

ITEM 1: COVER PAGE



499 Park Avenue, 25th Floor
New York, New York 10022

Contact: James Mannix, CCO
646-205-5340
mannix@perceptivelife.com

September 26, 2013

This brochure provides information about the qualifications and business practices of Perceptive Advisors LLC. If you have any questions about the contents of this brochure, please contact us at 646-205-4300 or mannix@perceptivelife.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Perceptive Advisors LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

This September 26, 2013 update to our Form ADV Part 2A (the “Brochure”) includes the following material changes since our Brochure dated March 2013:

- Items herein have been changed to provide additional disclosure with respect to two separately managed accounts advised by Perceptive Advisors.

ITEM 3: TABLE OF CONTENTS

ITEM 1:	COVER PAGE	1
ITEM 2:	MATERIAL CHANGES	2
ITEM 3:	TABLE OF CONTENTS	3
ITEM 4:	ADVISORY BUSINESS	4
ITEM 5:	FEES AND COMPENSATION.....	4
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.....	11
ITEM 10:	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	11
ITEM 11:	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	11
ITEM 12	BROKERAGE PRACTICES	14
ITEM 13:	REVIEW OF ACCOUNTS	16
ITEM 14:	CLIENT REFERRALS AND OTHER COMPENSATION.....	17
ITEM 15:	CUSTODY	17
ITEM 16:	INVESTMENT DISCRETION	17
ITEM 17:	VOTING CLIENT SECURITIES	17
ITEM 18:	FINANCIAL INFORMATION	19

ITEM 4: ADVISORY BUSINESS

Perceptive Advisors LLC, a Delaware limited liability company (the “Advisor”), is an investment firm established in 1999. The Advisor focuses on investment opportunities in healthcare, with an emphasis on biotechnology. The Advisor believes that significant opportunities exist in biotechnology due to pervasive underlying market inefficiencies and volatility. Joseph Edelman is the founder, sole managing member and sole owner of Perceptive Advisors. Mr. Edelman has been the sole Portfolio Manager of the Advisor for its clients since inception and manages clients’ portfolios by utilizing a paradigm of “perception and reality.”

As discussed in further detail in Item 7 herein, the Advisor advises three feeder funds (two Delaware limited partnerships and one Cayman Islands exempted company) that invest, directly or indirectly, in a Cayman Islands master fund (together with the feeder funds, the “Funds”) that serves as a centralized trading vehicle. The Advisor also advises two separately managed account clients (the “Separate Accounts” and together with the Funds, the “Client Accounts”). One of these separate accounts is owned by Joseph Edelman. As of June 30, 2013, the Advisor managed approximately \$974,000,000 of net assets on a discretionary basis, which is comprised of \$894,900,000 of client assets (i.e., third party investors in the Funds (as defined in Item 7) and one of the Separate Accounts) and \$79,100,000 of assets from Mr. Edelman and employees of the Advisor.

The Advisor invests the Funds’ assets in accordance with the investment objective and strategy set forth by the Advisor in the relevant Fund's confidential private placement memorandum, as amended from time to time. Investors investing in a Fund cannot place investment restrictions on the Fund’s investment strategy, or on the Advisors trading of Fund assets pursuant to such strategy, but instead invest in the Fund with the strategy set forth in the memorandum. The Funds may place restrictions in the investment management agreement.

The Advisor invests the Separate Accounts’ assets in accordance with the relevant managed account agreement, which is tailored to the individual needs of the Separate Account. Separate Account clients may place investment restrictions on the Advisor’s trading for the Separate Account pursuant to such managed account agreement.

ITEM 5: FEES AND COMPENSATION

The Funds

Asset Based Fees. The Advisor receives a management fee (the “Management Fee”), payable at the feeder fund level, equal to 2% per annum, based on the net asset value of each fund. The Management Fee is payable monthly at the beginning of each month.

The Advisor, in its discretion, may waive all or any portion of the Management Fee and may agree that a portion of its Management Fee be paid to third parties (including a party who introduces an investor to a Feeder Fund).

Each feeder fund also reimburses and/or advances to the Advisor a maximum of 1% per annum of the average month-end net asset value of each feeder fund for certain of the Advisor’s administrative and management costs and expenses, including without limitation computer equipment and services, office space and utilities, salaries and bonuses, and other overhead expenses of the Advisor, except to the extent such costs and expenses are provided through “soft dollars” as described in Item 12 herein.

Please see Item 6 for a discussion of the Advisor’s performance based compensation.

Operating Expenses. Each Fund pays for its operating expenses (including, with respect to the feeder funds, their pro rata portion of the expenses of the master fund). Such operating expenses include ongoing offering expenses, legal, accounting, and auditing fees, interest on borrowings, custodial fees and expenses, brokerage commissions and fees, service fees, securities transaction costs, fees, brokerage commissions, transaction costs and taxes. Please see Item 12 for a discussion of brokerage practices.

Certain expenses incurred in managing the Client Accounts may be charged to the Funds but will benefit all Client Accounts. The Advisor believes that these expenses, which will include the cost of certain filings with the Securities and Exchange Commission, will be *de minimis*.

Separate Accounts

The Separate Account owned by Joseph Edelman is not charged any fees by the Advisor.

The nonaffiliated Separate Account pays the Advisor a Management Fee and expense reimbursement that are equal to the Management Fee and expense reimbursement charged to investors in the Funds.

The Separate Accounts will each bear investment-related and operational expenses of the Account, including, but not limited to, brokerage commissions, clearing and settlement charges, transaction costs, custodial fees and interest expenses. Please see Item 12 for a discussion of brokerage practices.

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

Special Profit Allocation to the General Partner of the Onshore Funds. Perceptive Capital LLC, a Delaware limited liability company that serves as general partner of the Onshore Funds (as defined in Item 7) (the “General Partner”), is an affiliate of the Advisor. The General Partner receives an annual special profit allocation to its capital account equal to 25% of any increase in Net Worth of the interest of each limited partner of the Onshore Funds, calculated at each calendar year-end (or shorter period to the extent that all or part of an interest in an Onshore Fund is withdrawn prior to a calendar year-end), in addition to receiving a pro rata share of profits based on its own capital account balance. The Special Profit Allocation is net of all expenses, and is subject to a high water mark so that the special profit allocation is made with respect to a limited partner’s capital account only when the aggregate net profit allocated to that capital account for the current and all prior periods exceeds the aggregate net loss allocated to that capital account for the current and all prior periods. Such increase includes both realized and unrealized gains. The special profit allocation attributable to designated investments will accrue and will be made upon the disposition of the applicable designated investments (as defined in Item 5) or upon a withdrawal of a limited partner’s interest participating in the designated investment(s) occurring prior to the disposition of such designated investment(s). Performance based compensation is payable only at the relevant feeder fund level or at the master fund level (but not both) to avoid duplication.

Incentive Fee – Offshore Fund. The Advisor will receive an incentive fee on each performance date (the last valuation date in each calendar quarter or any redemption day) equal to 25% of the amount by which the net asset value of the shares in the Offshore Fund of each Series on the such performance date (after adjustment for subscriptions and redemptions) exceeds the highest net asset value of the shares of each series in the Offshore Fund on any previous performance date (after the deduction of the incentive fee).

The Advisor’s right to receive all or a portion of an incentive fee may create an incentive for the Advisor to make investments that are riskier or more speculative than would be the case if the Advisor was paid only a management fee.

Incentive Based Compensation – Separate Accounts

The Separate Account owned by Joseph Edelman is not charged any incentive based compensation.

With respect to the non-affiliated Separate Account, the Advisor receives performance-based compensation that is equal to the performance-based fee charged to investors in the Funds.

The Advisor's right to receive all or a portion of an incentive fee may create an incentive for the Advisor to make investments that are riskier or more speculative than would be the case if the Advisor was paid only a Management Fee. Performance-based fee arrangements may create an incentive to favor incentive fee paying accounts over other accounts in the allocation of investment opportunities. However, the only non-incentive fee paying account is the Advisor's sole portfolio manager, Joseph Edelman so this conflict is mitigated.

ITEM 7: TYPES OF CLIENTS

Funds

Perceptive Advisers LLC advises four (4) collective investment vehicles (collectively, the "Funds"): 1) Perceptive Life Sciences Fund, LP, a Delaware limited partnership 2) Perceptive Life Sciences Qualified Fund, LP, a Delaware limited partnership (the funds referred to in items 1 and 2 together, the "Onshore Funds") 3) Perceptive Life Sciences Offshore Fund, Ltd., a Cayman Islands exempted company (the "Offshore Fund" and together with the Onshore Funds, the "Feeder Funds") and 4) Perceptive Life Sciences Master Fund, Ltd., a Cayman Islands exempted fund which serves as a centralized trading vehicle for the Feeder Funds (the "Master Fund"). The Feeder Funds are invested, directly or indirectly, in the Master Fund. The Master Fund is a fundamentally driven long/short fund, with more than 50% of its investments in public equity companies with market capitalizations in excess of \$500 million. The assets of a Fund are invested pursuant to the relevant Fund's offering documents.

Each investor in a Feeder Fund must, among other things, make certain representations and warranties in the Feeder Fund's subscription documents. Depending on the Fund and the location of the investor, investors must qualify as "accredited investors" under the 1933 Act, "Qualified Clients" as defined under the Advisers Act or "Qualified Purchasers" under the Investment Company Act of 1940.

The minimum subscription per subscriber in the Offshore Fund is \$1,000,000, which minimum may be decreased, but not less than \$50,000, or increased by the directors in their discretion.

The minimum subscription in the Onshore Funds is \$1,000,000 per subscriber, which minimum may be waived or increased by the General Partner in its sole discretion. Existing Limited Partners may subscribe for additional amounts with a minimum subscription of \$50,000.

Separate Accounts

As discussed above, the Advisor also manages the Separate Accounts. The investment strategies of the Separate Accounts are substantially similar to those of the Master Fund, though the Separate Accounts may take more concentrated positions and use a higher degree of leverage than the Master Fund.

With respect to Separate Accounts, all such clients must be, if applicable, qualified clients as well as meet certain sophistication requirements.

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

The Advisor's strategy is to invest in the equities of growth healthcare companies and value plays, with an emphasis on biotechnology. The Advisor's philosophy is that the most critical element in achieving superior investment returns is to maintain an unbiased view of fundamental company news without regard to our current or past investment position in the stock, or its price history. By acknowledging inherent uncertainty, only then can we make objective real time investment decisions. In the Advisor's view, investment decision biases are the single greatest impediment to generating positive investment returns. The Advisor's sole portfolio manager, Joseph Edelman, and his team of six analysts use their substantial scientific, technical and investment expertise to identify opportunities to exploit relative value disparities and inefficiencies that exist on both the long and short side of the market. While most other Wall Street biotechnology analysts typically cover only the largest 20-30 companies in this industry, Perceptive's analysts also focus on the remaining smaller, more inefficiently priced 300 or more companies. In addition, an active risk management style, a low amount of leverage, and the team's focus on original investment ideas and research, all sourced in-house, contribute significantly to the Client Accounts' unique value. Hedging strategies using long and short equity positions, equity options, and index options are used in an attempt to reduce and control risk.

The investment strategies of the Separate Accounts are substantially similar to those of the Master Fund, though the Separate Accounts may take more concentrated positions and use a higher degree of leverage than the Master Fund.

Investing in securities involves risk of loss that clients should be prepared to bear. The following does not purport to be a comprehensive summary of all of the risks associated with the Client Accounts' investment strategy. Rather, the following are only certain risks to which the strategies are subject.

Investment Risks

The Client Accounts will invest its assets in securities, some of which are traded over the counter and some of which may be illiquid. There are several risks inherent in such investments, some of which are specifically referenced below. Such investments are subject to investment-specific price fluctuations as well as to macro-economic, market and industry-specific conditions, including, but not limited to, national and international economic conditions, domestic and international financial policies and performance, conditions affecting particular investments such as the financial viability, sales and product lines of corporate issuers, national and international politics and governmental events, and changes in income tax laws. Moreover, the Client Accounts may have only limited ability to vary their investment portfolios in response to changing economic, financial and investment conditions.

The Client Accounts' Investments may be Volatile. A principal risk in speculative securities investing and trading is the traditional volatility in the market prices of securities. The profitability of the Client Accounts depends greatly on predicting market prices. If the Advisor incorrectly predicts price movements, large losses could result.

The Client Accounts' Investments may be Leveraged. The Client Accounts intend to invest and trade on a leveraged basis (*i.e.*, where the security can be purchased by putting up only a portion of the instrument's face value and borrowing the remainder (margin)). Although the use of borrowed money to purchase securities will permit the Client Accounts to make investments in an amount in excess of the Client Accounts' capital, it also will increase the Client Accounts' exposure to losses. Thus, a relatively small price movement in such an investment may result in immediate and substantial loss to the Client

Accounts. Like other leveraged investments, the Client Accounts' transactions may result in losses in excess of the amount invested. Moreover, the Client Accounts will incur interest charges in servicing the leverage, which charges may be substantial.

As discussed above, Separate Accounts may use a higher degree of leverage than the Master Fund.

Short Sales. The Client Accounts intend to engage in significant short selling activities (*i.e.*, the sale of a security which the Client Accounts do not own for the purpose of taking advantage of an anticipated decline in the price by purchasing the same Security at a later date) in which there is no limit to the amount of potential loss. The extent to which the Client Accounts will engage in short sales will depend upon the Advisor's investment strategy and perception of market direction. The Client Accounts will incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which the Client Accounts covers their short positions (*i.e.*, purchases the Security to replace the borrowed Security). The Client Accounts will realize a gain if the security declines in price between these dates. A short sale involves the theoretically unlimited risk of an increase in the market price of the Security.

Although the use of short sales can substantially improve the return on invested capital, their use also may increase any adverse impact to which the investment portfolio of the Client Accounts may be subject. Gains and losses on short sales generally are treated as short-term capital gains and losses for tax purposes.

Concentration of Investments. Subject to the Client Accounts' investment policies described above, there is no limit on the amount of the Client Accounts' assets that can be invested in any particular position or strategy. In fact, the Advisor's approach will emphasize securities of the companies in the biotechnology industry and may at times emphasize particular sectors of the healthcare industry. Accordingly, a loss in any single position or strategy could materially reduce the Client Accounts' assets. In addition, the value of the Client Accounts' investment positions may be subject to decreases as a result of general economic conditions and/or the adverse effect upon the companies of which the Client Accounts own stock. Furthermore, new legislation or changes in governmental regulations could adversely affect the Client Accounts' ability to engage in certain of its anticipated investment strategies.

As discussed above, Separate Accounts may take more concentrated positions than the Master Fund.

Trading in Small Capitalization Markets. The Client Accounts may invest a portion of their assets in Securities of companies with small market capitalizations that may not be well known to the general public and have limited trading volumes. Some of these companies will have been in operation for fewer than three years. This trading may entail more risk than investments in companies with higher market capitalizations, because of increased volatility and trading liquidity.

Options Trading. An option on a security gives the purchaser of the option the right but not the obligation to take a position at a specified price (the "striking," "strike" or "exercise" price) in a security. A "call" option gives the purchaser the right to buy the underlying Security, and the purchaser of a "put" option acquires the right to take a sell position in the underlying security. The purchase price of an option is referred to as its "premium." The seller (or "writer") of an option is obligated to take a position at a specified price opposite to the option buyer if the option is exercised. Thus, in the case of a call option, the seller must be prepared to sell the underlying Security at the strike price if the buyer should exercise the option. A seller of a put option, on the other hand, stands ready to buy the underlying Security at the strike price. Both the purchasing and selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an

investment in an option may be subject to greater fluctuation than is an investment in the underlying Securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price.

Over-the-Counter Trading. Securities that may be purchased or sold by the Client Accounts will include instruments not traded on an exchange. Over-the-counter options, unlike exchanged-traded options, are two party contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the Client Accounts can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for Securities that are not traded on an exchange. Securities not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. To the extent that the Client Accounts engage in these transactions, the Client Accounts must rely on the creditworthiness of its counterparty.

The Markets and Securities Traded by the Client Accounts May Be Illiquid. At various times, the markets for Securities purchased or sold by the Client Accounts may be "thin" or illiquid, making purchase or sale of Securities at desired prices or in desired quantities difficult or impossible. It may not always be possible to execute a buy or sell at the desired price or to close out an open position, either due to market conditions, daily price fluctuation limits or speculative position limits. Particularly, there is a very limited market for, and substantial restrictions on, the resale of privately-traded securities. In addition, investors in privately-traded securities typically have certain registration rights with respect to the registration of such securities at a later date, but the exercise of these registration rights is dependent upon various conditions. There is no assurance that these conditions will occur or that these registration rights will otherwise be exercisable. Illiquid securities may have to be held for a substantial period of time because of market or industry conditions, the development stage at which they were purchased, or legal restrictions on resale. The valuation of illiquid securities will be in the Advisor's discretion.

Turnover; Excessive Trading Risk. The Client Accounts' capital will primarily be invested and traded on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions and fees. These commissions and fees will, of course, reduce the Client Accounts' profits.

Trading on Non-United States Exchanges. While it does not do so currently, the Client Accounts may seek to invest and trade on exchanges and with counterparties located outside the United States, where the protections provided by Securities and Exchange Commission regulations do not apply. In the case of trading or investing by the Client Accounts in non-U.S. markets or with non-U.S. counterparties, the Client Accounts will be subject to the risk of the inability of or refusal by their counterparties to perform with respect to their contracts with the Client Accounts and the difficulties of enforcing contractual obligations subject to non-U.S. law. The Client Accounts also may not have the same access to certain investments and opportunities as do various other participants in non-U.S. markets.

As one or more of the Funds and Separate Accounts determines its net assets in United States Dollars, with respect to trading on non-U.S. markets, it will be subject to the risk of fluctuation in the exchange rate between the local currency and dollars and to the possibility of exchange controls.

Special Risks of Non-U.S. Investments. Non-U.S. investments made by the Client Accounts could be adversely affected by political, legal, tax or economic developments in non-U.S. markets in which the Client Accounts may invest. In addition, non-U.S. investments by the Client Accounts will be subject to

the risks of adverse market conditions due to changes in national or local economic conditions, changes in interest rates and changing governmental rules and policies.

Currency and Exchange Rate Risks. Since the Client Accounts may invest in Securities denominated or quoted in currencies other than the U.S. Dollar, changes in currency exchange rates may affect the value of the Client Accounts' portfolios and the unrealized appreciation or depreciation of investments. The Client Accounts may seek to protect the value of some portion or all of their portfolio holdings against currency risks by engaging in hedging transactions, if available, cost-effective and practicable. The Client Accounts may enter into forward contracts on currencies as well as purchase put and call options on currencies. There is no certainty that instruments suitable for hedging currency shifts will be available at the time when the Client Accounts wish to use them or that, even if available, the Client Accounts will elect to utilize a hedging strategy.

Risk Arbitrage Transactions. The Client Accounts may engage in risk arbitrage transactions where they will purchase securities at prices that may be only slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities at the time of a proposed merger, exchange offer, tender offer or other similar transaction. Such purchase prices may be substantially in excess of the market price of the securities prior to such time. If the proposed merger, exchange offer, tender offer or other similar transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security purchased by the Client Accounts may decline sharply and result in losses to the Client Accounts.

Special Situations. The Client Accounts may invest in securities of an issuer based upon, or in anticipation of, an extraordinary corporate event, such as a spin-off, merger, or other reorganization, or which may be highly leveraged or operating in an out-of-favor industry. In special situation investing there are risks that the anticipated special situation will not occur or the anticipated benefit of the special situation will not be realized.

Derivative Instruments. The Client Accounts may invest in complex derivative instruments which seek to modify or replace the investment performance of particular securities, commodity interests, other property, interest rates, indices or markets on a leveraged or unleveraged basis. Derivative instruments are subject to additional risks that include interest rate and credit risk volatility, world and local market price and demand, and general economic factors and activity. Derivative instruments also have counterparty risk and may not perform in the manner expected by the Client Accounts or the counterparties, thereby resulting in greater loss or gain to the Client Accounts.

Risks from Hedging Activities. If the Advisor analyzes market conditions incorrectly or employs a risk reduction strategy that does not correlate well with the Client Accounts' investments, the Client Accounts' risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These risk reduction techniques may also increase the volatility of the Client Accounts and/or result in a loss if the counterparty to the transaction does not perform as promised.

The Markets in Which the Client Accounts Invest are Highly Competitive. The Securities industry in general, and the biotechnology/healthcare industry markets in which the Client Accounts intends to invest and trade, are extremely competitive. In pursuing its investment and trading methods and strategies, the Client Accounts will compete with securities firms, including many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and Brokers. In relative terms, the Client Accounts have little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staffs, and more securities professionals than the Client Accounts have or expect to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the

spread between the price at which a Security may be purchased by the Client Accounts and the price it expects to receive upon consummation of the transaction.

ITEM 9: DISCIPLINARY INFORMATION

Certain inquiries were conducted by the Securities and Exchange Commission (the “SEC”) and FINRA regarding various short sales that were placed by Joseph Edelman and others associated with the Advisor in 2005 and 2006 on behalf of a prior broker-dealer Mr. Edelman had been associated with. Mr. Edelman and such other parties cooperated fully with regulatory authorities.

FINRA Matter No. 20050007960 was formally resolved on or about December 18, 2008 pursuant to the terms of a Letter of Acceptance, Waiver and Consent (“AWC”) entered into by Joseph Edelman and other persons, including certain persons associated with the Advisor. By the AWC, Mr. Edelman and such other persons associated with the Advisor accepted and consented, without admitting or denying, to the entry of findings that they violated Rule 105 of Regulation M under the Securities Exchange Act of 1934, as amended which rule was subsequently amended in October 2007). Pursuant to the AWC, Mr. Edelman agreed to the payment of a fine of \$50,000. This fine has been duly paid by Mr. Edelman out of the Advisor’s assets. Fines in lesser amounts were also imposed against some of the other parties associated with the Advisor. None of these fines were paid by the Funds/Investors.

On October 20, 2009, SEC Matter No. NY-0793, an inquiry conducted by the SEC’s New York Regional Office concerning primarily the same secondary offerings that were the subject of the AWC, was formally resolved pursuant to the terms of an Order Instituting Administrative Cease and Desist Proceedings Pursuant to Section 21C of the Exchange Act and Section 203(e) of the Advisers Act (the “Order”).

By the terms of the Order, the Advisor accepted and consented, without admitting or denying, to the entry of findings that it violated then Rule 105 of Regulation M under the Exchange Act (which rule was subsequently amended in October 2007). Pursuant to the Order, the Advisor was censured and agreed to disgorge profits and pay pre-judgment interest in the aggregate amount of \$314,755.26, and to pay a fine of \$125,000. These amounts have been paid by the Advisor. None of these amounts were paid by the Funds/Investors.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As discussed in Item 6, the Onshore Funds’ general partner is Perceptive Capital LLC, a Delaware limited liability company organized in July 2000 (the “General Partner”). The General Partner is an affiliate of the Advisor. The General Partner is responsible for administering the Onshore Funds’ business. Joseph Edelman is the managing member of the General Partner. This relationship creates an incentive for the Advisers to make investments that are riskier or more speculative than would be the case if the General Partner (an affiliate of the Advisor) did not receive incentive compensation from the Onshore Funds.

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

Code of Ethics. Advisor has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act to prevent violations of federal securities laws. The Advisor expects all of its employees to act with honesty, integrity and professionalism and to adhere to federal securities laws.

The Advisor’s Code of Ethics applies to any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of the Advisor, or other person who provides

investment advice on behalf of the Advisor and is subject to the supervision and control of the Advisor (collectively, the “Supervised Persons”).

- A. Standards of Conduct. The Advisor expects all Supervised Persons to act with honesty, integrity and professionalism and to adhere to federal securities laws. The Advisers Act is the federal statute governing most investment advisers and enhances the fiduciary nature of the relationships between investment advisers and their clients. Section 206(4) of the Advisers Act prohibits any investment adviser from engaging in any act, practice or course of business that is fraudulent, deceptive or manipulative. In particular, Section 206 of the Advisers Act makes it unlawful for any investment adviser and for its employees:
- to employ any device, scheme, or artifice to defraud a client or prospective client;
 - to engage in any transaction, practice, or course of business which defrauds or deceives a client or prospective client;
 - knowingly to sell any security to or purchase any security from a client when acting as principal for his or her own account, or knowingly to effect a purchase or sale of a security for a client’s account when also acting as broker for the person on the other side of the transaction, without disclosing to the client in writing before the completion of the transaction the capacity in which the adviser is acting and obtaining the client’s consent to the transaction; and
 - to engage in fraudulent, deceptive or manipulative practices.
- B. Duties Toward Advisor. Supervised Persons are not permitted to engage in certain outside business activities without the prior written permission of the Compliance Officer.
- C. Gifts and Gratuities. Supervised Persons may not be compensated, directly or indirectly, except by the Advisor. In light of the nature of the Advisor’s business, its fiduciary obligations to clients and the regulatory environment in which the Advisor conducts its business, the Advisor is compelled to monitor the nature and quantity of the gifts and gratuities that its Supervised Persons receive. Such monitoring is not intended to prevent Supervised Persons from receiving gifts and gratuities, but rather serves to ensure that the practice of giving gifts and gratuities to Supervised Persons is not abused or undertaken for an improper purpose, and does not compromise the integrity, objectivity, or fiduciary duty of the Advisor or any Supervised Person. These principles also apply to relationships between a Supervised Person and any official bodies or persons, as well as with clients. Any act which might be interpreted as an attempt at bribery is strictly prohibited.
- D. Prevention of Insider Trading. Perceptive has adopted policies designed to prevent insider trading that are more fully described in its Code of Ethics. Advisor’s policy on insider trading applies to securities trading and information handling by all Supervised Persons of the Advisor (including spouses, minor children and adult members of their households and any other relative of an Advisor Supervised Person on whose behalf the Advisor Supervised Person is acting) for their own account or the account of any client of the Advisor.

The Advisor takes its obligation to detect and prevent insider trading with the utmost seriousness. In addition to criminal and civil liability that may result from insider trading, the Advisor may impose penalties for breaches of the policies and procedures contained in its manual, even in the absence of any indication of insider trading. Depending on the nature of the breach, penalties may include a letter of censure, profit “give ups”, fines, referrals to regulatory and self-regulatory bodies and dismissal.

E. Personal Securities Transactions

Periodic Reports. As more fully described in the Advisor's Code of Ethics, any employee establishing or maintaining an account shall make the necessary arrangements so that the Advisor will receive copies of the account statements and brokerage confirmation for holdings and transactions. Alternatively, Initial and Annual Reports, and Monthly Transaction Statements, may be submitted. Copies of the letter(s) making such arrangements, as well as all communications regarding an account, including confirmations, account statements and notifications of the closing of an account, shall be transmitted to and maintained by the Compliance Officer.

Initial Public Offerings and Limited Public Offerings. Employees must obtain prior written approval from the Chief Compliance Officer before investing in initial public offerings ("IPOs") or limited offerings (i.e., private placements). In the event the Chief Compliance Officer wishes to purchase initial public offerings or the securities of a private placement for his or her own employee account, the Chief Compliance Officer must obtain prior written approval from the Chief Executive Officer.

Review of Personal Securities Reports. The Compliance Officer will review employee initial and annual holdings reports or account statements, and monthly transaction or accounts statements and brokerage confirmations for any irregularities, improper activities or trades which, in his discretion, may be inappropriate because of a conflict or a perceived conflict with trades by the Advisor, as well as such other items as set forth in the Advisor's Code of Ethics

- F. Reporting Violations. All Supervised Persons are required to report actual or known violations or suspected violations of Perceptive's Code of Ethics promptly to the Chief Compliance Officer. Any report of a violation or suspected violation of the Code of Ethics will be treated as confidential to the extent permitted by law. Any report of a violation or suspected violation may be submitted anonymously.

Retaliation against a Supervised Person who reports a violation or suspected violation is prohibited and constitutes a violation of our Code of Ethics.

- G. Recordkeeping and Confidentiality. The Advisor maintains the following records:

- Copies of the Code of Ethics;
- Records of violations of the Code of Ethics and actions taken as a result of the violations;
- Copies of Perceptive's Supervised Persons' written acknowledgement of receipt of the Code of Ethics.
- Records of the Access Persons' (in our situation, all employees') personal trading – reports and account statements, including any information provided under Rule 204A-1(b)(3)(iii) in lieu of such reports, i.e., brokerage confirmations and transaction reports;
- A record of the names of Perceptive's Access Persons;
- Records of decisions, and the reasons supporting the decision to approve an employee's acquisition of securities in initial public offerings or limited offerings; and
- Records of decisions, and the reasons supporting the decision to approve the Chief Compliance Officer's acquisition of securities in initial public offerings or limited offerings.

- H. Acknowledgement of the Code of Ethics. Each Supervised Person will execute a written statement certifying that the Supervised Person has (i) received a copy of Perceptive's Code of Ethics; (ii) read and understands the importance of strict adherence to such policies and procedures; and (iii) agreed to comply with the Code of Ethics.

- I. Copies of the Advisor's Code of Ethics. A copy of the Advisor's Code of Ethics is available upon request. For a copy, please contact Jim Mannix, the Chief Compliance Officer.

Participation or Interest in Client Transactions. A related person may from time to time have an interest, direct or indirect, in a security, the purchase or sale of which is recommended, or which in fact is purchased or sold by or otherwise traded for a client. To the extent a related person invests in a security that is held by or recommended to a client, a conflict of interest arises as the reason for making such recommendation to a client could be to benefit the related person (i.e. by increasing the value of the security) rather than it being in the best interest of the client. Policies and procedures are in place to ensure that clients' interests are not disadvantaged by a trade made by a related person and that a related person does not benefit personally from trades undertaken for clients. In particular, the Advisor's related persons must make necessary arrangements to that the Advisor will receive copies of the account statements and brokerage confirmation for holdings and transactions in the employees' employee accounts (and provide copies of the letter(s) making such arrangements, as well as all communications regarding an account) and disclose the reportable securities in which they have a direct or indirect beneficial ownership and must submit periodic reports that show all trades and holdings of accounts in which the related person has a beneficial interest. These reports are periodically reviewed by the CCO.

Although the Adviser does not currently do so, subject to compliance with applicable law, the Adviser or its related person as principal may buy securities for, or sell securities to, an advisory client and may engage in cross transactions for client accounts. The Advisor will not engage in cross transactions between the separate account owned by Joseph Edelman and another Client Account.

As discussed in Items 6 and 10, Perceptive Capital, LLC, an affiliate of the Advisor, serves as general partner to the Onshore Funds. Perceptive Life Sciences Fund, LP, one of the Onshore Funds, invests in Perceptive Life Sciences Qualified Fund, LP ("Perceptive Qualified"), another of the Onshore Funds. Perceptive Capital, LLC (as general partner) has a financial interest in Perceptive Qualified which creates a conflict of interest in that the Advisor has an incentive to have Perceptive Life invest in Perceptive Qualified.

ITEM 12 BROKERAGE PRACTICES

The Advisor is authorized to determine the executing broker to be used for each securities transaction for the Client Accounts. Brokers will be selected by the Advisor generally on the basis of best execution services, which will be determined by taking into account, among other things, the broker's ability to commit capital, stability and responsibility, reputation, financial strength, reliability, responsiveness to the Advisor and accuracy of recommendations on particular securities, commission rates, ability to execute trades, block trading and block positioning capabilities, nature and frequency of sales coverage, securities price, depth of available services, arbitrage operations, bond capability and option operations, liquidity of market, access to various market venues, access to direct access trading, access to new issues and/or PIPES, expertise in certain securities or derivatives, the availability of stocks to borrow for short trades, willingness to execute related or unrelated difficult transactions in the future, the ability to execute larger transactions confidentially or anonymously or in a manner that avoids disclosing trading interest to the market, order of call, back office, processing and special execution capabilities, efficiency of execution and error resolution.

In addition, in selecting brokers, the Advisor may take into account the value of the following products and/or services (whether or not for research purposes, in whole or in part), either provided by the broker, or paid for by the broker (either by direct or reimbursement payments (in whatever form) or by commissions, mark-ups or credits or by any other means) to be provided by others (collectively, "Products and Services"). Products or Services may be in any form (e.g., written, oral or on-line) and

may include research products or services; clearance; settlement; on-line pricing and financial information; access to computerized data regarding clients' accounts; performance measurement data and services; consultations; economic and market information; portfolio strategy advice; market, economic and financial data; statistical information; data on pricing and availability of securities; publications (including periodicals, magazines and newspapers); electronic market quotations; charges on borrowed funds; travel (including any related transportation Products or Services such as air, rail, automobile, or boat transportation (regardless of class), and fuel hotels, taxis, meals, tips, parking, luggage handling, travel agents and entertainment (such as movies), and personal incidentals); internet service; delivery services such as car services, couriers and messengers, U.S. mail, and overnight delivery; secretarial and clerical services; printing and duplicating services; conferences; moving and storage services; memberships in professional associations; document retrieval services; marketing services; analyses concerning specific securities, companies, governments or sectors; market, economic, political and financial studies and forecasts; industry and company comments; technical data, recommendations and general reports; supplies and stationary; quotation services; exchange memberships; referrals of prospective investors in the Fund and any related finder's fees; custody; brokerage; recordkeeping, bookkeeping and similar services; office space, furniture, utilities, and facilities; computer databases; employees' salaries and benefits; equipment and any services and products delivered or deliverable by such equipment, along with any related parts or supplies necessary or convenient for the use of such equipment (regardless of whether the location of use is an office, residence or in transit), including fax machines, televisions (including any related cable or satellite access), computers, terminals, monitors, servers, postage machines, copiers, typewriters, calculators, vcrs, dvd players, telephones (including cellular, wireless, satellite and land line types) and any related telephone equipment and lines (including DSL lines); remote access devices (such as personal digital assistants), newswire and data processing equipment, quotation equipment, accounting, auditing and legal services, and, to the extent related in any way to any of the foregoing: service contracts, repairs, replacement parts, consultants, usage fees, postage, connections, filing fees, software, charges (including, subscription, use, access, roaming, local and long distance, installation and removal charges), taxes (such as income, capital gains, profits, gross receipts, payroll, capital stock, franchise, employment, withholding, social security, unemployment, disability, real property, personal property, stamp, excise, occupation, sales, transfer, hotel, value added, investment credit recapture, alternative minimum, environmental, estimated, occupancy, or use), surcharges, fees, cancellation fees, regulatory fees, rent, penalties, imposts, assessments, disbursements and expenses of any kind.

The Advisor does not adhere to any rigid formulas in making the selection of Brokers, but weighs a combination of the preceding criteria. The Advisor has no fixed internal brokerage allocation procedures designating specific percentages of brokerage commissions to particular firms. The Advisor seeks best execution services in transactions for the Client Accounts and will direct brokerage to firms providing Products and Services when they are able to provide best execution services. In recognition of the value of Products and Services provided by a Broker, the Advisor expects to effect securities transactions which cause the Client Accounts to pay the Broker an amount of commission in excess of the amount of commission another Broker would have charged.

In selecting Brokers to execute transactions, the Advisor need not solicit competitive bids and does not have an obligation to negotiate brokerage commission costs. Thus, the Client Accounts may be deemed to be paying for other Products and Services provided by the Broker which are included in the transaction charges. In exchange for the direction of portfolio transaction dollars to certain Brokers, credits are generated which may be used by the Advisor to pay for the Products and Services provided, or paid for, by such Brokers. To the extent the Client Accounts' portfolio transactions generate such credits or Products and Services are provided, the Advisor or the Client Accounts will be receiving a benefit by reason of the direction of commissions.

Products and Services may be used by the Advisor or its affiliates for themselves and/or in servicing some or all of their clients. In addition, some Products and Services may not necessarily be used by the Client Accounts even though its commission dollars (or other transaction charges) provided for the Products and Services. The Client Accounts, therefore, may not, in any particular instance, be the direct or indirect beneficiary of the Products or Services provided. The Advisor use client commissions to acquire soft dollar items that the Advisor would otherwise be obligated to provide to, or acquire at its own expense for, the Client Accounts. Nonetheless, the Advisor believes that such soft dollar items may provide the Client Accounts with benefits by supplementing the research and services otherwise available to the Client Accounts. The Advisor may have an incentive to select certain brokers based on the soft dollar items provided by such brokers rather than the clients' interest in receiving the most favorable execution.

The relationships with Brokers that provide "soft dollar" services to the Advisor may influence the Advisor's judgment in allocating brokerage business and create a conflict of interest in using the services of those Brokers to execute the Client Accounts' brokerage transactions.

Each investor, by signing the relevant Fund's subscription documents, will be deemed to acknowledge and agree to the Advisor's and its affiliates' use of Products and Services as set forth above (even if such use does not meet the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934, as amended).

Currently the Adviser uses soft dollars only for Products and Services that are within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Securities trades for the accounts managed by the Advisor may, but are not required to, be aggregated. Where, because of prevailing market conditions, it is not possible to obtain the same price or time of execution for all of the securities or other investments purchased or sold for clients, the Advisor may average the various prices and transaction costs and charge or credit the accounts with the average price. Aggregation may operate on some occasions to the advantage, and on other occasions to the disadvantage, of the relevant clients.

ITEM 13: REVIEW OF ACCOUNTS

Funds

Reviews of Accounts. The Advisor's operations manager and members of the Advisor's portfolio management team review each Fund's account, and each investor's account within the Fund, daily. Each Fund's balance is calculated monthly by the Fund's administrator, the Bank of New York Mellon, and reviewed by the Advisor's Chief Financial Officer for accuracy.

Content and Frequency of Reporting. Monthly written account statements are issued by the Advisor, or by the Fund's administrator, to each investor in the Fund, (along with, for investors in the Onshore Funds, a year-end K-1 tax document) followed by the final audit by Rothstein Kass, the Funds' auditor. Each investor in the Funds receives the following written reports: weekly performance estimates, monthly statements, monthly transparency reports, quarterly letters and annual audited financials.

Separate Accounts

Reviews of Accounts. The Advisor's operations manager and members of the Advisor's portfolio management team review each Separate Account's account daily.

Content and Frequency of Reporting. Reporting requirements for managed accounts are negotiated and vary per client.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

- A. Economic Benefits from Non-Clients. Please refer to discussion in Item 12 above regarding soft dollar items and other benefits that may be received by the Advisor from brokers in connection with execution of the Client Accounts' securities transactions.
- B. Client Referrals. The Advisor and/or one or more of the Funds have entered into third party marketing arrangements with respect to the sale of interests or shares in the Funds. Such third party placement agents are compensated with a portion of the Adviser's Management Fee payable with respect to the relevant Fund, at no cost to the investors in the Fund.

ITEM 15: CUSTODY

Funds

The Advisor is deemed indirectly to have custody over the assets of its Onshore Funds as Perceptive Capital, LLC, an affiliate of the Advisor, serves as the general partner of the Onshore Funds. Limited partners in the Onshore Funds receive audited financial statements prepared in accordance with US generally accepted accounting principles within 120 days of such Onshore Fund's fiscal year end.

Separate Accounts

The Advisor is not deemed to have custody over the unaffiliated Separate Account.

ITEM 16: INVESTMENT DISCRETION

The Advisor has discretionary authority to manage securities accounts with respect to the Client Accounts and to determine which securities and what amounts are to be bought or sold, which broker or dealer to be used and commission rates paid.

The Advisor invests the assets of each Client Account pursuant to the investment strategy set forth in the Funds' private placement memorandum, and shareholders or limited partners (as applicable) in the Funds are generally not able to place restrictions on investing in certain securities or types of securities. The Funds may place restrictions in the investment management agreement.

With respect to the Separate Accounts, the Advisor invests the Separate Accounts' assets in accordance with the relevant managed account agreement, which is tailored to the individual needs of the Separate Account. Separate Account clients may place investment restrictions on the Advisor's trading for the Separate Account pursuant to such managed account agreement.

ITEM 17: VOTING CLIENT SECURITIES

The Advisor votes proxies with respect to its Client Accounts.

Pursuant to Rule 206(4)-6 under the Advisers Act, registered investment advisers who have voting authority with respect to clients' securities are required to adopt and implement policies and procedures for voting proxies, disclose those policies and procedures to their clients and disclose how clients may

obtain information about how the adviser has voted proxies. The Advisor will exercise voting authority over its clients' proxies. The clients do not direct voting in any particular proxy solicitation.

The Advisor has established a Proxy Voting Committee that is dedicated to determining how Perceptive shall vote in instances when a proxy vote is required. The Proxy Voting Committee shall document each proxy by completing the Perceptive Proxy Voting Worksheet to demonstrate that the Advisor is voting in the best interests of its clients.

In the event of a conflict of interest, the Proxy Voting Committee and the Chief Compliance Officer jointly may determine that a member of the Proxy Voting Committee who has a conflict of interest is to be recused from the deliberations as to how to vote a proxy on a case-by-case basis. Nevertheless, it is Perceptive's policy that if a member of the Proxy Voting Committee is also serving as a director of a company that Perceptive is voting a proxy, that person is recused from Perceptive's proxy voting decision making.

Perceptive shall maintain records of proxy statements received pertaining to client securities, records of votes cast, hard copies of e-mails, information posted on websites and correspondence relating to the proxy vote, backup copies of such e-mail, information posted on websites and correspondence relating to the proxy vote and these backup copies will be maintained onsite at Perceptive's office, a concise summary of Perceptive's proxy voting policies and procedures that it provides to clients in hard copy at Perceptive's office and a record of each client request for proxy voting records and Perceptive's response to such requests.

A copy of the Advisor's proxy voting policies and procedures and information on how the Advisor has voted proxies are available upon request from Jim Mannix, the Advisor's chief compliance officer.

ITEM 18: FINANCIAL INFORMATION

- A. The Advisor does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance.
- B. There is no financial condition that is reasonably likely to impair the Advisor's ability to meet its contractual commitments to Clients.
- C. The Advisor has not been the subject of a bankruptcy petition at any time during the past ten years.