

FORM ADV
Part 2A
FIRM BROCHURE

Ghost Tree Capital, LLC

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This Brochure provides information about the qualifications and business practices of Ghost Tree Capital, LLC (“Ghost Tree Capital”). If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer at 646-779-0120 or by email at bt@ghosttreecap.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, and references in this Brochure to Ghost Tree Capital as a “registered investment adviser” are not intended to imply a certain level of skill or training.

Additional information about Ghost Tree Capital is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

This is the first version of Ghost Tree Capital’s Brochure. Accordingly, there are no prior versions of the Brochure and no material changes to be noted.

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ITEM 4 – ADVISORY BUSINESS

Ghost Tree Capital, LLC (“Ghost Tree Capital,” together with our affiliates, “Ghost Tree”) is a Delaware limited liability company with its principal place of business in New York. Ghost Tree Capital began doing business in April of 2013.

Ghost Tree provides discretionary investment advisory services to private funds: Ghost Tree Partners, LP, Ghost Tree Capital International, Ltd., and Ghost Tree Master Fund, LP. In addition, Ghost Tree also provides discretionary investment advisory services to separately managed accounts (“SMAs”). Ghost Tree has in place an investment management agreement with each of the private funds as well as the SMAs (collectively, the “Fund” or “Funds”).

Ghost Tree is responsible for determining the specific securities and other investments to be bought and sold and arranging the execution of all purchase and sale orders on behalf of the Funds.

The principal owner of Ghost Tree is David Kim (the “Principal”).

Ghost Tree is focused on generating absolute returns in the Funds that aim to be uncorrelated to broader market conditions. Ghost Tree seeks to achieve this objective by utilizing a long/short equity strategy principally focused on the healthcare industry. By leveraging the medical and financial experience of the Principal and other investment personnel, Ghost Tree expects to pursue investments primarily in the areas of biotechnology, pharmaceuticals, medical devices and supplies and healthcare services. However, Ghost Tree generally has broad and flexible investment authority with respect to the Funds.

Ghost Tree generally does not permit investors in the Funds to impose limitations on the investment activities described in the offering documents for the Funds. Under certain circumstances, Ghost Tree will contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. Ghost Tree negotiates such arrangements on a case by case basis.

Ghost Tree does not participate in wrap fee programs.

As of January 1, 2015, Ghost Tree manages approximately \$250,000,000 of client assets on a discretionary basis. Ghost Tree does not currently manage any client assets on a non-discretionary basis.

ITEM 5 – FEES AND COMPENSATION

All clients of Ghost Tree are “qualified purchasers” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. Ghost Tree is compensated through management and performance fees or allocations which are described in its advisory contracts with its clients.

Ghost Tree charges each Fund a monthly management fee payable in advance and the management fee is generally deducted directly from such Fund. Once paid, the management fee is non-refundable. In addition, a performance fee or allocation accrues on a monthly basis, and at year end the performance fee or allocation is crystallized and paid to Ghost Tree, subject to a high watermark.

Each Fund bears its own fees and expenses including (i) fees to the independent fund administrator and any other expenses or fees related to third party providers of middle-office or back-office services; (ii) trading expenses (e.g., expenses which Ghost Tree reasonably determines to be related to the trading of the Fund’s assets, including, without limitation, brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees and interest expenses and the cost of investigating actual or potential trades (including, without limitation, travel expenses arising from such investigations and third party investigative work)); (iii) the cost (including, but not limited to, any related

consulting, hardware and maintenance expenses) of: trade execution and management systems, compliance, risk and portfolio systems and reports, integration and data transfer connectivity costs to and from third party systems; (iv) the costs of obtaining third party research products and services (including, without limitation, the cost of research reports and subscriptions or publications relating to securities, issuers, market segments or geographic regions, the costs of portfolio modeling and analyses and the costs of computerized financial databases (e.g., Bloomberg)); (v) professional fees (including, without limitation, expenses of consultants and experts) relating to compliance by Ghost Tree with securities and investment advisory laws and regulations; (vi) legal expenses, accounting expenses, auditing and tax preparation expenses and the expenses associated with regulatory and statutory filings, including but not limited to Form PF; (vii) directors' and officers' insurance for Ghost Tree; (viii) organizational expenses and expenses relating to the offer and sale of securities; (ix) other similar expenses related to the Funds; and (x) extraordinary expenses.

To the extent any expenses are advanced by Ghost Tree on behalf of the Funds, as applicable, such expenses will be promptly reimbursed.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in Item 5 above, Ghost Tree may receive performance-based compensation from the Funds. The possibility that Ghost Tree may receive performance-based compensation creates a potential conflict of interest in that it may create an incentive to make investments that are riskier or more speculative than in the absence of such performance-based compensation.

The terms of the performance-based fees and allocations may differ among the various Funds. This may result in a conflict of interest when Ghost Tree allocates opportunities among the Funds because Ghost Tree will have an incentive to favor Funds that have higher performance-based fees and allocations. To avoid such a conflict of interest, Ghost Tree generally follows documented procedures in allocating investment opportunities among the Funds. When Ghost Tree determines that a particular opportunity would be desirable for more than one Fund, it will seek to allocate such opportunity between the Funds in a manner that it deems fair and equitable under the circumstances existing at such time.

Performance-based compensation is based directly on the net asset value of each Fund. In most circumstances, the valuations of a Fund's assets will be based on independent market quotations from relevant counterparties, but obtaining such valuations is not required in each instance. To the extent that a Fund trades in securities or other financial instruments which are not traded on an organized or liquid market, the valuation of such assets will be determined by Ghost Tree. As a result, there will be a conflict of interest for Ghost Tree. In order to mitigate this conflict, Ghost Tree will follow its documented valuation policies in valuing Fund investments.

ITEM 7 – TYPES OF CLIENTS

Currently Ghost Tree provides investment advisory services solely with respect to the Funds as described in Item 4. Investors in the Funds are "qualified clients" under Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") and "qualified purchasers" as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

Ghost Tree imposes a minimum of \$1 million to invest in a Fund. However, Ghost Tree may, to the extent permitted under applicable law, reduce this minimum investment in its sole discretion.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies Generally

Ghost Tree's research process is focused on forming differentiated views and unique insights into critical value drivers that impact individual companies, competitive markets, therapeutic categories and the broader healthcare industry, in order to attempt to identify compelling investments for the Funds. Areas of research may include the following:

- 1) Technological innovation and obsolescence among medical device and drug manufacturers;
- 2) Unsatisfied medical needs and emerging novel therapies;
- 3) Early stage biotechnology developments and clinical trial analysis;
- 4) Regulatory changes and healthcare reform;
- 5) Patent issuances and intellectual property disputes;
- 6) Reimbursement policies and pricing changes;
- 7) Operational turnarounds and balance sheet allocation strategies; and
- 8) Industry consolidation trends.

By researching and analyzing a broad array of such value drivers, long and short investment opportunities emerge that are often overlooked or poorly understood. When evaluating long investment opportunities, Ghost Tree will generally attempt to identify companies which exhibit one or more of the following characteristics:

- 1) Companies that are launching new medical products (i.e. drugs, devices, equipment and diagnostics) that are best-in-class, disruptive, and/or address key unmet medical needs;
- 2) Companies with innovative science and technology know-how protected by issued patents;
- 3) Companies that are running well-designed clinical trials examining drugs/devices that are likely to demonstrate strong efficacy and safety;
- 4) Companies led by strong management with a well-defined strategy, operational discipline, conservative financial planning, and shareholder-friendly capital allocation;
- 5) Companies that are likely to benefit from regulatory, reimbursement, and/or healthcare policy changes;
- 6) Companies that are in the midst of a major restructuring and on the cusp of a turnaround; and
- 7) Companies that may be involved in M&A activity that should generate substantial shareholder value.

When evaluating short investments, Ghost Tree will generally attempt to identify companies which exhibit one or more of the following characteristics:

- 1) Companies whose products will either be rendered obsolete or lose substantial market share in the face of competitive new product launches;
- 2) Companies with undifferentiated and/or flawed technology platforms with tenuous intellectual property;
- 3) Companies that are running clinical trials examining drugs/devices that are unlikely to demonstrate strong efficacy and/or safety;
- 4) Companies led by management with ill-conceived strategies, operational inefficiencies, aggressive/inaccurate financial forecasting, and value-destroying capital allocation; and
- 5) Companies that are likely to be impaired by regulatory, reimbursement, and/or healthcare policy changes.

Primary research-derived information is a lynchpin to Ghost Tree's financial forecasting and valuation analysis of target companies. Primary research may include:

- 1) Interviews with management, suppliers, competitors and customers;
- 2) Review of publicly available company filings and announcements;
- 3) Visits to company facilities;
- 4) Survey work on the commercial uptake of drugs and devices;
- 5) Interviews with technical experts and specialists in a given medical field;
- 6) Attendance at medical meetings and industry trade shows; and
- 7) Analysis of commercially available market data on healthcare utilization trends.

Ghost Tree utilizes an *ex ante* expected value framework to quantify risk-adjusted return profiles of target companies to help determine inclusion and sizing in each Fund's portfolio. By assessing the various scenarios around a target company's prospects and subscribing probability weightings to different outcomes, Ghost Tree critically evaluates both the risk and the reward of investment opportunities for the Funds.

Investing in securities involves risk of loss that clients and investors should be prepared to bear.

Certain Risks Associated with Ghost Tree's Methods of Analysis and Investment Strategies

An investment in the Funds is speculative and involves a high degree of risk. Prospective investors in a Fund, which is a pooled investment vehicle, should refer to the offering memorandum of such Fund for additional information regarding risks. The risks of investing in a Fund include but may not be limited to the following:

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 a 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 a 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, medical device and drug development is inherently risky and a substantial number of new products fail in clinical trials.

Short Sales. A short sale involves the sale of a security that a Fund does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, a Fund must borrow the security and such Fund is obligated to return the security to the lender, which is accomplished by a later purchase of the security by such Fund. When a Fund makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss to a Fund. The extent to which a Fund will engage in

short sales will depend upon Ghost Tree's trading strategy and perception of market direction and the value of individual securities. Ghost Tree may engage in short sales on behalf of a Fund as a hedge against potential market declines and/or based on its fundamental analysis of the subject issuers.

Securities of Non-U.S. Companies. Investments in securities of non-U.S. issuers (including non-U.S. governments) and securities denominated in, or the prices of which are quoted in, non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks which could include expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. issuers. Transaction costs of investing in non-U.S. securities markets are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers outside the United States than there is in the United States. A Fund might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which, in some markets, could at times fail to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect such Fund's performance.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Purchasing Securities of Initial Public Offerings. Each Fund may purchase securities of companies during their initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the companies and limited operating histories. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for a Fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies engaged in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

PIPE Trading. Each Fund may make private investments in equities of publicly-traded companies (“PIPES”). PIPE strategies have historically been significantly more likely to be successful during periods of rising equity prices. In such conditions, not only is it easier to liquidate the equity acquired upon conversion of a Fund’s illiquid and restricted securities, but also the equity price may increase from the date of liquidation, increasing the profit of conversion. PIPE investing also involves making capital commitments to issuers without access to traditional capital markets in situations in which the bankruptcy of the issuer could result in a total loss of the investment. Analysis of the financial condition of each issuer is an important component of determining whether to make any such investment.

Investments in Unregistered Securities. Each Fund may invest in unregistered securities, including investments in new and early stage companies or companies undergoing operational or financial restructuring, which may involve a high degree of business and financial risk that can result in substantial losses. Because of the possible absence of a liquid trading market for these investments, it may take longer to liquidate these positions than would be the case for publicly traded securities, or it may not be possible to liquidate them at all. Although these securities may be resold in privately negotiated transactions, the prices realized on such sales could be substantially less than those originally paid by a Fund. Further, companies that have securities that are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to companies that have publicly traded securities.

Convertible Securities. The market value of convertible securities, as with all fixed income securities, tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus, may not decline in price to the same extent as the underlying common stock. If a convertible security held by a Fund is called for redemption, such Fund will be required to permit the issuer to redeem the security, convert it into the underlying stock or sell it to a third party. Any of these actions could have an adverse effect on a Fund’s ability to achieve its objective.

ITEM 9 – DISCIPLINARY INFORMATION

There have been no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of Ghost Tree’s advisory business or the integrity of Ghost Tree’s management.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Services by Certain Related Persons

Ghost Tree and its related persons currently serve as general partner and/or investment manager to the Funds.

Management of Multiple Funds

The management of multiple pooled investment vehicles may result in conflicts of interests when Ghost Tree and its related persons allocate their time and investment opportunities among the Funds. In addition, the compensation earned by Ghost Tree and its related persons from each of the Funds may differ from one another. Ghost Tree and its related persons will generally follow documented procedures in allocating investment opportunities among the Funds. (*See Item 6*)

Subject to applicable law, Ghost Tree may effect transactions (generally for rebalancing purposes and to correct misallocations of trades) among the Funds in which one Fund will purchase securities from or sell securities to another Fund (including Funds in which Ghost Tree or its related persons may have a significant interest). This may result in a conflict of interest because a potential transaction may result in benefits to one Fund that may be greater than the benefits to the other Fund. In order to mitigate such conflicts, Ghost Tree effects such transactions only when Ghost Tree determines in good faith that such transactions are in the best interests of the applicable Funds.

Our Principal (and/or other related persons) may have a greater portion of their personal assets invested in certain of the Funds. As a result, Ghost Tree may have a conflict of interest in allocating investment opportunities among the Funds. Ghost Tree will generally follow documented procedures in allocating investment opportunities among Funds.

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

Code of Ethics

Ghost Tree's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Advisers Act. The Code applies to Ghost Tree's "Access Persons." Access Persons include, generally, any partner, officer or director of Ghost Tree and any employee or other supervised person of Ghost Tree who, in relation to the Funds, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All Ghost Tree employees are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account Ghost Tree's status as a fiduciary and requires Access Persons to place the interests of the Funds and their investors above their own interests and the interests of Ghost Tree. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Ghost Tree's Chief Compliance Officer. All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide Ghost Tree's Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Ghost Tree's Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1.

In addition, the Code seeks to ensure the protection of nonpublic information about the activities of the Funds.

Participation or Interest in Client Transactions

Ghost Tree offers the opportunity to prospective clients to invest in the Funds. The Principal and other management personnel may have significant personal investments in the Funds. In addition, Ghost Tree receives performance-based compensation from the Funds.

Subject to applicable law, Ghost Tree may effect transactions between Funds (generally for rebalancing purposes) whereby one Fund will purchase securities from or sell securities to another Fund. (*See Item 10*)

Pursuant to SEC guidance, if the principals of Ghost Tree own more than 25% of the interests in a Fund, a transaction involving that Fund may constitute a “principal” transaction under Section 206(3) of the Investment Advisers Act of 1940, as amended. The Chief Compliance Officer will monitor the interests of the principals of Ghost Tree, their immediate family members and their affiliates in the Funds, and Ghost Tree will not execute any transaction between the Funds that would result in a principal transaction unless Ghost Tree obtains the consent of the applicable Fund in a manner approved by its counsel.

Personal Trading

Ghost Tree personnel may invest in U.S. government securities, municipal securities, exchange traded funds (ETFs), money-market funds and open-ended mutual funds. In certain circumstances, with prior approval from the Chief Compliance Officer, personnel may be permitted to invest in other securities as long as such securities are not included on Ghost Tree’s “Restricted List.”

Timing of Transactions

Ghost Tree may buy or sell securities for one Fund at the same time that it buys or sells the same security for one or more other Funds. This will typically happen when more than one Fund is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one Fund may benefit from making the trade before or after another Fund. Ghost Tree will generally aggregate trades, subject to best execution, to avoid any such conflict of interest (*See Item 12*). In order to prevent Ghost Tree personnel from selling securities at the same time that Ghost Tree is buying or selling the same securities for the Funds, personnel must receive the prior approval of the Chief Compliance Officer or the Chief Operating Officer to engage in these transactions.

ITEM 12 – BROKERAGE PRACTICES

Selection of Brokers

In selecting brokers to effect portfolio transactions for a Fund, Ghost Tree seeks to obtain the best execution for the Funds, considering factors including, but not limited to, price, the ability of the brokers to effect the transactions, the brokers’ facilities, reliability and financial responsibility and the provision or payment (or the rebate to a Fund for payment) of the costs of property or services (*e.g.*, short-term custodial services, research services, news and quotation services, publications, and other services and facilities). Accordingly, if Ghost Tree 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, a Fund may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research and Other Soft Dollar Benefits

Soft dollar arrangements generally arise when an investment advisor obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for an advisor in that such arrangements allow the advisor to pay with client commissions expenses that would otherwise be borne by the advisor.

The use of commission or “soft” dollars to pay for research products or services falls within the safe harbor for soft dollars created by Section 28(e) of the Exchange Act. Under Section 28(e), research obtained with soft dollars generated by a Fund may be used by Ghost Tree to service accounts other than such Fund. Generally, where a product or service obtained with commission dollars provides both research and non-research assistance to Ghost Tree, Ghost Tree will make a reasonable allocation of the cost which may be paid for with Fund commission dollars. Ghost Tree intends that all uses of “soft” dollars by it on behalf of a Fund will fall within the Section 28(e) safe harbor.

In exercising its discretionary authority to select or arrange for the selection of brokers for execution of transactions for a Fund, and, subject to its duty to obtain best execution, Ghost Tree considers the value of research and brokerage products and services provided by such brokers. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research products may include, among other things, computer databases and quotation services, in each case, to access research or which provide research directly. Research services may include, among other things, research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic market quotations; performance measurement services; analyses concerning specific securities, companies, industries or sectors; market, economic and financial studies and forecasts; appraisal services; and invitations to attend conferences or meetings with management or industry consultants.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. A broker is not excluded from receiving business because it has not been identified as providing research services. The trading information received from various brokers may be used by Ghost Tree in servicing all its Funds and not all such information may be used by Ghost Tree in connection with a particular Fund.

Ghost Tree's trading approach may emphasize active management of the Funds' portfolios. Consequently, a Fund's portfolio turnover and brokerage commission expenses may from time to time be greater than for other types of investment vehicles.

Services from Prime Brokers

During Ghost Tree's last fiscal year, Ghost Tree and its affiliates acquired with client brokerage commissions (i) research, such as proprietary research from brokers, which may be written or oral; (ii) research products, such as databases and quotation services; and (iii) research services, such as research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic market quotations; analyses concerning specific securities, companies, industries or sectors; market, economic and financial studies and forecasts; and invitations to attend conferences or meetings with management or industry consultants.

During Ghost Tree's last fiscal year, Ghost Tree has taken into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing Fund transactions to a particular broker. Ghost Tree directed transactions to such brokers only consistent with best execution.

Brokerage for Client Referrals

Ghost Tree does not have directed brokerage arrangements. Ghost Tree may direct client transactions to brokers who refer investors to Ghost Tree, but only consistent with best execution.

Aggregation of Orders

Ghost Tree will generally aggregate client trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for Ghost Tree generally arise when more than one Fund is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such event, securities purchased or sold will generally be allocated among Funds on an average price basis. When an aggregated order is only partially filled, Ghost Tree will allocate the investment opportunity as described in Item 10 above.

Trade Errors

In general, Ghost Tree will not be liable to a Fund for net losses resulting from a trade error unless that trade error results from Ghost Tree's bad faith, gross negligence, fraud or willful misconduct. Ghost Tree may correct misallocations of trades among the Funds by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date. If a trade has settled, Ghost Tree may, if appropriate and subject to applicable law, within the same calendar month effect a cross trade between Funds to correct the misallocation such that each Fund would be in the position it would have been in had the misallocation not occurred.

ITEM 13 – REVIEW OF ACCOUNTS

The Funds are reviewed regularly by Ghost Tree's investment professionals and risk management professionals. In addition, investment personnel generally meet weekly to discuss the Funds, performance, strategy and new ideas. The Funds' portfolios are also reviewed by the Chief Compliance Officer and/or the Chief Operating Officer, as well as the head trader, to monitor compliance with the applicable trading mandate and any applicable risk and/or operating guidelines, including compliance with Ghost Tree's Compliance Manual.

Investors in the Funds are provided (i) a monthly written statement that is sent from an independent fund administrator and (ii) annual audited financial statements. In addition, investors may be provided with information (including, without limitation, position level information, counterparty exposure, and fund liquidity) about Ghost Tree and the Funds in response to questions and requests, and/or in connection with due diligence meetings or other communications, but such information will not be distributed to other investors and prospective investors who do not request such information. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by Ghost Tree is sufficient for its needs.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

For a description of Ghost Tree's practices regarding brokerage for client referrals, see Item 12, "Brokerage for Client Referrals" and for the products and services received from brokers, see Item 12, "Research and Other Soft Dollar Benefits."

ITEM 15 – CUSTODY

For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), Ghost Tree is deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors because annual audited financial statements are delivered to investors within 120 days after the end of each Fund's fiscal year.

ITEM 16 – INVESTMENT DISCRETION

Ghost Tree has discretionary authority to manage securities on behalf of its clients. The investors in the Funds generally may not place any limits on Ghost Tree's authority beyond the limitations set forth in the offering and governing documents of the Funds. Under certain circumstances, Ghost Tree will contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. Ghost Tree negotiates such arrangements on a case by case basis.

ITEM 17 – VOTING CLIENT SECURITIES

Ghost Tree has authority to vote client securities. Ghost Tree understands and appreciates the importance of ensuring that its proxy voting procedures are clearly described to clients and investors. To the extent that Ghost Tree has discretion to vote the proxies of the clients it manages, Ghost Tree will vote any such proxies in the best interests of the clients in accordance with its proxy voting procedures.

Ghost Tree also has the flexibility to abstain from a particular proxy vote if doing so would be in the best interests of Ghost Tree, taking into account the associated costs, benefits, and interests of Ghost Tree.

Although not presently intended to be used on a regular basis, Ghost Tree is empowered to retain an independent third party to vote proxies in certain situations (including situations where a material conflict of interest is identified).

Clients who wish to understand our proxy voting rationale and process may email the Chief Compliance Officer at: bt@ghosttreecap.com.

ITEM 18 – FINANCIAL INFORMATION

Ghost Tree does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet for its most recent fiscal year. Ghost Tree is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.