

PART 2A OF FORM ADV

FIRM BROCHURE

Opaleye Management Inc.

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Opaleye Management Inc. (hereinafter “Opaleye”, “firm” “we”, “us” or “our”). If you have any questions about the contents of this Brochure, please contact us at (617) 229-5085 or jim@opaleyemgt.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Opaleye Management Inc. is available on the SEC’s website at www.adviserinfo.sec.gov.

Opaleye Management Inc. is registered as an investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). SEC registration does not imply a certain level of skill or training.

BROCHURE DISCLOSURE

In no event should this disclosure Brochure be considered to be an offer of interests in any of Opaleye’s private fund client(s) or relied on in determining whether to invest in any private fund client. It is also not an offer of, or agreement to provide, advisory services directly to any recipient of the Brochure. Rather, this Brochure is designed solely to provide information about Opaleye for the purpose of compliance with certain obligations under the Advisers Act and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided to potential investors in Offering Documents (as hereinafter defined). To the extent that there is any conflict between any discussion in this Brochure and the Offering Documents provided to investors, the Offering Documents provided to such investors shall govern.

Item 2. Summary of Material Changes

This Brochure reflects the following material changes to the last brochure, dated March 29, 2019:

- Items 4, 5, 7, 12 and 17 have been revised to reflect that Opaleye, in addition to providing investment management services to the Fund, also provides the same to a separately managed account; and
- Items 4 has been updated to indicate the amount of assets under management as of December 31, 2019.

This Item discusses only material changes since the last annual update of the brochure. Other amendments may have been made to the Brochure that are not discussed in the summary. We encourage you to read the brochure in its entirety.

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Item 4. Advisory Business

Firm Description and History

Opaleye Management Inc. is a Massachusetts corporation that was formerly named Risk/Reward Capital Management Corporation formed in 1996. James Silverman is the sole owner.

Business Summary

Opaleye currently provides discretionary investment management services to Opaleye, L.P., a Delaware limited partnership (hereinafter the “Fund”). Opaleye GP LLC, a Delaware limited liability company, is the general partner (the “General Partner”) to the Fund. Opaleye is related to the Fund’s General Partner by virtue of common ownership and control. In addition, Opaleye also serves as a portfolio manager and provides discretionary investment management services for a separate managed account (the “Managed Account”). The Managed Account is a parallel managed account, which pursues substantially the same investment objective and strategy and invests side-by-side in substantially the same positions as the Fund.

Opaleye manages the Fund on a discretionary basis in accordance with the terms and conditions of the Fund's confidential private placement memorandum and its limited partnership agreement (collectively, the “Offering Documents”). We do not tailor the Fund’s management to the particular needs of any investor in the Fund.

The Fund generally invests in equity securities of U.S. and foreign small and mid-cap biotechnology and specialty pharmaceutical and device companies, which may include private companies. Typically, these are companies that are developing therapies and treatments intended for humans.

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.

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 Offering Documents. Prospective investors should refer to the Offering Documents for information regarding these important additional considerations and risks.

We manage the Fund as outlined in the Offering Documents. We do not tailor the Fund’s management to the particular needs of any investor in the Fund.

Client Assets Under Management

Discretionary assets under our firm’s management were approximately \$505,126,998 as of December 31, 2019, which included \$18,379,996 of assets in the Managed Account. We do not currently manage any non-discretionary assets.

Item 5. Fees and Compensation

Fee Structure

We charge a monthly management fee equal to one-twelfth (1/12) of two percent of the net asset value of the Fund and the Managed Account at the opening of business on the first day of each month and a special allocation equal to 10% of the first 20% of net realized and unrealized profits and thereafter 20% of net realized and unrealized profits of each limited partner, calculated on an annual basis and subject to the previous high water mark. "Previous high water mark," as of any date, shall mean the value of a Limited Partner's Capital Accounts immediately following the time at which the most recent special allocation prior to such date became payable, net of such special allocation.

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. Fees for the Managed Account are paid in accordance with the managed account agreement between Opaleye and the Managed Account.

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 or the Managed Account.

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. The 30 day notice can be waived in Opaleye's sole discretion. Opaleye may also process withdrawals at the beginning of any month at its discretion. Investors should refer to the Fund's Offering Documents for a detailed account of termination and withdrawal provisions.

Other Fees and Expenses

Opaleye's fees are exclusive of brokerage commissions, transaction fees, mark-ups and mark-downs, and other related costs and expenses, which are borne by Fund. The Fund may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by sub-managers, custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on accounts and securities transactions. Please see *Item 12 – Brokerage Practices* 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 special 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 disclosed in *Item 5 – Fees and Compensation*, Opaleye may receive performance-based fees or allocations. Opaleye currently does not engage in side-by-side management situations.

Item 7. Types of Clients

Opaleye currently provides portfolio management services exclusively to pooled investment vehicles and the Managed Account, which is a parallel managed account. Pooled investment vehicles are available only to investors who satisfy certain suitability standards.

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

Overview

We employ a research process that involves analyzing company fundamentals, such as asset valuations, quality of management, likely catalysis and/ or innovative products and the competition.

Opaleye’s strategy for managing the Fund is to actively invest, both long and short, in equity securities of biotechnology, specialty pharmaceutical and med-device 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.

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.

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.

Risks

Investing in securities involves risk of loss that Clients should be prepared to bear. The following summary is not meant to be a complete description of risks. The Fund's Offering Documents include additional disclosure regarding risks that should be considered by investors. To the extent that there is any conflict between any discussion in this Brochure and the offering memorandums provided to investors, the memorandums provided to such investors will govern.

- Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, drug development companies in general may depend on developing new drug candidates and then conducting clinical trials to test efficacy and safety as well as undergo regulatory reviews, all a lengthy process, before they can generate a profit. They may carry a higher risk of volatility than an established medical products company, which already generates revenue and income.
- Counterparty and Broker Credit Risk: Certain assets will be exposed to the credit risk of the counterparties when engaging in exchange-traded or off-exchange transactions. There may be a risk of loss of assets on deposit with or in the custody of a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearinghouse.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Accurate Information Risk: The Fund selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Fund by the issuers or through sources other than the issuers. Although the Fund evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, the Fund is not in a position to confirm the completeness, genuineness, or accuracy of such information and data. In some cases, complete and accurate information is not available.
- Financial Risk: Borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- Foreign Market Risk: The securities markets of many foreign countries, including emerging countries, have substantially less trading volume than the securities markets of the United States, and securities of some foreign companies are less liquid and more volatile than securities of comparable United States companies. As a result, foreign securities markets may be subject to greater influence by adverse events generally affecting the market, by large investors' trading significant blocks of securities, or by large dispositions of securities, than

as it is in the United States. The limited liquidity of some foreign markets may affect our ability to acquire or dispose of securities at a price and time it believes is advisable. Further, many foreign governments are less stable than that of the United States. There can be no assurance that any significant, sustained instability would not increase the risks of investing in the securities markets of certain countries.

- Inflation Risk: When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Interest-Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if the specific asset is well known and widely followed. For example, Treasury Bills are considered highly liquid, while real estate properties are not.
- Margin Risk: Borrowing from banks, brokerage firms and other financial institutions is known commonly as margin. Borrowed funds are invested in additional securities. Gains made with additional funds borrowed will generally cause the value of a portfolio to rise faster than would be the case without borrowing. Conversely, if investment results fail to cover the cost of borrowing, the value of a portfolio could decrease faster than if there had been no borrowing. In connection with borrowing, the borrower may be required to reduce its borrowing on a timely basis in the event the value of assets falls below the coverage requirement of the margin limitations. If there is such a required reduction of borrowing, the borrower could be required to liquidate securities positions at times when it might not be desirable or advantageous to do so.
- Market Risk: The price of any security, including bonds or mutual funds may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Personnel Risk: Opaleye is heavily dependent on the activities, judgment and availability of James Silverman. Opaleye has contingency plans in the event of Mr. Silverman's short-term absence, but in the event of his death or permanent disability, Opaleye will begin an orderly wind down of its operations, which will include assisting its private fund clients in either winding down their operations or finding a replacement investment manager. During that period of time, however, we may be unable to furnish investment advice to clients.
- Short Selling Risk: Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time.

Opaleye may be compelled to realize losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if Opaleye is otherwise unable to borrow securities which are necessary to cover its positions. Although Opaleye may utilize short selling as a hedging technique, short selling may also be used for speculative purposes.

- **Options:** By purchasing options or warrants (“options”), the buyer is exposed to the risk that the option purchased may expire worthless and that the buyer will suffer a total loss of their investment, which will consist of the option premium plus any transaction costs. Selling options generally entails considerably greater risk than purchasing options as the seller may sustain losses well in excess of the fixed premium received. If the market or the underlying interest moves unfavorably, the seller may need to contribute additional margin to maintain the position. Additionally, if the purchaser exercises the option, the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If, however, the position is “covered” by the seller by holding a corresponding position in the underlying interest, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Fund investors should understand that investing in any securities involves a risk of loss of both income and principal that they should be prepared to bear. Investors should refer to the Fund’s Offering Documents for a more detailed description of the risks associated with the Fund’s strategies.

Item 9. Disciplinary Information

Prior to registration with the SEC on October 29, 2013, an administrative complaint was brought on March 9, 2011 against James A. Silverman, Risk Reward Capital Management Corp., RRC Management, LLC and RRC Bio Fund, LP. (“Respondents”) by the enforcement section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (“Division”). These entities, are now known as Opaleye Management Inc., Opaleye GP, LLC and Opaleye, L.P. respectively.

On September 24, 2014, the parties entered into a Consent Order (“Order”) wherein they agreed to settle the matter. Respondents neither admitted nor denied the allegations contained in the original complaint. In the Order the Division alleged a lack of procedures regarding the possibility of material non-public information being disclosed when using “expert networks” and non-compliance with respect to certain maintenance of books and records. The Order required respondents to comply with 203(a) and 203A of the Act or Regulations, that Respondents verify by executing the offer that between October 29, 2011 and Respondents’ October 29, 2013 registration with the SEC that respondents did not use any matching or expert network services and that the Respondents pay a fine of \$50,000. The Order does not contain or constitute any legal or factual findings or conclusion, including without limitation, any finding of any violation or law or regulation that prohibits fraudulent, manipulative or deceptive conduct and provides no statutory disqualification.

Additional information may be viewed at www.adviserinfo.sec.gov and found on Opaleye Management, Inc.’s ADV 1A, Item 11 Disclosure Reporting Page.

Item 10. Other Financial Industry Activities and Affiliations

As described in *Item 4 – Advisory Business*, Opaleye GP LLC, an entity related to our firm by virtue of common ownership and control, serves as the general partner to the Fund.

Except as noted above, neither Opaleye, the General Partner nor any of its management persons have affiliations with broker-dealers, municipal securities dealers, government securities dealers, investment companies or other pooled investment vehicles, other investment advisers or financial planners, futures commission merchants, registered commodity pool operators, registered commodity trading advisors, banking or thrift institutions, accountants or accounting firms, lawyers, law firms, insurance agencies or companies, pension consultants, real estate brokers or dealers or other sponsors or syndicators of limited partnerships.

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

Opaleye's Code of Ethics applies to all supervised persons of the firm and describes our high standard of business conduct and fiduciary duty to our clients. The Code of Ethics includes provisions relating to, the confidentiality of client information, personal securities trading procedures, restrictions on the acceptance of certain gifts, reporting of certain gifts, prior authorization to serve on the board of directors of a publicly traded company and a prohibition on insider trading among other things. In addition, the Code of Ethics requires pre-clearance of securities transactions, transactions in limited or private offerings and initial public offerings. Securities and/ or issuers may also be placed on a restricted list which prohibits any transactions. All supervised persons at Opaleye must acknowledge the terms of the Code of Ethics initially, annually and as amended. A copy of Opaleye's Code of Ethics is available upon request by clients and prospective clients.

Principals, officers and employees of Opaleye and its related persons and affiliates are or may be investors in the Fund. As such, it is possible that Opaleye could cause the Fund to buy or sell securities that one of its related persons has a financial interest.

Opaleye's employees or persons associated with Opaleye may invest in the same securities as those recommended to the Fund. This may create potential conflicts of interest because (1) Opaleye or its supervised persons may have an incentive not to recommend the sale of those securities to the fund in order to protect the value of their personal investment, and (2) Opaleye or its supervised persons may have an incentive to place their orders before those of the Fund in order to obtain a better price. Opaleye's Code of Ethics addresses these potential conflicts of interest by instituting a standard of business conduct for all supervised persons. In addition, the pre-clearance of securities transactions requirement provides an opportunity to assess and address any transaction conflicts between the Fund and supervised persons. We generally seek to avoid any supervised persons effecting any transaction in a security while there is an active order for that security for the Fund.

Item 12. Brokerage Practices

In the course of providing our services, we will execute trades for our clients through broker-dealers. Opaleye has no restriction on the brokers we may select to execute client transactions. Our general guiding principle is to trade through broker-dealers who offer the best overall execution under the particular circumstances. With respect to execution, we may consider a number of factors, the actual handling of the order, the ability of the broker-dealer to settle the trade promptly and accurately, the financial standing of the broker-dealer, the ability of the broker-dealer to position stock to facilitate

execution, our past experience with similar trades, and other factors which may be unique to a particular order.

Based on these judgmental factors, we may trade through broker-dealers that charge fees that are higher than the lowest available fees. In addition, Opaleye may cause the Fund or the Managed Account to pay a commission that is higher than the lowest available commission if Opaleye believes that the value of the products and services, execution and other services rendered by the broker are reasonable in relation to the amount of the commission.

We may receive from broker-dealers/custodians, or have access to, investment research, other materials and benefits. These items may be available as a result of executing the Funds' or the Managed Account's securities transactions through that broker-dealer or utilizing that company to provide custodial services. These items may include research reports, other securities analysis products, various written publications on topics, proprietary news and access to meetings with management and conferences.

We may choose to use brokers-dealers/ custodians providing the above benefits or use the Funds' or Managed Account's commissions or "soft dollars," in our discretion, to pay for research and execution-related products and services within the scope of the Section 28(e) safe harbor of the Securities Exchange Act of 1934.

In obtaining research or other products and services we receive a benefit because we do not have to separately produce or pay for the research, products or services. Additionally, soft dollar practices may result in commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits. Furthermore, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than the Fund's or Managed Account's interest in receiving most favorable execution. Since Opaleye has more than one client (the Fund and the Managed Account), any soft dollar benefits received could be used to service one client over another. At this time, we do not utilize soft dollars to pay for third-party products or services. However, we receive proprietary research reports, analyses, access to meetings with management and to conferences or recommendations from broker-dealers with whom we place the Fund's and Managed Account's transactions and in return for such research or benefits, we may choose to direct any corresponding orders to that broker-dealer for execution.

Trade Aggregation

Since the Managed Account pursues substantially the same investment objective and strategy and invests side-by-side in substantially the same positions as the Fund, we aggregate trades when possible.

Item 13. Review of Accounts

James Silverman, President, may continuously monitor the underlying securities in the Fund account and may perform periodic 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.

Reports are provided by the Fund administrator to investors in the Fund generally on a monthly basis.

The Fund is audited annually by an independent public accountant that is registered with, and subject to

regular inspection by the Public Company Accounting Oversight Board and audited financial statements prepared in accordance with generally accepted accounting principles are sent to all investors within 120 days of the end of the Fund's fiscal year.

Opaleye may provide written reports with an overview of the quarter that may include unofficial performance estimates. Such reports are provided as an accommodation only and Fund clients are urged to review and rely solely on the reports from the administrator.

Item 14. Client Referrals and Other Compensation

Opaleye presently does not compensate third-parties for referrals to Opaleye. Additionally, Opaleye does not receive any economic benefits from non-clients as a result of our provision of investment advice or advisory services to clients, with the exception of research or execution-related products or services that may be provided by the broker-dealers that we use to execute Fund transactions. Please see *Item 12 – Brokerage Practices* for additional information on these products or services.

Item 15. Custody

Funds and securities are held at qualified custodians. The Fund's administrator and/ or custodian provide periodic official account statements. We may be deemed to have custody of the assets of the Fund within the meaning of Rule 206(4)-2 under the Advisers Act because an affiliate serves as general partner. The Fund is audited annually by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board and audited financial statements prepared in accordance with generally accepted accounting principles are sent to all investors within 120 days of the end of the Fund's fiscal year.

Clients in the Fund are urged to review the official account statements they receive from the administrator and/ or custodian and compare them to any statements may receive from Opaleye and rely solely on the account statements from the administrator or custodian.

Item 16. Investment Discretion

Opaleye has discretionary authority, pursuant to its written or oral investment management agreements with client(s), to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, the time when securities may be bought or sold, the brokers or dealers through which transactions will be executed, and the amount of commissions or mark ups or mark downs paid. Any restrictions or limitations on Opaleye's discretionary authority must be made in writing and contained in the private fund client's offering memorandum, memorandum and articles of association, or limited partnership agreement or in the investment management agreement between Opaleye and the client. At this time, Opaleye's clients have not imposed any limitations on our discretionary authority.

Item 17. Voting Client Securities

The Fund and or its General Partner, as well as the Managed Account, may elect to delegate its proxy voting authority to us. Alternatively, the Fund or its General Partner, as well as the Managed Account, may, at their election, choose to receive proxies related to the Fund account, in which case we may consult with the Fund, General Partner and/or Managed Account as requested.

When we have discretion to vote, vote some or not vote proxies for the Fund and/or the Managed Account, when we vote we will vote those proxies in the best interest of the Fund and/or the Managed Account 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 and/or the Managed Account 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 client proxies were voted. If any investor requests a copy of our complete proxy policies and procedures or how we voted proxies for the client, 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.

Item 18. Financial Information

Balance Sheet

A balance sheet is not required to be provided because Opaleye does not require prepayment of fees of more than \$1,200 six months or more in advance.

Financial Conditions Reasonably Likely to Impair Ability to Meet Commitments to Clients

Opaleye does not have any financial condition that is reasonably likely to impair it from meeting contractual commitments to clients.