

ROCK SPRINGS CAPITAL

Form ADV Part 2A: Firm Brochure **Rock Springs Capital Management LP**

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This brochure provides information about the qualifications and business practices of Rock Springs Capital Management LP (“Rock Springs”). If you have any questions about the contents of this brochure, please contact Evans Apeadu, our Chief Compliance Officer (“CCO”), at (410) 220-0129 or email evans@rockspringscapital.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 Rock Springs is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Rock Springs is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

Item 2: Material Changes

Personnel Changes

In an effort to bolster operational support and expand the expertise of the team, Rock Springs has made two key hires in 2014 and early 2015. In October 2014, Hallie Label was hired to act as Chief Operating Officer (“COO”) and is responsible for overseeing the operations of the Rock Springs. In January 2015, Alexandra Fulk was hired to act as Associate General Counsel and Deputy Chief Compliance Officer and is responsible for overseeing the legal program and the day-to-day compliance function of Rock Springs.

Jeff Anecchino, former Chief Operating Officer, left Rock Springs at the end of June 2014.

Proxy Voting

In October 2013 Rock Springs retained ISS to assist in the proxy voting process. The CCO manages Rock Springs’ relationship with ISS. The CCO ensures that ISS votes all proxies according to Funds’ (as defined below) specific instructions and Rock Springs’ general guidance, and retains all required documentation associated with proxy voting. Rock Springs requires ISS to notify Rock Springs if ISS experiences a material conflict of interest in the voting of Funds’ proxies.

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Item 4: Advisory Business

Rock Springs is organized as a limited partnership under the laws of the State of Delaware. Rock Springs is owned and controlled by Graham McPhail, Kris Jenner, and Mark Bussard (collectively the “Principals”). The investment activities of Rock Springs are led by the Principals along with a number of other investment professionals who will work with the Principals to execute Rock Springs’ investment strategy. Rock Springs is registered as an Investment Adviser with the Securities and Exchange Commission (SEC).

Rock Springs provides discretionary investment advice to the following private investment funds (collectively, the “Funds”): (i) Rock Springs Capital Fund LP (the “Domestic Fund”), a Delaware limited partnership; and (ii) Rock Springs Capital Master Fund LP (the “Master Fund”) and Rock Springs Capital Fund Offshore LP (the “Offshore Fund”), each a Cayman Islands limited partnership. The Funds are organized as a master-feeder structure and the Domestic Fund and the Offshore fund (the “Feeder Funds”) invest substantially all of their assets in the Master Fund. All trading occurs at the Master Fund level.

Rock Springs GP LLC (the “General Partner”) is the general partner of the Domestic Fund, the Offshore Fund and the Master Fund. The Principals control the General Partner.

Unless and only to the extent that the context otherwise requires, references to “Rock Springs” includes the General Partner.

The Funds have been established to pursue an investment strategy that focuses on investing in healthcare related securities, with a particular emphasis on those companies and/or products that serve a critical unmet need. The investment objective of the Funds is to maximize total return by generating capital appreciation, primarily through investments in publicly traded securities of companies in the healthcare and related industries. Investment advice will be provided directly to the Funds and not individually to the limited partners of the Funds (together, the “Investor” or “Investors”). Rock Springs will manage the assets of the Funds in accordance with the terms of each Fund’s confidential offering and/or private placement memorandum, individual limited partnership or shareholder agreements and other governing documents applicable to each Fund (the “Governing Fund Documents”). All terms will generally be established at the time of the formation of a Fund. Rock Springs generally does not permit Investors to impose restrictions on investments made by the Funds, except in limited circumstances.

From time to time, the Funds may, to the extent permitted by the Rules of the U.S. Financial Industry Regulatory Authority (“FINRA”) as may be amended from time to time (the “Rules”), purchase equity securities that are part of an initial public offering (sometimes referred to as “IPOs” or “new issues”). Under the Rules, brokers may not sell such securities to a private investment fund, if the fund has investors who are “Restricted Persons”, which category includes persons employed by or affiliated with a broker and portfolio managers of hedge funds and other registered and unregistered investment advisory firms, unless the fund has a mechanism in place that excludes such Restricted Persons from receiving allocations of profits from new issues.

The profits and losses with respect to new issues will only be allocated to investors in the Fund that are not Restricted Persons.

Item 5: Fees and Compensation

Generally

Rock Spring's compensation for the investment advisory services it provides to the Funds is comprised of an asset-based management fee and an incentive allocation that is based on the performance achieved for the account of each investor. The fees and expenses applicable to each Fund are set forth in detail in each of the Fund's respective offering documents. A brief summary of fees and expenses is provided below.

Management Fee

The Funds will pay Rock Springs a quarterly fixed fee for management services (the "Management Fee"), payable in advance. The Management Fee will be calculated in two tranches based upon the net asset value of the Master Fund, with an annual Management Fee rate of 1.5% applying to the initial tranche covering the portion of the net asset value of the Master Fund up to and including \$1.5 billion (the "Primary Fee Tranche") and an annual Management Fee rate of 1.0% applying to the second tranche covering the portion of the net asset value of the Master Fund in excess of \$1.5 billion, if any (the "Secondary Fee Tranche").

Rock Springs will receive a pro rata portion of the Management Fee out of any capital contributions made to the Funds by new or existing Investors on any date that does not fall on the first day of a quarter, based on the actual number of days remaining in such partial quarter. If an Investor makes a withdrawal other than as of the last day of a fiscal quarter, such Investor's capital account will only be charged a pro rata portion of the Management Fee (based on the actual number of days elapsed during such partial quarter) and Rock Springs will repay the Funds a pro rata portion of the Management Fee (based on the actual number of days remaining in such partial quarter).

Rock Springs' Management Fee is negotiable and Rock Springs may, in its sole discretion, elect to waive, reduce or calculate differently the Management Fee with respect to any person, including partners or employees of Rock Springs or its affiliates, such persons' family members and trusts or other entities established for the benefit of such persons or their family members.

Incentive Allocation

The Funds' offering documents also provide that Investors will pay an annual performance-based amount (the "Incentive Allocation") which is calculated and charged separately with respect to each Investor's capital account equal to no more than 20% of the excess return (for that year) attributable to each Investor's capital account, over the performance of a benchmark return. A portion of the total annual Incentive Allocation is placed into a clawback account and is only earned if outperformance is achieved in the subsequent year.

Since Incentive Allocation reflects performance relative to the benchmark return, an Investor could be subject to Incentive Allocations for periods when economic losses are sustained so long as the Investor's interest in the Fund outperforms the benchmark return and recoups any underperformance from prior periods.

The General Partner may, in its sole discretion, elect to waive, reduce or calculate differently the Incentive Allocation with respect to any Investor, including partners or employees of Rock Springs or its affiliates, such persons' family members and trusts or other entities established for the benefit of such persons or their family members.

Other Expenses

In addition to the Management Fee and the Incentive Allocation, each Domestic and Offshore Fund will bear all costs and expenses directly related to its investment program, as well as indirectly bearing its pro-rata share of the Master Fund's operating and other expenses including, without limitation, investment-related expenses (e.g., including costs and expenses associated with the investigation of investment opportunities (whether or not consummated), negotiating, financing, sourcing, acquiring, holding, hedging, settling and disposing of its investments) and other transaction costs, including travel expenses, transaction fees, consulting, advisory, investment banking, legal and other professional fees relating to investments or contemplated investments, the Master Fund's brokerage commissions, information-related expenses, clearing and settlement charges, custodial fees, interest expenses, appraisal fees and expenses and certain expenses of the operations team, expenses incurred in collection of monies owed to the Partnership and the Master Fund, legal, auditing and accounting expenses (including expenses associated with the preparation of the Partnership's and the Master Fund's financial statements, tax returns and schedules K-1), insurance expenses (including directors' and officers' insurance, errors and omissions insurance and other similar policies), fees and expenses of the Partnership's and the Master Fund's administrator, organizational expenses, expenses relating to the ongoing offer and sale of Interests and withdrawals and transfers thereof, including printing and mailing costs, the Management Fee, any entity-level taxes, fees or other governmental charges levied against the Partnership, the Master Fund or any special purpose vehicle, all litigation-related and indemnification expenses, wind-up and liquidation expenses, extraordinary expenses and expenses comparable to any of the foregoing. In addition, to the extent that the Master Fund pays or otherwise bears the costs of any expenses of the Domestic or Offshore Funds, the Master Fund may specially allocate such items of expense to the Master Fund investment account of each Fund, reducing the net asset value of the Master Fund capital account of the Funds.

To the extent that expenses of the Funds are paid by Rock Springs or its affiliates (in excess of its ratable share), the Funds will reimburse such party for such expenses.

For more information regarding Rock Spring's brokerage practices and brokerage expenses discussed herein see Item 12 "Brokerage Practices".

Item 6: Performance Based Fees and Side-by-Side Management

Rock Springs or its affiliates receive annual performance-based allocations from the Funds, which are based on a percentage of the net capital appreciation of their assets. These allocations may create an incentive for Rock Springs to make more speculative investments than would otherwise be made, or make decisions regarding the timing and manner of realization of investments differently than if such allocations were not received.

Item 7: Types of Clients

Rock Springs provides investment advisory services to the Funds. Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner and not individually to the Investors. Investors in the Funds may include, but are not limited to, high net worth individuals, family offices, fund of hedge funds, endowments, foundations, trusts, charitable organizations, pension plans, and corporate or business entities.

Details concerning applicable investor suitability criteria are set forth in the respective Fund's offering documents. The minimum commitment for an investor is outlined in the respective Fund's offering documents, but is generally \$10 million. However Rock Springs and/or its affiliates maintain discretion to accept less than the minimum investment threshold. Each investor is required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Regulation D under the Securities Act, as amended, and a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act, as amended.

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

The Fund focuses primarily on public equities, utilizing a long-term research-intensive approach to investing in healthcare companies, with a particular emphasis on those companies and/or products that serve critical unmet needs. The Fund is permitted to make a limited amount of investments in private companies and in companies in healthcare related industries, as the General Partner determines to be appropriate for the Fund's overall portfolio balance and long term investment strategy.

The Fund seeks to achieve the compounding of gains in long term, secular winners in an industry prone to what we believe to be extreme outcomes. Consistent with the Principals' historic approach as a team, Rock Springs applies a research-intensive, fundamental approach to investing the Fund across all healthcare subsectors, with a focus on allocating capital to the highest conviction ideas. Rock Springs' investment process leverages a long-term horizon, seeking to take advantage of the healthcare sector's inherent volatility to increase position sizes over time.

Summary of Principal Investment Risks

Investing involves substantial risks, including the risk of total loss of capital, and may not be suitable for all investors. No guarantee or representation is made that the Fund's investment program, including, without limitation, the Fund's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will be avoided. Past investment results of investments otherwise made by the investment professionals of Rock Springs are not necessarily indicative of the Fund's or Rock Springs' future performance.

The following are certain of the principal risks associated with the investment activities of the Fund:

General Investment Risk. Investments in securities are subject to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations, and other factors. All Fund investments risk the loss of capital. There can be no assurance that the Fund's program will be successful or that an investor will not lose some or all of its investment in the Fund.

Leverage and Borrowing Risks. The Fund will have the power to borrow funds and may do so when deemed appropriate, including enhancing the Fund's returns and satisfying redemption requests that would otherwise result in the premature liquidation of investments. The use of such leverage can, in certain circumstances, increase the losses to which the Fund's investment portfolio may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that asset or the Fund is leveraged. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to the Fund, which would be greater than if the Fund was not leveraged.

Illiquid Investments. The Fund may invest in securities that are illiquid, that are not publicly traded and/or for which no market is currently available. Such non-publicly traded securities and financial instruments may not be readily disposable and, in some cases, may be subject to contractual, statutory or regulatory prohibitions on disposition for a specified period of time. During periods of limited liquidity and higher price volatility, the Fund's ability to acquire or dispose of its investments at a price and time that is advantageous may be impaired.

Industry Risk. A fund that focuses its investments in specific industries or sectors is more susceptible to developments affecting those industries and sectors than a more broadly diversified fund. Because the Fund invests significantly in healthcare companies, the Fund may perform poorly during a downturn in that industry. Healthcare companies can be adversely affected by, among other things, legislative or regulatory changes, competitive challenges, government approval of products and services, and product obsolescence.

Short Selling. The Fund's investment portfolio may include short positions. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in the price of a particular security to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Options. The Fund may invest in options. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof.

Rock Springs seeks to mitigate these risks through a variety of mechanisms, including diversification, disciplined capital allocation, and limits on individual positions. The descriptions of risk factors contained above are a brief overview of different risks related to Rock Springs investment strategy; however, they are not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Funds. In addition, key risk areas inherent to investing also include risks related to the operations and investment activities of the Fund, risks related to specific investments, and risks related to investing in non-U.S. jurisdictions.

It is recommended that investors review the Fund's operating documents for a more complete discussion of the risk factors associated with the Fund.

Item 9: Disciplinary Information

Neither Rock Springs nor any of its officers, directors, or employees or other management persons, has been involved in any legal or disciplinary events that would require disclosure in response to this Item.

Item 10: Other Financial Industry Activities and Affiliations

The General Partner is the general partner of the Funds. While the General Partner is not separately registered as an investment adviser with the SEC, all of its investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the rules thereunder. In addition, employees and persons acting on behalf of the General Partners, if any, are subject to the supervision and control of Rock Springs.

Rock Springs and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Rock Springs has adopted a written Code of Ethics (the "Code") that is applicable to all employees. Among other things, the Code requires Rock Springs and its employees to act in the clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Rock Springs' restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household.

Participation or Interest in Client Transactions

Rock Springs, its employees or a related entity (collectively "Related Persons"), may have an investment in the Funds managed by Rock Springs. As a result, Related Persons have an interest in an investment that may also be recommended to clients.

Personal Trading

Employees must pre-clear certain personal securities transactions, including listed equity transactions and securities obtained through a private placement, before completing the transactions. Rock Springs may deny any proposed transaction, particularly if the transaction poses a conflict of interest or if Rock Springs is planning on transacting the same security at or about the same time in the Funds. Employees are also required to provide annual reports of holdings and quarterly reports of securities

transactions in “Reportable Securities” as defined in the Advisers Act. Employees must disclose all personal trading accounts initially upon commencement of employment and annually thereafter.

Item 12: Brokerage Practices

Selection of Brokers and Dealers

Rock Springs has complete discretion in deciding which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

In selecting brokers to effect portfolio transactions for the Funds, Rock Springs considers such factors as the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our selection criteria. Accordingly, if Rock Springs determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, the Funds may pay commissions to such broker in an amount greater than the amount another broker might charge for effecting the same transaction.

Soft Dollar Benefits

Section 28(e) of the Exchange Act provides a safe harbor that allows an investment adviser to pay more than the lowest available commission in order to obtain brokerage and research services (commonly referred to as a “soft dollar” arrangement). That practice involves a conflict of interest, but Section 28(e) of the Securities Exchange Act of 1934 provides that it does not breach Rock Springs’ fiduciary duty to the Fund if the services and products consist of “research” and “brokerage” services and products and certain other conditions and requirements are met. Rock Springs does not currently have any written “soft dollar” arrangements. In the future Rock Springs enters into “soft dollar” arrangements, it will do so within the “safe harbor” of Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

Investor Introductions

Rock Springs may receive introductions to Investors through broker-dealers that execute trades on behalf of Rock Springs. Rock Springs does not believe that it pays any additional fees or higher commissions as a result of these introductions. Rock Springs seeks best execution on all transactions. However, Rock Springs may have an incentive to select or use a broker-dealer based on receiving Investor referrals from that counterparty.

Trade Errors

Trade errors may occur as a result of mistakes made on the part of broker-dealers, or mistakes on the part of Rock Springs’ personnel including portfolio managers and traders. Trade errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system, failures of oral communication between the investment staff and trading staff or typographical or

drafting errors related to derivatives contracts or similar agreements. Rock Springs maintains trade error policies and procedures. In accordance with such policies and procedures, to the extent any trade errors occur, they will be (i) corrected by Rock Springs as soon as practicable after their discovery and (ii) corrected in a manner such that Rock Springs minimizes any profit and loss as a result of such trade errors. Rock Springs will strive to correct all trade errors prior to settlement. Any profit that results from a trade error is left in the account of the applicable Fund. Broker-dealers that cause trade errors as a result of their own mistakes may be responsible for any losses that result from such errors. The applicable Fund shall be responsible for any losses resulting from trade errors and similar human errors (to the extent not borne by the relevant broker-dealer), absent gross negligence, willful misconduct or fraud.

Item 13: Review of Accounts

The Funds' portfolios are reviewed on a continuous basis. Rock Springs' investment personnel hold regular investment discussions regarding investment ideas, investment strategies, economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities.

Rock Springs provides each investor with the following reports in accordance with the terms of the applicable Fund's offering documents: (i) quarterly performance updates; (ii) annual audited financial reports; and (iii) annual tax information necessary to complete any applicable U.S. tax returns.

Item 14: Client Referrals and Other Compensation

Rock Springs does not receive any economic benefits from non-clients in connection with the provision of investment advice to clients. Rock Springs may enter into arrangements with placement agents providing for payments to such agents of a one-time or ongoing fee, including fees based on a percentage of the Management Fee and/or the Incentive Allocation. If an investor is introduced to the Fund through a placement agent, the arrangement, if any, with such placement agent will be disclosed to the investor prior to any investment by such investor.

Item 15: Custody

Rock Springs is deemed to have custody of the Funds' assets because of the authority that Rock Springs and/or its affiliated entities have over those assets. The Funds' financial statements are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year end.

Item 16: Investment Discretion

Rock Springs generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Investors, the securities and the amounts to be bought or sold on behalf of the Funds. Any limitations on such authority are included in the respective Fund's offering documents.

Item 17: Voting Client Securities

Rock Springs has retained ISS to assist in the proxy voting process. The CCO manages Rock Springs' relationship with ISS. The CCO ensures that ISS votes all proxies according to Funds' specific instructions and Rock Springs' general guidance, and retains all required documentation associated with proxy voting. Rock Springs requires ISS to notify Rock Springs if ISS experiences a material conflict of interest in the voting of Funds' proxies.

Item 18: Financial Information

Rock Springs has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.