

United States Senate Special Committee on Aging

Testimony of Dan Wichman

Broadfin Capital, LLC

March 17, 2016

Chairman Collins, Ranking Member McCaskill, and members of the Senate Special Committee on Aging, thank you for inviting me to speak before you this morning. My name is Dan Wichman and I am a partner and analyst at Broadfin Capital, an investor and provider of capital to healthcare companies. Broadfin was founded in 2005 and invests in a wide variety of mostly small and mid-sized companies in the pharmaceutical, biotech, and medical technology sectors, including companies developing new cancer drugs, companies that are focused on treatments for rare diseases, companies that manufacture generic drugs, and many others. We invest in both companies that are turning a profit and those whose only currency is a good idea. We trade infrequently and often invest in companies over multiple years.

I personally have been working in healthcare finance for seventeen years, and I have seen dozens and dozens of companies in which we have invested develop innovative – often lifesaving – products that change lives. My own philosophy, consistent with Broadfin's, is that the best and most profitable investments are companies developing products and services that will add significant value to the healthcare sector for many years. We believe that the most successful pharmaceutical companies are those that maximize opportunities by focusing on patients, for example, investing in improved doctor and patient access and education, investing in better drug formulations, and investing in measures to improve patient compliance with treatment.

Although we seek to foster good relationships with many of the companies we invest in, we are passive investors and have never had an activist role with any company in the pharmaceutical space. We believe our job is to ask fundamental due diligence questions, fact check management's representations, and observe and analyze results. While companies sometimes bounce ideas off of us and ask us for our opinions, they make the final decision.

Retrophin is one of the more than 100 life science investments in Broadfin's current portfolio. We are one of many investors, which include a number of large mutual funds. We first decided to invest in Retrophin in August 2013 when the company only had two pipeline assets and was not generating revenue. The first pipeline asset is a drug called RE-024, which treats a rare disease called pantothenate kinase-associated neurodegeneration, or PKAN. PKAN is a progressive, degenerative nerve disorder that primarily affects children and is caused by a mutant gene that allows iron to build up in the brain. Once diagnosed, the life expectancy for children affected with this disorder is sometimes only a handful of years. The second is a drug called Sparsentan, which treats a rare kidney disease called focal segmental glomerulosclerosis, or FSGS. FSGS affects both children and adults, and more than half of people who suffer from FSGS develop chronic kidney failure within 10 years. We believed then and believe now that both these drugs have the potential to improve patients' lives dramatically if they are brought to market. In the last two years, we understand that Retrophin has spent approximately \$50 million per year in research and development, largely around these two compounds.

I am aware that the Committee is interested in price increases for off-patent branded drugs in general and for Retrophin's drug Thiola in particular. Thiola, acquired by Retrophin in 2014, treats a rare and debilitating chronic kidney disorder called cystinuria. We had never heard of Thiola before Martin Shkreli, Retrophin's then-CEO, told us about it. When Retrophin

explained the acquisition, it sounded promising. But the decision was the company's. We understood that there would be a price increase but that the increase would be accompanied by investments into patient services and support, improved manufacturing, and research and development into better formulations.

Our own diligence has suggested that physicians and patients are satisfied with how Retrophin has handled ownership of Thiola and we believe the patient community is better off due to Retrophin's acquisition of the drug. According to Retrophin, the patient population receiving the drug has approximately doubled since Retrophin acquired Thiola less than two years ago. We also believe the company has made great strides in working with patients to adhere to what can be a difficult treatment regimen. In fact, Retrophin recently announced that since the acquisition, patient compliance rates have improved from approximately 50% to 85%.

Finally, I am also aware that the Committee is interested in the experience of Turing Pharmaceuticals. While we were repeatedly approached by Mr. Shkreli to become an investor in Turing, we chose not to and have never invested.

Broadfin is proud to partner with innovative companies, like Retrophin, that invest in improving the lives of the patients who use their products. We are committed to investing responsibly on behalf of our investors while at the same time making a difference in the lives of children and adults who suffer from debilitating conditions and ailments.

Thank you, and I welcome your questions.