

Nexthera Capital LP

**900 Third Avenue, Suite 1100
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This Brochure provides information about the qualifications and business practices of Nexthera Capital LP. If you have any questions about the contents of this Brochure, please contact us at (646) 213-7030 or email tim@nextheracapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Nexthera Capital LP is a registered investment adviser. Registration as an investment adviser does not imply that Nexthera Capital LP or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business. The oral and written communications of an Investment Adviser provide you with information about which you can determine to hire or retain an Investment Adviser.

Additional information about Nexthera Capital LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

There are no material changes made to this Brochure.

Item 3: Table of contents

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Item 4: Advisory Business

Nexthera Capital LP is a Delaware limited partnership (hereinafter “**Nexthera Capital**” and, together with its investment advisory affiliates, the “**Firm**”) founded by Daniel Malek and Ori HersHKovitz, the principal owners of the Firm, in May 2015. Mr. Malek serves as Nexthera Capital’s Chief Executive Officer and Mr. HersHKovitz as the Chief Investment Officer. Nexthera Capital provides discretionary investment management services to qualified investors through its private pooled investment funds: Nexthera Capital Master Fund LP (the “**Master Fund**”); Nexthera Capital Partners LP (the “**Onshore Fund**”) and Nexthera Capital Fund Ltd. (the “**Offshore Fund**”). The Onshore and Offshore Funds invest all of their investible assets in the Master Fund. Unless specified, from hereinafter the Master Fund, Offshore Fund and Onshore Fund will each be referred to as a “**Fund**” or collectively as the “**Funds**”.

The Funds are managed pursuant to the objectives specified in the materials by which each Fund offers its ownership interests to investors. Nexthera Capital does not tailor its services to individual client needs and the Funds’ investors do not have the right to specify, restrict, or influence the Funds’ investment objectives or any investment or trading decisions.

As of December 31, 2016, Nexthera Capital had \$290,011,484 of regulatory assets under management.

Item 5: Fees and Compensation

The Firm’s fees and compensation are described in the advisory contracts entered into with its clients. Nexthera Capital or its affiliates will generally receive a management fee (the “**Management Fee**”) at a rate of 1.5% or 1.75% per annum of Onshore Fund’s and the Offshore Fund’s net asset value, to be collected quarterly in advance (0.375% or 0.4375%, respectively, to be collected per quarter). At the sole discretion of Nexthera Capital, the Management Fee may be waived, reduced or calculated differently with respect to the accounts of certain investors.

The general partner (“**General Partner**”) of the Master Fund, or its affiliates, will generally also receive an incentive allocation, subject to a “high water mark”, based on the net capital appreciation of the Master Fund, including unrealized gains and losses.

The General Partner, an affiliate of Nexthera Capital, will receive the performance allocation from the Master Fund. The General Partner may allocate this performance fees to other parties, including to parties that are affiliates of the General Partner. Management fees and performance allocations are deducted from the applicable Fund’s account through administrator instruction.

The Funds bear their own costs and expenses, including, but not limited to: investment and trading expenses (such as brokerage commissions and custody charges, interest and commitment fees on loans and debit balances, costs of borrowing securities to be sold short, research and market data expenses, computer hardware and software used for research and execution, and research-related travel expenses); fees and expenses of the Administrator (such as portfolio and investor accounting, middle office, tax reporting and investor servicing costs); valuation costs and the costs of the audit of each Fund’s annual financial statements; costs of any outside appraisers, accountants, auditors, attorneys and other experts or consultants engaged by the Investment Manager, the General Partner and/or the Fund’s directors with respect to the business and affairs of the Funds; bank charges; legal fees and

costs (including settlement costs), including legal fees and costs arising in connection with any litigation or regulatory investigation instituted against the Funds, the Investment Manager, the General Partner and/or the Directors in connection with the affairs of the Funds; liability and E&O and D&O insurance for the benefit of the Funds, the General Partner and/or the directors; any withholding or transfer taxes; fees and expenses of the Investment Manager incurred in connection with preparing and filing reports relating to the Funds' investment and trading activities (including under investment advisory laws, such as Form PF); expenses related to the offering of the Funds' securities (including fees and expenses of the Investment Manager incurred in connection with the European Alternative Investment Fund Managers Directive and blue sky fees, but not including Investment Manager's travel and lodging expenses relating to marketing the Funds' securities); and other similar fees and expenses.

Unless waived by the Firm, each of the Funds will also pay or reimburse the Firm for their respective organizational fees and expenses.

The Firm may in its discretion bear some or all of the Funds' initial organizational and offering fees and expenses (including the costs of preparing the offering documents), administration expenses, custodial expenses and certain research-related expenses.

The Firm and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

The Funds and/or the Firm may enter into "side letter" agreements with certain investors pursuant to which they may give such investors access to more frequent and/or more detailed information regarding the Funds' securities positions, performance and finances. In addition, pursuant to such side letter agreements or through the issuance of separate sub-classes, certain investors may receive the right to redeem/withdraw all or a portion of their securities in the Funds on shorter notice and/or with more frequency than the terms described in the Fund's offering documents (usually through the issuance to such investors of a separate class of shares). As a result, certain investors may be better able to assess the prospects and performance of the Funds than other investors, and may be able to redeem/withdraw their securities in the Funds at times when other investors may not. The Funds are not required to and do not intend to disclose the terms of any side letter agreements and are not required to and do not intend to disclose the identities of the investors that have entered into such agreements with the Funds or the Firm. For additional information surrounding this policy please contact Tim Surzyn, Nexthera Capital's Chief Compliance Officer ("CCO").

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

The General Partner (an affiliate of Nexthera Capital) or its affiliates will generally receive an incentive allocation, subject to a "high water mark", based on the net capital appreciation of the Master Fund, including unrealized gains and losses. When calculating the incentive allocation, the Management Fee and all items of income and expense at the Fund level will be taken into consideration.

Performance-based allocation arrangements may create an incentive for the Firm to recommend investments which may be riskier or more speculative than those which would be recommended under a different arrangement. Such arrangements may also create an incentive to favor higher paying accounts over other accounts in the allocation of investment opportunities. Nexthera Capital has designed and implemented procedures to ensure that all Funds and investors are treated fairly and equally, and to prevent this conflict from influencing

the allocation of investment opportunities among the Funds. Nexthera Capital's procedures also require the objective allocation for the Funds to ensure fair and equitable allocation among accounts. These areas are monitored by the CCO.

Item 7: Types of Clients

The Firm's clients are the Funds.

The minimum initial capital contribution for each investor is \$1,000,000. An investor may make additional capital contributions to the Fund in amounts of at least \$100,000. The Funds in their sole discretion may accept capital contributions of lesser amounts or establish different minimums or reject any capital contribution, in whole or in part.

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

Investment Objective

The objective of the Master Fund is to generate high, risk-adjusted returns for its investors by investing in a diversified global portfolio of healthcare companies, with an emphasis on therapeutics. To do this, the Master Fund will generally employ a fundamentally driven long/short investment approach to mainly equity and equity-linked securities across global, liquid markets. The Master Fund will typically have a significant exposure to mega- and large-cap stocks, diversified exposure to mid- and small-cap stocks and the Firm will strive to take a disciplined approach to portfolio construction.

Healthcare Focus

The Firm believes that the healthcare sector has characteristics that provide an attractive opportunity for long/short equity investing. In particular, the Firm believes that the healthcare sector is distinct from other sectors because science and technology drive much of the share price performance. For these reasons, the Firm believes that investing in the healthcare sector may benefit from highly specialized scientific knowledge, which creates a barrier to entry for non-specialists in this area. Experienced healthcare investors with the required scientific expertise may be able to generate alpha due to their analytical edge.

The Firm believes that the healthcare sector generally exhibits a lower cross-company correlation relative to other sectors. Low correlation reflects significant performance dispersion across healthcare companies, which the Firm believes creates a large number of long and short opportunities. The Firm believes that innovation has been increasing rapidly with new technology which leads to novel drugs entering the market. Nexthera Capital believes that the rapid pace of scientific breakthroughs is disruptive and expects this trend to continue for the foreseeable future. The Firm believes that this creates winners and losers in many areas within the healthcare sector, which results in opportunities for long/short investing.

Investment Process

The Firm's investment approach is to identify investment opportunities (both longs and shorts) across market capitalizations and geographies based on scientific and financial analysis. The investment process generally follows a four-step approach: (i) idea generation, (ii) investment due-diligence, (iii) fundamental analysis and (iv) investment decision-making.

The investment approach generally begins with identifying developments within the healthcare sector by incorporating information from multiple sources. It strives to incorporate top down analysis that may include assessing pricing trends, the political landscape, the regulatory environment and M&A activity. Public information is also generally utilized, including from scientific journals, SEC filings, the FDA Portal and earnings announcements. Finally, primary research may also be conducted, by, for example, discussions with key opinion leaders, regulatory and legal experts, attending medical and sell-side conferences, sell-side research, discussions with a network of venture capital investors, meeting with company management teams, and making use of other independent research sources.

The second stage strives to conduct rigorous and in-depth due-diligence to validate a new healthcare development, assess its consequences and identify probable winners and losers. This may involve examining scientific and clinical reviews, pricing and the commercial potential, the manufacturing process, reimbursement considerations, intellectual property issues and the overall competitive landscape. The investment process then generally moves onto fundamental company analysis for every investment opportunity that is identified. The Firm's fundamental analysis may incorporate industry analysis, an assessment of the management team and its track record, conducting channel checks with customers, suppliers and competitors, an assessment of the current product mix and pipeline and an analysis of a company's M&A strategy. The Firm's financial and valuation analysis generally involves building detailed financial models and projections for each company, comparing assumptions to market consensus, examining and analyzing company financial statements and accounting methodologies, and conducting company comparable analysis.

The final stage of the investment process is generally to review each investment case to determine specific catalysts (positive or negative), review the risk/reward profile, determine the portfolio fit and if the idea in question fits within the top-down view of the healthcare sector and conduct market timing (current sentiment, short interest, volatility, liquidity) and technical analysis. The Firm then generally determines the position size, price objective, time horizon and initiates a position. The Firm will seek to monitor each position and to frequently review the investment case, price action and sizing.

Ori Hershkovitz is primarily responsible for risk management oversight of the Firm. The Firm anticipates that the Master Fund will typically be comprised of 40-50 unique positions, and that the Master Fund's net exposure will usually range from 20% to 80%, with gross exposure generally ranging from 100% to 160%. These percentages may change from time to time due to, among other things, the Firm's analysis of available investment opportunities. The Master Fund will strive to be diversified in relation to market capitalization and geography of the securities it invests in and will pursue a liquid and global strategy.

The Firm will strive to conduct a thorough risk management process in order to understand the various risks of each position within the portfolio. The objective of the process will generally be to protect performance, minimize portfolio volatility, identify the portfolio's key risk factors, ensure that any exposure and position limits are followed and manage portfolio liquidity. Risk monitoring may include volatility, liquidity and correlation metrics, stress testing, scenario analysis and VaR analysis and the use of top losses. The Firm may also use proprietary and third-party analytical tools to monitor and report on the potential risks in the Master Fund.

Risk of Loss Factors

Investing in securities involves risk of loss that investors should be prepared to bear. Investors should consider the following factors and the factors listed in the offering memorandum of each Fund before investing in such Fund. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Prospective investors are urged to consult their professional advisers and are directed to the legal documents for each particular Fund, including the “Risk Factors” section in such Fund’s private placement memorandum, before deciding to make an investment in a Fund.

Investment and Trading Risks. All securities investments risk the loss of capital. No guarantee or representation is made that the Firm’s investment program will be successful or that the Master Fund will not incur substantial losses. In certain transactions, the Master Fund may not be “hedged” against market fluctuations. The Firm will attempt to assess these risks, and others, in determining the extent of the position the Master Fund will take in the relevant securities and the price it is willing to pay for such securities. However, such risks cannot be eliminated.

Concentration of Positions. The Master Fund will generally hold a relatively large concentration in the healthcare sector. In addition, the Master Fund is not restricted in the amount of its capital that it may commit to any single security or geographical region. Losses incurred in connection with those positions could have a material adverse effect on the Master Fund’s overall financial condition. This is because the value of the Master Fund’s portfolio will be more susceptible to any single occurrence affecting the healthcare sector or one or more of those issuers or geographical regions than would be the case with a more diversified portfolio.

Risk of Investing in the Healthcare Sector. Investing in securities and other instruments of healthcare companies involves substantial risks, including, but not limited to: certain companies in the portfolio of the Master Fund may have limited operating histories; scarcity of management and marketing personnel with appropriate scientific or medical training may slow or impede companies’ growth; the possibility of lawsuits related to patents or products; obsolescence of products; change in government policies; changing investor sentiments and preferences with regard to healthcare sector investments (some of which are generally perceived as risky) may have an adverse effect on the price of underlying securities; volatility in the U.S. stock markets affecting the prices of healthcare company securities may cause the performance of the Master Fund to experience substantial volatility; and many companies in the healthcare sector are subject to extensive government regulation. The healthcare industry is heavily regulated by U.S. federal, state and local governmental bodies, and is directly affected by federal conditions of participation, state licensing requirements, facility inspections, state and federal reimbursement policies, regulations concerning capital and other expenditures, certification requirements and other such laws, regulations and rules. In addition, obtaining approval for new products from governmental agencies can be lengthy, expensive and uncertain. Finally, drug development is inherently risky and a substantial number of new products fail in clinical trials.

Risks of Biotechnology and Pharmaceutical Investments. The value of investments in development stage biotechnology and pharmaceutical companies will be affected by problems related to product development, testing, regulatory compliance, manufacturing, sales and marketing capabilities and competition. Biotechnology and pharmaceutical companies are affected by general trends related to the demand for health related products

and services as well as the uncertainty of the results of clinical trials and approval of their products by the U.S. Food and Drug Administration (“FDA”) or a foreign equivalent. Biotechnology and pharmaceutical product development is heavily regulated by the FDA and other agencies and a very small percentage of the pharmaceutical products developed are approved for sale by the FDA or a foreign equivalent. Even if approved, there can be no assurance that the products will be commercially successful. The success of the biotechnology and pharmaceutical companies will depend, inter alia, on their ability, and the ability of any licensors, to obtain and maintain patent protection for their products and technologies and to preserve trade secrets. There can be no assurance that patents licensed to the companies will be valid or will afford the companies protection against competitors with similar technologies. The enforcement of patent rights and the determination of the scope of validity of other parties’ proprietary rights may require costly litigation or participation in Patent and Trademark Office Proceedings.

Many biotechnology and pharmaceutical companies may operate for years before becoming profitable and thus depend on continued access to capital markets and successive rounds of capital raising. There is no assurance, for any given company, that timely access to capital will always be available. Moreover, the terms under which successive financing rounds are concluded may favor the new shareholders over existing shareholders. Companies that have insufficient funds to continue operations and are unable to raise additional cash may be sold, merged, or wound down in a manner that is detrimental to the share price of those companies.

Also, many companies depend on research agreements, technology/product license agreements and/or manufacturing agreements with third parties. There can be no assurance that such third parties will be able to meet the companies’ needs with respect to timing, quantity, quality and cost-effectiveness or will be able to meet the FDA’s standards for manufacturers. In addition, some companies may not have sufficient experience in the sales, marketing or distribution of pharmaceutical products and may have to depend on third parties to provide such expertise. The outsourcing of sales and marketing or distribution can be expensive and it can be difficult for many companies to control such costs. The Master Fund’s investment in biotechnology and pharmaceutical companies will be subject to these risks, as well as some of the general trends relating to demand for health-related products and services and the regulatory, economic and political environment related to the biotechnology sector.

Item 9: Disciplinary Information

The Firm has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Firm have been subject to such action.

Item 10: Other Financial Industry Activities and Affiliations

The management and employees of Nexthera Capital plan to dedicate substantially all of their professional efforts to the Firm and its affiliates.

The Firm 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***Participation or Interest in Client Transactions***

Nexthera Capital serves as the investment adviser to the Funds. Employees, affiliates of the employees, and relatives of the employees may make investments in the Funds.

Nexthera Capital maintains an employee personal trading policy which is restrictive and aimed at mitigating any potential conflict of interest between the Funds' investments and those of Nexthera Capital employees. In general, employees are limited in the extent to which they are permitted to engage in personal trading.

Additionally, the Firm's principals and employees do not purchase any securities for their own accounts from the Funds.

Code of Ethics and Personal Trading

Nexthera Capital has adopted a Code of Ethics that establishes various procedures with respect to investment transactions in accounts in which Nexthera Capital employees or related persons have a beneficial interest or accounts over which an employee has investment discretion.

The foundation of the Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds first;
- Employees must make sure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at Nexthera Capital.

All Nexthera Capital employees are deemed to be "Access Persons" and are required to adhere to a comprehensive Code of Ethics, which cover the duty of confidentiality as well as personal trading. All employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and quarterly thereafter.

Nexthera Capital employees must direct duplicate copies of their brokers statements for their personal discretionary brokerage accounts to be sent to the CCO. These records are used to monitor compliance with Nexthera Capital's employee personal trading policies.

Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private investments, or receiving an allocation of an Initial Public Offering ("IPO").

Insider Trading Policies and Procedures

Nexthera Capital maintains insider trading policies and procedures that are designed to prevent the misuse of material, non-public information. Among other things, such policies seek to control and monitor the flow of inside information to and within the Firm, as well as prevent trading based on inside information. On a periodic basis, Nexthera Capital employees

are required to attest to their compliance with the insider trading policies which are set forth in the Compliance Manual and Code of Ethics.

Nexthera Capital's Code of Ethics is available to investors upon request.

Item 12: Brokerage Practices

The Firm is authorized to determine the broker or dealer to be used for each securities transaction for the Funds. In selecting brokers or dealers to execute transactions, the Firm does not need to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Firm's practice to negotiate "execution only" commission rates, thus the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

The Firm shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

In selecting an appropriate broker-dealer to effect a client trade, the Firm seeks to obtain "best execution," meaning generally the execution of a securities transaction for a client in such a manner that a client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking best execution, the Firm takes into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers' full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (e.g., research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

Aggregation

In general, the Firm aggregates trade orders for the Funds to achieve more efficient execution or to provide for equitable treatment among accounts. The Funds participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

The Firm maintains accounts at Goldman, Sachs & Co., UBS Securities LLC and Jefferies LLC, through which Nexthera Capital may execute trades, borrow securities and maintain custody of securities.

The Firm reserves the right, in its sole discretion, to change brokerage and custodial arrangements for the Funds without further notice to investors.

Allocation

Nexthera Capital's policy prohibits any allocation of trades in a manner that results in more favorable treatment for the Firm's proprietary accounts, affiliated accounts, or any Funds.

Nexthera Capital has adopted a policy for the fair and equitable allocation of transactions that generally analyses each trade, taking into consideration the specifics of each trade and the characteristics of each Fund.

Soft Dollars

The Firm may use “soft dollars” generated by the Funds’ trading activities to purchase research services or products that would otherwise have been an expense of Nexthera Capital. The Firm intends to keep any such arrangements within the parameters of Section 28(e) of the United States Securities Exchange Act of 1934, as amended.

Item 13: Review of Accounts

Review of Accounts

The Firm’s portfolio managers and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the investment advisory agreements and the Fund offering documents. In these reviews, the Firm pays particular attention to any changes in the investment’s fundamentals, overall risk management and changes in the markets that may affect price levels. Nexthera Capital engages in active management for the Funds and the Firm review transactions, positions and cash balances on a daily basis.

Reporting

The Firm will distribute annual audited financial statements to the investors in the Funds within 120 days of the Firm’s fiscal year-end. In addition, the Firm distributes reports to investors in the Funds, which include monthly investor statements from the fund administrator, monthly performance and risk reports, and annual K-1s.

Item 14: Client Referrals and Other Compensation

The Firm does not compensate third parties for client referrals.

The Firm may compensate employees for investor referrals so long as such arrangements comply with the Advisers Act and its rules, and any applicable state securities laws. Investors will not be charged a higher fee as a result of these arrangements.

Item 15: Custody

The Firm will comply with the requirements of Rule 206(4)-2 of the Advisers Act with regards to custody of assets of the Funds (“**Custody Rule**”).

The Firm currently uses Goldman, Sachs & Co., UBS Securities LLC and Jefferies LLC as its prime brokers and custodians (“**Prime Brokers**”). Through these arrangements, the Prime Brokers will provide, among other things, clearing, custodial and record keeping services.

Annually, upon completion of each Fund’s annual audit, the Firm will distribute the audited financials to investors in the Funds.

The CCO shall ensure that the Fund’s audited financials are delivered to all investors within 120 days of the fiscal year end in accordance with the Custody Rule.

Item 16: Investment Discretion

The Firm has full discretionary authority over the Funds including authority to make decisions with respect to which securities to be bought and sold as well as the amount and price of those securities. Additionally, the Firm has full discretion over the brokers or dealers to be used for transactions and the commissions to be paid. These terms are established in the offering documents of each Fund.

Item 17: Voting Client Securities

The Firm intends to vote proxies on a case-by-case basis. Prior to voting a proxy, the relevant employees of Nexthera Capital will make a determination, in their opinion, as to what vote if any, is in the best interest of the Funds. The Firm maintains written records of the proxy vote on each occasion a proxy is voted.

Investors in any of the Funds may not direct the voting of proxies.

If a material conflict of interest between the Firm and the Funds should arise, the Firm will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Funds or take another appropriate action.

Investors may request a copy of the Firm's proxy voting policy, as well as the records of any proxy votes for the respective Fund in which they have an investment.

Item 18: Financial Information

Registered investment advisers are required in this Item to provide certain financial information or disclosures about the Firm's financial condition.

Nexthera Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.