

Part 2A of Form ADV: *Firm Brochure*

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12/9/2013

This brochure provides information about the qualifications and business practices of Opaleye Management Inc. (hereinafter “Opaleye” or “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at (617) 229-5085 or jim@opaleyegp.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 Opaleye is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Opaleye is 124513. Registration with the SEC as an investment adviser does not imply any level of skill or training.

Item 2. Summary of Material Changes

Since the last annual filing of our Brochure dated February 4, 2013, we have the following material changes to report:

1. Our assets under management have increased from \$53,766,755 as of December 31, 2012 to \$115,719,799 as of September 30, 2013.
2. We also registered as an investment adviser with the Securities and Exchange Commission and withdrew our registration as an investment with the Massachusetts Securities Division because of the growth in our assets under management over \$100 million.

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Item 4. Advisory Business

Opaleye Management Inc. (“Opaleye”) is a fee-based SEC-registered investment adviser with its principal place of business located in Cambridge, Massachusetts. We have been in business since 1996 with James Aaron Silverman as President and sole owner.

Discretionary assets under our firm’s management were \$115,719,999 as of September 30, 2013.

We do not currently manage any non-discretionary assets.

Private Placement Management

Opaleye serves as investment manager to Opaleye, L.P., a Delaware limited partnership (hereinafter the “Fund”). Opaleye GP LLC, a Delaware limited liability company, is the general partner to the Fund (the “General Partner”). Opaleye is related to the Fund’s General Partner by virtue of common ownership and control. Interests in the Fund are offered in reliance upon various exemptions available under the securities laws for transactions in securities not involving a public offering. Opaleye manages the Fund on a discretionary basis in accordance with the terms and conditions of the Fund’s Private Placement Memorandum and organizational documents.

The Fund was formed to generate capital appreciation and income by investing in equity securities of U.S. and foreign small and mid-cap biotechnology and specialty pharmaceutical and device companies. Typically, these are companies that are developing therapies and treatments intended for humans.

Prospective investors in the Fund should be aware of additional risks, restrictions on withdrawals and redemptions and other important information associated with investment in the Fund. This information is outlined in the Fund’s Private Placement Memorandum and subscription documents. Prospective investors should refer to the Private Placement Memorandum and subscription documents for information regarding these important additional considerations and risk.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will primarily include advice regarding global small cap equity securities in the biotechnology and healthcare sectors. Occasionally, we may also recommend investments in corporate debt securities, warrants, “no-load” or “load-waived” mutual funds, exchange traded funds (ETFs), securities of foreign issuers, and option contracts on securities.

Fund documents may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Investment Selection Consulting Services

Opaleye also offers consulting services to unaffiliated independent investment advisers (“RIAs”). Our firm provides these clients with a model portfolio consisting of securities selections, weights, and allocations for use in their own managed portfolios. Security selection recommendations will generally follow the investment strategy employed for the Fund. RIAs are solely responsible for reviewing, evaluating and implementing any and all consulting recommendations received from our firm. RIAs are under no obligation to implement our recommendations and therefore may follow them fully, partially, or not at all. RIAs may receive model investment recommendations after they have been considered and/or implemented by our firm on behalf of the Fund.

Services in General

We tailor all of our portfolio management decisions to the individual needs, goals and objectives of the Fund, as outlined in its Private Placement Memorandum and relevant offering documents. Consulting model recommendations are not tailored to the individual needs of the RIAs’ underlying clients.

Item 5. Fees and Compensation

Private Placement Management

We charge an annual fee of 2.00% of the net asset value of the Fund, as well as an incentive allocation equal to 20% of net realized and unrealized profits of each limited partner, calculated on an annual basis and adjusted for unrecovered losses incurred by each limited partner.

We will directly debit the Fund’s custodial account for our management fee. Fees are debited monthly in advance at the beginning of each calendar month, based upon the account value on the first day of that calendar month.

Investment Selection Consulting Services

Our firm receives a consulting fee, payable quarterly in advance, ranging from 1/3 to 2/3 of the fee amount collected by the RIA from each client’s account utilizing the signals. Alternatively, our firm and an RIA may agree to an annual fixed fee.

Fees in General

Opaleye and/or the General Partner may elect to waive or reduce the management fee in whole or in part for any limited partner.

Fees for our Investment Selection Consulting Services are negotiable based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed by the RIA, negotiations with client, etc.).

Under no circumstances will we earn fees in excess of \$500 more than six months in

advance of services rendered.

Account Termination

No withdrawals may be made by an investor during the one-year period after the investor's initial investment in the Fund. Thereafter, an investor may withdraw all or any part of the investment amount from the Fund as of the end of any quarter on 30 days' prior written notice. Investors should refer to the Fund's Private Placement Memorandum and relevant offering documents for a detailed account of termination and withdrawal provisions.

RIAs may terminate the agreement by providing us a 30-day written notice at our principal place of business. Upon termination of any account, any earned, unpaid fees will be due and payable.

Mutual Fund and ETF Fees and Expenses: All fees paid to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund or and ETF directly, without the services of our firm. In that case, the client would not receive the services provided by us which are designed, among other things, to assist the client in determining which mutual fund or funds or ETFs are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and ETFs and the fees charged by us to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Brokerage and Custodial Fees

In addition to advisory fees paid to our firm, the Fund will also be responsible for all transaction, brokerage, and custodial fees incurred as part of Fund's account management. Please see Item 12 of this Brochure for important disclosures regarding our brokerage practices.

Side Letters:

Opaleye or the General Partner may in the future, waive or modify the terms of investment for certain large or strategic investors, in side letters or otherwise, in its sole discretion, including but not necessarily limited to, a waiver or lowering of Management Fees, a waiver or lowering of the Incentive Allocation, preferential redemption rights, "Key Man" event provisions, "Most Favored Nation" status and/or increased transparency or reporting.

Item 6. Performance-Based Fees and Side-By-Side Management

As we disclosed in Item 5 of this Brochure, our firm accepts a performance-based fee from the Fund. Such a performance-based fee is calculated based on a share of capital

gains on or capital appreciation of the assets of the Fund. To qualify for a performance-based fee arrangement, a client (or Fund investor, as applicable) must typically demonstrate a net worth of at least \$2,000,000 (excluding the value of their primary residence) or must have at least \$1,000,000 under management with us.

Clients should be aware that performance-based fee arrangement 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.

Item 7. Types of Clients

Our firm provides advisory services to the Fund and RIAs.

Normally, the minimum single investment commitment in the Fund is \$100,000. The General Partner reserves the right to reduce the minimum single investment commitment on a case-by-case basis, provided that no investor may invest less than \$50,000. Specific requirements are stated in the Fund's Private Placement Memorandum and/or offering documents.

We currently do not impose any minimum account sizes or minimum annual fees for Investment Selection Consulting Services.

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

Our firm employs the following types of analysis to formulate client recommendations:

Fundamental Analysis: Fundamental analysis of a business involves analyzing its Income statement, financial statements and health, its management and competitive advantages, and its competitors and markets. Fundamental analysis school of thought maintains that markets may mis-price a security in the short run but that the "correct" price will eventually be reached. Profits can be made by trading the mis-priced security and then waiting for the market to recognize its "mistake" and re-price the security. However, fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Therefore, unforeseen market conditions and/or company developments may result in significant price fluctuations that can lead to investor losses.

Mutual fund and/or ETF analysis: We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other funds in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the fund or ETF less suitable of the client's portfolio.

Risks for all forms of analysis: Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Our firm employs the following investment strategies to implement investment advice given to clients:

Overall Investment Strategy Summary: The strategy of the Fund is to actively invest, both long and short, in equity securities of public biotechnology and specialty pharmaceutical companies. In pursuing this strategy, the Fund will focus its long investments in equity securities of companies that may not be profitable yet but whose share price may grow significantly in the near term or over a 1-2 year or longer period based on their therapeutic development and financial objectives. The Fund will also seek to actively invest in stock and derivative transactions to profit from "binary" events, such as clinical data milestones or a U.S. Food and Drug Administration ("FDA") regulatory decision. Conversely, the Fund will seek opportunities to short securities that have extended valuations relative to the marketplace.

Liquidity: It is our intention that most of the Fund's capital be invested in generally liquid positions, as most investments will be made in public equity securities. However, some positions may be illiquid because the shares may be thinly traded, because of the size of the Fund's investment, or because they are shares in privately held companies.

The sale of any such illiquid investments may be possible only at substantial discounts. Further, such investments may be extremely difficult to value with any degree of certainty.

Long-term purchases: We purchase securities with the idea of holding them in the clients account for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client.

Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases: At times, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Trading: We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

A risk in a short-term purchase is the potential for sudden losses if the anticipated price swing does not materialize. Moreover, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Short sales: We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. We then sell the shares we have borrowed. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If the stock has gone down since we purchased the shares from the original owner, we keep the difference.

One risk in selling short is that losses are theoretically unlimited; we are obligated to repurchase the stock no matter how much the price has climbed. In addition, even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place. Short selling may not be appropriate in times of inflation, as prices may adjust upwards regardless of the value of the stock.

Margin transactions: We may purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a “margin call”, and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

Fund investors should understand that investing in any securities, including mutual funds and ETFs, involves a risk of loss of both income and principal that they should be prepared to bear. Investors should refer to the Fund’s Private Placement Memorandum for a detailed description of the risks associated with the Fund’s strategies.

Item 9. Disciplinary Information

Our firm does not have any history of reportable disciplinary events in which a finding or an award had been made. Any record of pending matters may be viewed at www.adviserinfo.sec.gov.

Item 10. Other Financial Industry Activities and Affiliations

As described in Item 4 of this Brochure, Opaleye GP LLC, an entity related to our firm by virtue of common ownership and control, serves as the general partner to the Fund (the “General Partner”).

These non-Opaleye activities present a potential conflict of interest, to the extent that Mr. Silverman has a financial incentive to recommend investment into the Fund to other advisory clients.

Since we endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts:

1. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and its employees to earn more compensation from advisory clients who pay performance-based fees;
2. We ensure that each limited partner is a qualified client and an accredited investor; and
3. Our management conducts regular reviews of the Fund account to verify that all recommendations made are suitable.

Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading

Our firm or individuals associated with our firm may buy or sell securities identical to those recommended to or purchased for customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. This practice results in a potential conflict

of interest, as we may have an incentive to manipulate the timing of such purchases to obtain a better price or more favorable allocation in rare cases of limited availability.

To mitigate these potential conflicts of interest and ensure the fulfillment of our fiduciary responsibilities, we have established the following restrictions:

1. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No principal or employee of our firm may prefer his or her own interest to that of the advisory client;
2. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts;
3. Where personal trades are aggregated with client trades, clients have implementation and execution priority;
4. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice with access to advisory recommendations; and
5. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices; and

Item 12. Brokerage Practices

We endeavor to select those brokers or dealers which will provide the best services at the lowest prices and commission rates possible. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services which will help us in providing investment management services to clients.

We do not have any formal soft-dollar arrangements and do not contract with any broker dealer to receive soft-dollar benefits. This means that we do not receive research or gain access to industry analysts or conferences in return for paying higher commissions for client trades to a particular broker dealer.

Trade Aggregation

Since we currently manage only one client account, aggregation of trades for multiple clients is not possible.

Item 13. Review of Accounts

Private Placement Management

James Silverman, President, will continuously monitor the underlying securities in the Fund account and perform at least quarterly reviews of account holdings. Fund positions will be reviewed in the overall context of the Fund's investment objectives and guidelines. Political, geopolitical and economic events may trigger more frequent reviews.

All of the Fund's limited partners will receive, as soon as practicable after the end of each taxable year (or as otherwise required by law), annual reports containing financial statements audited by the Fund's independent auditors as well as such tax information as is necessary for each limited partner to complete federal and state income tax or information returns, along with any other tax information required by law. The General Partner selects the Fund's independent auditors in its sole discretion.

Investment Selection Consulting Services

Unless otherwise agreed with the clients, consulting models and associated selections will be reviewed at least quarterly. Typically, RIAs will receive monthly model selection suggestions. These clients may also receive additional reports as contracted for at the inception of the advisory relationship.

Item 14. Client Referrals and Other Compensation

Our firm does not receive any additional compensation from third parties for providing investment advice to its clients and does not compensate anyone for client referrals.

Item 15. Custody

Because we act as investment adviser to the Fund and are affiliated with the Fund's General Partner through common ownership and control, we may be deemed to have custody of client assets under current applicable regulatory interpretations. Therefore, we seek to have the Fund audited on an annual basis by an independent public accountant. We seek to send, directly or through a third party, the audited financials to each Fund investor within 120 days of the Fund's fiscal year end.

Item 16. Investment Discretion

As investment adviser to the Fund, our firm is granted the discretionary authority in the relevant organizational documents and/or advisory agreements to determine which securities and the amounts of securities that are to be bought or sold on behalf of the Fund.

Item 17. Voting Client Securities

The Fund and or its General Partner may elect to delegate its proxy voting authority to us.

Alternatively, the Fund or its General Partner may, at their election, choose to receive proxies related to the Fund account, in which case we may consult with the Fund and/or General Partner as requested.

When we have discretion to vote proxies for the Fund, we will vote those proxies in the best interest of the Fund and in accordance our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the Fund of the conflict and retain an independent third-party to cast a vote.

Investors may obtain a copy of our complete proxy voting policies and procedures by contacting James Silverman directly. Investors may request, in writing, information on how Fund proxies were voted. If any investor requests a copy of our complete proxy policies and procedures or how we voted proxies for the Fund, we will promptly provide such information to the investor.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

Item 18. Financial Information

Under no circumstances will we earn fees in excess of \$500 more than six months in advance of services rendered.