have considerable experience with this industry and the state and federal requirements, the performance of the Fund may vary based upon state or federal decisions beyond MBFHM's control. For example, Medicaid and Medicare reimbursement fluctuations may significantly affect the performance of the Fund. As the federal government and other states face the ever increasing costs of providing care to Medicare and Medicaid recipients, these governmental bodies also will look to changes to their programs. Such changes will present financial investment opportunities, but investors in the healthcare industry also will face increasing risks as it is impossible to predict with certainty what changes will occur.

**ITEM 8C.** MBFHM does not recommend primarily a particular type of security.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

MBFHM and its affiliates have not been involved in any material legal or disciplinary events that are material to a client's or prospective client's evaluation of MBFHM's advisory business or the integrity of its management.

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

**ITEM 10A.** MBFHM and its affiliates are not registered or are pending to register as a broker-dealer or a registered representative of a broker dealer.

**ITEM 10B.** MBFHM and its affiliates are not registered or are pending to register as a futures commissions merchant, commodity pool operator, a commodity trading advisor, or an associated person of the forgoing entities.

**ITEM 10C.** MBFHM and its affiliates have no material relationships or arrangements with other financial industry persons.

**ITEM 10D.** MBFHM does not recommend or select other investment advisors for the Fund.

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

**ITEM 11A.** MBFHM has adopted a Code of Ethics (the “Code”) to:

- promote honest and ethical conduct, including fair dealing and the ethical handling of conflicts of interest;
- promote full, fair, accurate, timely and understandable disclosure;
- promote compliance with applicable laws and governmental and SEC rules and regulations;
- promote prompt internal reporting of violations of the Code to an appropriate person;
- ensure the protection of the Company's legitimate business interests, including opportunities, assets and confidential information;
- deter wrongdoing; and
- promote accountability for adherence to the Code.

All directors, officers and employees of the MBFHM are expected to be familiar with the Code and to adhere to those principles and procedures set forth in the Code that apply to them.

A copy of MBFHM’s Code of Ethics will be provided to any client or prospective client upon request.

**ITEM 11B.** MBFHM and its affiliates do not recommend, or buy or sell, securities in which MBFHM and its affiliates have a material financial interest. However, the Code is designed to identify and manage conflicts of interest to the extent they arise in connection with personal interest transactions and other investment activities of MBFHM related persons, and to ensure that MBFHM fulfills its role as a fiduciary to its client. In particular, the Code requires that MBFHM related persons abide by policies and procedures in connection with their personal investment activities, and such activities are monitored under the Code to ensure compliance with such policies and procedures.

**ITEM 11C.** As noted above in Item 11B., MBFHM and its affiliates do not invest in the same securities in which MBFHM and its affiliates recommend to clients.

**ITEM 11D.** As noted in Item 11B. above, MBFHM and its affiliate do not recommend securities to the Fund, or buy and sell securities for the Fund, at or about the same time that MBFHM and its affiliates buy or sell securities for MBFHM and its affiliates.

## **ITEM 12 – BROKERAGE PRACTICES**

MBFHM has discretion to select brokers and dealers to execute securities transactions on behalf of the Fund. However, due to the nature of the Fund's investment strategy, MBFHM generally does not make use of broker-dealers for purposes of purchasing or selling securities on behalf of the Fund because the securities that it typically purchases or sells on behalf of the Fund are acquired and disposed of in privately negotiated transactions. If MBFHM ever were to engage a broker-dealer on behalf of the Fund to effect a transaction, it will seek best execution of such transaction. MBFHM does not accept "soft dollars."

### **ITEM 13 – REVIEW OF ACCOUNTS**

**ITEM 13A & 13B.** MBFHM investment professionals monitor and review the Fund's portfolio investments on an ongoing basis, including, for example, by participating in board meetings and management calls, reviewing annual and interim financial statements, and making ad hoc on-site visits.

**ITEM 13C.** The Fund's financial statements are audited on an annual basis by an independent third party accounting firm. The audited financial statements are distributed annually to the investors of the Fund along with each Fund investors capital account statement in accordance with generally accepted accounting principals. MBFHM provides quarterly investment updates to the Fund and its investors. The updates include a brief narrative of each portfolio company and its performance for the year-to-date period and is prepared by MBFHM's Chief Financial Officer and reviewed by the Principals.

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

**ITEM 14A.** No other parties provide investment advice to the Fund.

**ITEM 14B.** MBFHM and its affiliates do not directly or indirectly compensate any person who is not a supervised person for client referrals.



## **ITEM 15 - CUSTODY**

As a registered investment adviser, MBFHM is subject to Rule 206(4)-2 (the “Custody Rule”) of the Investment Advisers Act of 1940 (the “Advisers Act”), which governs the custody of client securities. The Custody Rule generally defines “custody” as holding client assets or having any authority to obtain possession of them. In accordance with the Custody Rule, MBFHM distributes to the Fund’s investors on an annual basis audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the Fund’s fiscal year end. The financial statements are prepared by an independent public accountant that is registered with the Public Company Accounting Oversight Board. Investors should carefully review the annual financial statements and compare the statements with information about the Fund that has been provided by MBFHM.

#### **ITEM 16 - INVESTMENT DISCRETION**

MBFHM provides discretionary investment advisory services on behalf of the Fund. The Fund and its investors do not place any limitations on this authority. The discretion is granted and evidenced in the Partnership Agreement signed by each Fund investor.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Pursuant to Advisers Act Rule 206(4)-6, MBFHM has adopted policies and procedures that govern the voting of the Fund's securities. The policies and procedures are designed to identify potential conflicts of interest and ensure that any proxies are voted in the best interest of the Fund and its investors. Because the Fund's investment program primarily involves investing in securities through privately negotiated transactions, it typically is not presented with traditional proxy votes. On the rare occasion that the Fund is asked to decide on matters involving voting the Fund's ownership interest in portfolio companies, MBFHM will adhere to its proxy voting policies and procedures and seek to make decisions in the best interest of the Fund and its investors. In making such decisions, MBFHM may take into account, among other factors, the potential impact on the value of the securities owned by the Fund. Clients may obtain a copy of MBFHM's proxy voting policies and procedures and information about how the firm voted by contacting MBFHM at [InvestorRelations@mbfhp.com](mailto:InvestorRelations@mbfhp.com)

#### **ITEM 18 – FINANCIAL INFORMATION**

MBFHM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. MBFHM is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

**ITEM 19 – REQUIREMENTS FOR STATE REGISTERED ADVISERS**

Not applicable