



## BROADFIN CAPITAL, LLC

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Form ADV, Part 2A (the "Brochure")  
*March 2020*

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

If you have any questions about the contents of this Brochure, please contact Nir Messafi, Broadfin's Chief Financial Officer and Chief Compliance Officer ("CCO"), at 212-808-2460 or by e-mail at [investorrelations@broadfincapital.com](mailto:investorrelations@broadfincapital.com).

Additional information about the Investment Manager is also available on the SEC's website at <https://adviserinfo.sec.gov>.



## ITEM 2: MATERIAL CHANGES

There have been no material changes to the brochure since the Adviser's prior amended filing in March 2019.



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#### ITEM 4: ADVISORY BUSINESS

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

Broadfin offers investment advisory services to the Broadfin Healthcare Master Fund, Ltd, a Cayman Islands exempted company (the "Master Fund"), and two feeder funds, the Broadfin Healthcare Offshore Fund, Ltd., a Cayman Islands exempted company (the "Offshore Feeder Fund"); and the Broadfin Healthcare Fund, LP, a Delaware, USA limited partnership (the "Domestic Feeder Fund"). The Master Fund, Offshore Feeder Fund and Domestic Feeder Fund are collectively referred to as the "Funds" or the "Clients". The Offshore and Domestic Feeder Funds (together, the "Feeder Funds") invest substantially all of their assets in the Master Fund. The Funds are managed only in accordance with their own investment objectives and are not tailored to any particular private fund investor (each an "Investor").

As of December 31, 2019, Broadfin managed approximately \$739,518,626 in regulatory assets on a discretionary basis.



## ITEM 5: FEES AND COMPENSATION

### *Compensation for Advisory Services.*

The Investment Manager receives a quarterly management fee calculated at the annual rate of 2.0% of the net assets of each investor of the Domestic Feeder Fund and the Offshore Feeder Fund (the "Management Fee"). The Management Fee is paid quarterly in advance, based on the value of each Investor's account value as of the beginning of each quarter. The Management Fee is prorated for any period that is less than a full quarter and is adjusted for contributions and withdrawals made during the quarter.

In addition to management fees, Broadfin's affiliate, Broadfin Advisors, LLC is entitled to receive performance based compensation ranging from 17.5% to 20% of the net profits, including realized and unrealized gains and losses, if any, of Investors of the Domestic Feeder Fund and the Offshore Feeder Fund, subject to a loss carryforward.

The Management Fee and performance allocations are described in further detail in the offering documents for the Domestic Feeder Fund and Offshore Feeder Fund.

### *Other Types of Expenses.*

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

Fees, costs, and expenses, paid by the Funds include, but are not limited to: (1) the Management Fee; (2) performance allocations; (3) Fund legal, compliance, audit, tax, accounting, portfolio management/order management system costs, and administrator fees and expenses (including third party accounting services); (4) fees of outside consultants, analysts or advisors Broadfin may engage to provide advice related to portfolio investments; (5) brokerage commissions and securities transaction costs; (6) custodial, transfer agent and distributions agent charges; (7) expenses relating to insurance (including directors' and officers' insurance, errors and omission insurance, Fund indemnification coverage and other similar policies); (8) taxes and other governmental charges, fees and duties; (9) organizational expenses; (10) shareholder proxy voting services; (11) investment expenses such as research fees and expenses (including research-related travel, food and lodging); (12) interest on margin accounts and other indebtedness; (13) borrowing charges and dividend expenses on securities sold short; (14) director's fees and expenses; and (15) any other fees, costs, expenses, and liabilities that are incurred by, or arise out of, the operation and activities of the Funds or the purchase, sale or transmittal of Fund assets.

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

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



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

Consistent with the provisions of Rule 205-3 under the Investment Advisers Act of 1940 as amended (the "Advisers Act"), Broadfin charges a performance allocation to Investors in the Domestic Feeder Fund and the Offshore Feeder Fund in connection with its management of the Master Fund.

Because the Investment Manager currently makes all investments on behalf of Investors via the Master Fund, there are no side-by-side conflict of interest issues, such as allocation decisions impacted by performance-based fee differentials.



## ITEM 7: TYPES OF CLIENTS

The Firm's only clients are the Feeder Funds and the Master Fund, which are private investment vehicles. Investors in the Funds may include individuals, investment companies, pooled investment vehicles, pension and profit sharing plans, trusts, estates, governmental plans, endowments, foundations, charitable organizations, corporations, insurance companies, limited partnerships, commingled investment trusts, and other entities.

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

Investors are required to commit or contribute certain minimum capital amounts to become Investors of the Domestic Feeder Fund and Offshore Feeder Fund. Currently, the minimum required investment is \$1,000,000. This minimum amount is subject to change at the sole direction of the general partner for the Domestic Feeder Fund and Board of Directors for the Offshore Feeder Fund.



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

Broadfin seeks to generate capital appreciation by employing a long/short equity strategy, primarily by investing in companies in the healthcare industry. Broadfin leverages the expertise of the portfolio manager and the investment personnel of Broadfin to make investments in medical technology and supplies, pharmaceuticals, biotechnology, healthcare services and related sub-sectors.

Broadfin pursues its investment objective by investing in the securities of U.S. and non-U.S. issuers in the healthcare industry, or which have correlation to the healthcare industry, evaluated through the application of extensive fundamental investment analysis and risk management. This focus on the healthcare sector enables the development of specialized expertise and allows Broadfin to benefit from the enhanced information captured through deep fundamental research utilizing its deep network of industry participants, clinicians, management teams, venture capitalists and private equity investors.

Broadfin focuses on long-term performance and generally invests with an 18-24 month time horizon if not longer. This allows the investment team to focus on making fundamental investments in value-oriented companies and retaining positions through periods of market turbulence, concentrating research efforts on the discovery of incremental information, and in some cases allows time to accumulate positions.

Broadfin invests across all market capitalizations, with an emphasis in the small and mid-capitalization companies in the medical technology and supplies, biotechnology and pharmaceutical sub-sectors. Broadfin focuses on companies that generally target therapies that seek to lower healthcare costs and/or improve outcomes. In addition, Broadfin has developed an established network of professionals, including industry experts (such as physicians, scientists, engineers and professional organizations), CEOs and CFOs of public and private companies, investment research and investment management contacts, that add additional perspective and knowledge to our research process. As an ongoing part of our investment process, the investment team utilizes quantitative screens and monitors fundamentals at companies for potential catalysts when identifying potential investments.

Broadfin's research and analysis process includes attending medical conferences, regular conversations with leading clinicians and industry experts, company facility visits, discussions with industry competitors, review of scientific literature and financial filings, building of financial models and scenario analyses, and gauging investor sentiment and expectations. This allows Broadfin to formulate a deeper understanding of each investment, which Broadfin believes to be an important factor in generating superior returns.

Investments may include, but are not limited to, securities such as equities, equity options, and debt instruments, which may or may not be subject to legal or contractual restrictions on sale, are not readily marketable or which Broadfin determines should be held until the resolution of a special event or circumstance.

Broadfin's strategy may employ leverage.

### Material Risks

The following summary identifies the material risks related to Broadfin's investment strategy and should be carefully evaluated before making an investment with Broadfin; however, the following does





not intend to identify all possible risks of an investment with Broadfin or provide a full description of the identified risks and an investor should review the offering memorandum of the relevant Fund for risks associated with an investment in such Fund.

#### *Healthcare and Related Risks*

Healthcare securities, especially those of smaller, research-oriented companies, can be more volatile than the overall market. The medical device and drug development companies (biotechnology and pharmaceuticals) in which Broadfin may focus its investments on, may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects for success of the research and development programs. Only a limited number of healthcare companies have reached the point of product approval by government regulatory bodies, such as the U.S. Food and Drug Administration and the subsequent commercial production and distribution of such products. Therefore, the success of investments in the healthcare sector generally, and the biotechnology and pharmaceuticals industries in particular, is often based upon expectations about future products, research progress, and new product filings with regulatory authorities. In addition, a number of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, operate at a loss, have limited access to capital and/or be in the developmental stages of their businesses.

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

The healthcare sector is subject to extensive government regulation. The industry will be affected by government regulatory requirements, regulatory approval for new drugs and medical products, product liability concerns, and similar significant matters. Changes in governmental policies may have a material effect on the demand for, or costs of, certain healthcare products and services and securities prices of health care companies can fluctuate dramatically as a reaction to adverse legal judgments and the adverse publicity associated with accompanying threatened litigation or regulation. As these factors impact the industry, the value of the Fund's interests may fluctuate significantly over relatively short periods of time.

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



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

The Master Fund's portfolio may not be diversified among industries or types of securities. Further, the Master Fund's portfolio may not be diversified among a wide range of issuers. Accordingly, the investment portfolio of the Master Fund may be subject to more rapid change in value than would be the case if the Master Fund were required to maintain a wide diversification among industries, investment areas, types of securities and issuers.

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

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

#### *Valuation*

The Master Fund's assets may be invested in securities which are illiquid or very thinly traded. These investments may be extremely difficult to ascribe a market value, at specific points of time. Third party pricing information may not be available for certain positions held by the Master Fund. Securities to be held by the Master Fund may trade with bid-ask spreads that may be significant.

#### *Non-U.S. Securities and Currency Risk*

Broadfin's strategy may include investments in non-U.S. securities. Investing in securities of non-U.S. companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations involving risks and opportunities not typically associated with investing in securities of United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. The Funds' investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

#### *Use of Leverage*

The Master Fund may utilize leverage. This results in the Master Fund controlling substantially more assets than the Master Fund has equity. Leverage increases returns if the return earned on investments purchased with borrowed funds exceeds the cost of borrowing such funds. However, the use of leverage exposes the Master Fund to additional levels of risk of loss.



### *Short Sales*

Broadfin engages in short selling. In a short sale transaction, Broadfin sells a security it does not own in anticipation that the market price of that security will decline. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

### *Options*

Broadfin engages in an option trading investment strategy. Options are investments whose ultimate value is determined from the value of the underlying investment. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss).

### *Corporate Debt Obligations*

Broadfin invests in corporate debt obligations, including convertible debt and senior loans as part of its investment strategy. Corporate debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk). Furthermore, negative perceptions of the issuer's ability to make principal and interest payments may cause the price of the debt obligation to decline. Corporate debt obligations will also be subject to the risk that they may fluctuate more in price, and may be less liquid than higher-rated securities, because debt of lower-rated issuers are perceived as not being as strong financially and more likely to default or be affected by adverse changes in the economy.

### *Hedging*

Broadfin's strategy utilizes a variety of financial instruments, including options, exchange traded funds, swaps and foreign currency forwards contracts for both risk management purposes and as part of its investment strategy. Such hedging may be unsuccessful or may lower the returns of the Master Fund.

### *Forward Contracts*

Broadfin utilizes foreign currency forward contracts as part of its hedging strategy as noted above. Foreign currency forward contracts are not traded on exchanges. As such, there is no limitation on daily price movements of foreign currency forward contracts. Additionally, certain customer protections will not be available to the Master Fund in connection with any such trading. There could be periods in the market during which certain market makers refuse to quote prices for forward contract or may quote prices with an unusually wide spread between the prices at which the market maker is prepared to buy and the price at which it is prepared to sell. If this were to occur, Broadfin may not be able to effectively trade its forward contracts. This could result in losses to the Master Fund.



### *Shareholder Activism*

Broadfin's investment strategy may on occasion involve shareholder activism that will attempt to influence the strategy of target companies, and there exists the risk that such activism for a particular company will be unsuccessful. Further, when securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between the purchase of the securities and the anticipated results. Additionally, if the anticipated results do not in fact occur, Broadfin may be required to sell its investment at a loss. Moreover, there may be instances where Broadfin will be restricted in transacting in a particular investment as a result of its activism with respect to an investment.

### *Regulatory Restrictions on Investments*

At times that the Master Fund holds substantial positions in, has representatives on a board of directors, or is deemed to be an affiliate of a particular issuer, the Master Fund may become subject to certain securities laws restrictions that may impact the Master Fund's liquidity and portfolio management (e.g., Rule 144 under the 1933 Act, and the disclosure requirements of Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the short swing and disclosure requirements of Section 16 of the Exchange Act, the Hart-Scott-Rodino Antitrust Improvements Act and similar foreign securities and antitrust regulations). Additionally, in the event that (i) any of Broadfin, its employees or affiliates comes into possession of material non-public information regarding a particular public company or (ii) any of Broadfin, its employees, affiliates or any investor becomes a member of the board of directors of a particular public company the Funds may be restricted in trading the securities of that company.

### *Counterparty Risk*

The Funds leave all or substantially all of their assets on deposit with its brokers and banks and may choose not to use a bank custodian to hold their assets. Rule 15c3-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires a broker-dealer to segregate a customer's cash and fully paid-for securities from the broker-dealer's own assets. If the broker-dealer fails to do so, the Funds may be subject to risk of loss of the assets held by the broker-dealer in the event of the broker-dealer's bankruptcy. In the event of a failure of a broker-dealer used by the Funds, the U.S. Securities Investor Protection Corporation provides a maximum of \$500,000 of account insurance per entity, subject to a limit of \$250,000 for cash. Since the Fund's assets on deposit usually will exceed these amounts, the Funds may receive only a pro rata share of the remaining assets deposited with the failed broker-dealer.

### *Economic Conditions*

Changes in economic conditions, including, for example, interest rates, inflation rates, currency and exchange rates, industry conditions, competition, technological developments, trade relationships, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the investment performance of the Funds. Economic, political and financial conditions, or industry or economic trends and developments, may, from time to time, and for varying periods of time, cause volatility, illiquidity or other potentially adverse effects in the financial markets. Economic or political turmoil, a deterioration of diplomatic relations or a natural or man-made disaster in a region or country where Fund assets are invested may result in adverse consequences to



such Funds. None of these conditions is or will be within the control of Broadfin, and no assurances can be given that Broadfin will anticipate these developments.

#### *Coronavirus Outbreak*

An epidemic outbreak and reactions to such an outbreak could cause uncertainty in markets and businesses, including Broadfin's business, and may adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. Broadfin has policies and procedures to address known situations, but because a large epidemic may create significant market and business uncertainties and disruptions, not all events that could affect Broadfin's business and/or the markets can be determined and addressed in advance.

#### *Cybersecurity Risk*

Broadfin, the Funds and its service providers, may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting Broadfin, the Funds or its service providers may adversely impact the Funds. For instance, cyber-attacks may interfere with the processing or execution of the Master Fund's transactions, cause the release of confidential information, including private information about Investors, subject the Funds and Broadfin to regulatory fines or financial losses, or cause reputational damage. Similar types of cybersecurity risks are also present for issuers of securities in which the Master Fund may invest. These risks could result in material adverse consequences for such issuers, and may cause the Master Fund's investments in such issuers to lose value.



#### ITEM 9: DISCIPLINARY INFORMATION

This Item is not applicable.



## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broadfin Advisors, LLC, an affiliate of Broadfin, serves as the general partner to the Domestic Feeder Fund and is entitled to receive a performance allocation from the Master Fund based upon a percentage of the net profits of the Fund as discussed in Item 5.



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

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

### *Code of Ethics and Insider Trading Policy*

The Code governs personal transactions by all employees in order to ensure that their interests do not conflict with the interests of the Funds. The Code restricts the purchase of any public healthcare equity security held by the Funds by any employee. Healthcare securities owned prior to an employee's joining the Firm are "grandfathered" and can be sold pursuant to a liquidation plan approved by the Managing Member and Chief Compliance Officer ("CCO"). Securities of healthcare companies received by an employee pursuant to a distribution from a private investment or as the result of a non-healthcare corporate action (such as a merger) are also subject to the liquidation plan. All employees must provide quarterly reports of their personal transactions to the CCO within thirty (30) days of the end of the calendar quarter and may direct their brokers to send copies of all brokerage confirmations and statements relating to personal securities transactions to the CCO.

A copy of the Firm's Code of Ethics is available upon request by contacting Investor Relations at (212) 808-2460 or at [investorrelations@broadfincapital.com](mailto:investorrelations@broadfincapital.com).

Broadfin and its related persons may, from time to time, come into possession of material non-public and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Specifically, the Firm's Insider Trading Policy prohibits the Firm's officers, directors and employees from buying or selling securities either for the Fund, themselves or on behalf of others while in possession of material, non-public information about the company that violate applicable securities laws. The Insider Trading Policy also prohibits the communication of material, non-public information about a company to others outside the Firm. Depending on the circumstances surrounding the information received, Broadfin may place the issuer on the firm-wide "Restricted Securities List," which would bar any purchases or sales of the issuer's securities by any Broadfin employee (including any related person) or the Fund.

Broadfin has Investors in the Fund that may be senior executives and/or Board Members of public and private companies. Broadfin makes a best effort to understand the positions held by its Investors and will place these companies on Broadfin's Restricted List. Should the Fund want to transact in these securities, the CCO will review and approve the circumstances and transactions. While not anticipated, should Broadfin come in contact with material non-public information, compliance procedures will be followed.

From time to time, senior management and key employees of Broadfin may serve as directors or advisory board members of certain public and private companies. In connection with such services,





such persons may receive directors' fees or other similar compensation attributable to such employees' services which will be given to the Fund. In addition, as a result of such engagements Broadfin may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Fund may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in an issuer, (ii) establishing an initial position or taking any greater position in an issuer and (iii) pursuing other investment opportunities related to an issuer.

Further, Broadfin may, from time to time, permit certain individuals and/or entities to co-invest alongside the Fund. Such individuals and/or entities may be affiliated with Broadfin or its affiliates. The decision as to whether to make co-investments and to whom such co-investment opportunities are offered is made by Broadfin in its sole discretion, and investors in the Fund may not have a right to participate in co-investments. Co-investments may result in the investment in, or the disposal of, shares of a particular investment by co-investors at the same time or on the same terms as the Fund. Notwithstanding the foregoing, to the extent employees of Broadfin are permitted to participate in co-investments, co-investment opportunities will only be offered to employees after the Fund has received its target investment allocations. Co-investors will generally bear their pro rata portion of the expenses related to the co-investment.



## ITEM 12: BROKERAGE PRACTICES

### *Selection of Broker-Dealers*

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

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

### *Research and other Soft Dollar Transactions*

Consistent with obtaining best execution, brokerage commissions (including dealer spreads paid on certain principal transactions in accordance with SEC interpretations) on portfolio transactions may be directed by Broadfin to a broker or dealer in recognition of research services furnished by the broker or dealer or a designated third party (also referred to as "soft dollar transactions"), as well as for services rendered in the execution of orders by such broker/dealer. In considering such research, Broadfin first determines that the product or service falls within the definition of brokerage and research services in Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. Once Broadfin has determined that the relevant product or service falls within Section 28(e), a determination is then made as to whether the amount of commissions paid is reasonable in light of the value of the brokerage and research services provided. In some instances, Broadfin may receive a product or service that may be used only partially for functions within Section 28(e). In such instances, Broadfin will make a good faith effort to determine the relative proportion of the product or service used to assist it in carrying out its investment decision-making responsibilities and the relative



proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Broadfin in carrying out its investment decision making responsibilities will be paid through brokerage commissions generated by Master Fund transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Broadfin from its own resources.

Broadfin has a best execution committee that meets periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or Broadfin's overall responsibilities to the accounts or portfolios over which Broadfin exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, Broadfin will not have to pay for the products and services itself. This creates an incentive for Broadfin to select or recommend a broker-dealer based on its interest in receiving those products and services.

During the Firm's last fiscal year, as a result of client brokerage commissions, Broadfin acquired data services (including services providing real time exchange data, market data, company financial data and economic data), software used for portfolio analytics and to transmit orders, research (including research reports, consultant research, market research and research related conference fees), certain financial newsletters and trade journals, and services related to execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between the Firm and a broker-dealer and other relevant parties such as custodians).



### ITEM 13: REVIEW OF ACCOUNTS

Broadfin's investment and finance staff continuously review and monitor the Fund on an ongoing basis.

The Fund's administrator determines the net asset value of the Fund. Underlying investors receive monthly account statements independently from the Fund's administrator as well as audited financial statements annually. Monthly account balances are reviewed by Broadfin's operations and finance staff and the Funds' administrator before statements are sent to investors.



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

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



## ITEM 15: CUSTODY

Broadfin, a registered investment adviser who, directly or through an affiliate or related person, acts as the general partner or managing member to a limited partnership or other comparable pooled investment vehicle is considered to have custody over client assets. Rule 206(4)-2 under the Investment Advisers Act of 1940 imposes a number of requirements on an SEC registered investment adviser that is deemed to have custody of its clients' funds and securities.

To comply with Rule 206(4)-2 and to provide meaningful protection to Investors, each Fund is subject to an annual financial statement audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with United States Generally Accepted Accounting Principles, and are distributed to each Investor within one hundred twenty (120) days of the Fund's fiscal year end. Such physical custody of our Client's assets are maintained with unaffiliated qualified custodians selected by Broadfin in its exclusive discretion, which selection may change from time to time without the consent of investors in the relevant Fund.



## ITEM 16: INVESTMENT DISCRETION

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

Broadfin has the authority to determine (i) the securities to be purchased and sold for the Master Fund (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the Master Fund.

If it appears that a trade error has occurred, Broadfin will review the relevant facts and circumstances to determine an appropriate course of action. The CCO may also seek the advice of outside counsel in making such determination. Trade errors that do not result from Broadfin's gross negligence, willful misconduct or violation of applicable laws applicable to the Master Fund will be borne by the Master Fund. Broadfin will reimburse the Master Fund for trade errors that result from Broadfin's gross negligence, willful misconduct or violation of applicable laws. Further, in the event that the Master Fund experiences a gain due to a trade error, the Master Fund will retain such gain.



## ITEM 17: VOTING CLIENT SECURITIES

Rule 206(4)-6, "Proxy Voting by Investment Advisers" requires all investment advisers who exercise voting authority over client proxies to: (1) adopt policies and procedures for voting proxies in the best interest of the client; (2) describe the procedures to clients; and (3) inform clients how they may obtain information about how the adviser has actually voted their proxies. Broadfin has always taken seriously its responsibility to exercise voting authority with respect to the securities that form part of its clients' portfolios. Broadfin believes the right to vote such proxies is a valuable asset, and it has always sought to vote such proxies in a manner that would maximize shareholder governance and in turn, the value of its Clients' holdings.

Broadfin has policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interests of its Clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. Proxies will be voted in accordance with Broadfin's proxy voting procedures by its investment staff unless an exception is warranted. The receipt of each proxy, the communication of the votes to third parties, and the maintenance of supporting documentation will be coordinated by Broadfin's staff.

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





## ITEM 18: FINANCIAL INFORMATION

This Item is not applicable.