

Firm Brochure
(Part 2A of Form ADV)

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This brochure provides you with information about the qualifications, business practices, and nature of advisory services of Krensavage Asset Management, LLC, all of which should be considered before becoming an advisory client of our firm. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("**SEC**") or by any state securities authority.

We are an investment adviser registered with the SEC. Registration does not imply a certain level of skill or training. Additional information about our firm is available on the Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 168976.

January 1, 2014

Item 2 Material Changes

This Part 2A of our Form ADV (“**Firm Brochure**”) serves as our disclosure document for prospective and future clients, and has been prepared in accordance with requirements specified by the SEC. This Item 2 or a separate document will clearly discuss any material changes since the last annual update of this Firm Brochure.

Summary of Material Changes

This Brochure, dated **January 1, 2014** serves as our Annual Update Amendment Brochure reflecting information regarding our firm for the year ending 2013. It replaces the September 24, 2013 version.

During the calendar year, the Firm had the following material changes:

- (a) Louis A. Parks committed to become the firm’s Chief Compliance Officer as of January 1, 2014. Please see Item 4 for this disclosure.
- (b) The Fund, Krensavage Partners, L.P., raised its minimum initial capital contribution for Limited Partnership Interest is \$500,000. KAM reserves the right to reduce the minimum initial capital contribution and to accept subscriptions for lesser amounts.

The Firm did not have any other material changes to its business structure, operations or management.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (212)888-1582 or by email at: mike@krensavage.com.

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Item 4 **Advisory Business**

FIRM DESCRIPTION

Krensavage Asset Management, LLC (“**KAM**”) is an investment management firm that has been registered with the U.S. Securities and Exchange Commission (“**SEC**”) as an investment adviser since September 2013. It was organized as a Delaware limited liability company in 2008. KAM is solely owned by Michael Paul Krensavage, who is the controlling principal of KAM and who serves as KAM's sole Investment Adviser Representative. Louis A. Parks serves as the Firm's Chief Compliance Officer.

TYPES OF ADVISORY SERVICES

Adviser to Pooled Investment Vehicle (the Fund)

KAM provides investment supervisory services and serves as the discretionary investment manager of Krensavage Partners, L.P. (the “**Fund**”), a Delaware limited partnership operating as a private investment fund, which invests its assets in securities. As the investment manager to the Fund, KAM is responsible for: (a) the formulation and implementation of the Fund's investment strategy; (b) evaluating and monitoring investments made by the Fund; and, (c) making all investment decisions for the Fund.

Krensavage Advisors, LLC (“Krensavage Advisors”), an affiliate of KAM will act as the general partner of the Fund. As general partner, Krensavage Advisors is solely responsible for the management of the Fund.

Investors in the Fund are limited partners (“**Limited Partners**”). Limited Partners must generally be “**accredited investors**” as defined in Regulation D under the Securities Act of 1933 to invest in the Onshore Fund. In addition, investors in the Fund must generally be “**qualified clients**” as defined in Rule 205-3 under the Investment Advisers Act.

As noted, KAM is retained by the Fund to act as each Fund's discretionary investment manager/adviser. The specific terms and conditions applicable to the Fund, as well as the Fund's investment focus, investment guidelines, and investment restrictions, if any, are described in each Fund's confidential private placement memorandum (a “**Memorandum**”). **This document is neither an offer to sell nor a solicitation of an offer to buy interests in or shares of the Fund.** Such an investment may be made only after receipt and review of a Fund's confidential private placement memorandum (a “**Memorandum**”). Upon request to KAM, a copy of a Memorandum is available to persons meeting the definitions of both accredited investor and qualified client or qualified purchaser. The Memoranda contain important information concerning risk factors and other material aspects of the Fund and must be read carefully before any decision whether to invest is made. The information in this document is qualified in its entirety by, and should be read in conjunction with, the information contained in the Memoranda.

Institutional Advisory Services

KAM provides discretionary portfolio management services to the institutional market. It will provide one or more specific strategies within a stable of investments for institutional clients. KAM will provide discretionary portfolio management services whereby the Firm shall be granted full discretion and authority to manage the client's account. Accordingly, KAM is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include the determination of securities to be purchased or sold.

Sub-Advisory Services to CCM Opportunistic Partners, LP

KAM serves as the sub-adviser to CCM Opportunistic Partners, LP, (“**CCM Opportunistic Partners**”) an unaffiliated pooled investment vehicle whose primary investment advisor is CCM Opportunistic Advisors, LLC (“**CCM**”), an investment adviser registered with the Securities and Exchange Commission. As sub-adviser to CCM Opportunistic Partners, KAM provides investment advisory services to the fund based on the investment objectives, policies and restrictions contained in the fund’s Private Placement Memorandum. CCM will allocate to KAM a portion of the fund’s assets to invest. As sub-adviser, KAM will buy or sell short securities based upon its belief that the securities have strong appreciation potential or potential to decline in value. As sub-adviser to the fund, KAM is subject to the oversight of CCM. However, CCM will not attempt to coordinate or manage the day-to-day investment of its sub-advisor.

TAILORED RELATIONSHIPS

The Fund: KAM provides investment advisory services to the Fund based on the investment objectives of the Fund. **KAM does not provide tailored investment advice to the Limited Partners in the Fund.**

Institutional Advisory Services: KAM provides investment advisory services to its institutional clients based on the investment objectives, policies and restrictions contained in the Advisory Agreement.

Sub-Advisory Services: KAM provides investment advisory services to the sub-advised account based on the investment objectives, policies and restrictions contained in the fund’s Private Placement Memorandum.

WRAP FEE PROGRAMS

Wrap Fee Programs are arrangements between broker-dealers, investment advisers, banks and other financial institutions and affiliated and unaffiliated investment advisers through which the Clients of such firms receive discretionary investment advisory, execution, clearing and custodial services in a “bundled” form. In exchange for these “bundled” services, the Clients pay an all-inclusive (or “wrap”) fee determined as a percentage of the assets held in the wrap account. KAM does not participate in and is not a sponsor of any wrap fee program.

ASSETS UNDER MANAGEMENT

When calculating regulatory assets under management, an Investment Adviser must include the value of any private fund over which it exercises continuous and regular supervisory or management services. KAM manages a total of \$60,400,000 in client assets on a discretionary basis. This Asset under Management figure is based on calculations as of December 31, 2013.

Item 5 Fees and Compensation

ADVISORY FEES AND BILLING PROCEDURES

The Fund

Management Fee: KAM will receive a management fee (“Management Fee”) equal to 0.5% (2.0% per annum) of the Fund’s net asset value. The Management Fee shall be calculated and payable quarterly in advance, as of the first day of each quarter. A pro rata Management Fee will be charged to Limited Partners on any amounts accepted by the General Partner during a quarter.

Institutional Advisory Services

Subject to negotiation, KAM will generally assess a management fee (the “**Management Fee**”) and a performance based fee (“**Performance Fee**”). KAM will generally charge a quarterly Management Fee of 0.50% (2.0% per annum), payable in advance, on the first business day of each calendar quarter, based on the beginning Net Asset Value of the Account for such quarter. KAM shall generally charge a Performance Fee in an amount equal to twenty percent (20%) of the New Net Profits earned in the Account during each calendar year. The performance fee is subject to a “high watermark.”

The payment of fees will be debited from the client’s account in accordance with the Advisory Agreement, and are paid by the qualified custodian holding the client’s funds and securities. The client will provide written authorization permitting the fees to be paid directly from the account.

Lower fees for comparable services may be available from other sources. These fees are negotiable.

Sub-Advisory Services Account

As noted above in Item 4, KAM also provides investment sub-advisory services to the CCM Opportunistic Partners, LP (“CCM Opportunistic Partners”), an unaffiliated pooled investment vehicle. The sub-advisory fees that we receive for providing these services are negotiated between us and the principal advisor for this fund.

OTHER FEES AND EXPENSES

The Fund: The fund will pay for its organizational, initial offering and operating expenses, including, but not limited to, legal and accounting fees, auditing and tax fees, printing and mailing expenses and government filing fees (including blue sky filing fees), as further described in the Fund’s Memorandum. The Fund’s organizational and initial offering expenses may be capitalized and amortized over a period of 60 months. The General Partner and KAM will pay for their own administrative and overhead expenses incurred in connection with providing services to the Fund.

Portfolio Management Services: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including but not limited to, any transaction charges imposed by the broker dealer with which we effect transactions for our client accounts. Please see Item 12 for information about *Brokerage Practices*.

REFUND POLICY

The Fund: No part of the Management Fee will be refunded in the event that a Limited Partner withdraws, whether voluntarily or involuntarily, all or any of the value in the Limited Partner’s capital account during any quarter.

Portfolio Management Services: Clients may request to terminate their advisory contract with KAM, in whole or in part, by providing advanced written notice. Either party may terminate the investment advisory contract by providing thirty (30) days written notice to KAM. Upon termination, the management fee for any partial calendar quarter shall be prorated and any overpayment shall be refunded to the client.

OTHER COMPENSATION

As noted above in Item 4, KAM also provides investment sub-advisory services to CCM Opportunistic Partners, an unaffiliated pooled investment vehicle. The sub-advisory fees that we receive for providing these services are negotiated between us and the principal advisor for this fund. KAM does not accept any other compensation other than the fees as described in *Item 5* and *Item 6*.

Item 6 Performance-Based Fees and Side By Side Management

Performance-Based Fees (“Performance Fees”) are based on a share of the capital gains or capital appreciation of the assets of a client. Fees based on performance means KAM participates directly in the account’s results. The Performance Fee may, indirectly, create an incentive for the Firm to make investments on behalf of the client that are riskier or more speculative than would be the case in the absence of such a fee.

As noted in *Item 5*, KAM does assess Performance-Based Fees. We shall receive a performance fee (the “Performance Fee”) in an amount equal to twenty percent (20%) of the New Net Profits earned in the Account during each calendar year. New Net Profits are computed using the formula: (1) the net realized profit and loss over the year, plus (2) the change in unrealized profit and loss on open positions over the year, minus (a) all brokerage commissions, transaction fees, management fees and other charges incurred over the year and (b) cumulative net loss, if any, carried over from previous years.

“Side-by-Side Management” refers to a situation in which the same Adviser manages accounts that are billed based only on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. KAM provides concurrent advisory services to client accounts that are not charged a performance-based fee and client accounts that are charged such a fee. Thus the potential for KAM to receive greater fees from performance-based accounts itself creates a potential conflict of interest. For example, a potential conflict includes the incentive to allocate potentially more favorable investment opportunities to the accounts subject to the performance fees because KAM shares in the potential superior performance of such investment opportunities. To minimize these conflicts of interest, KAM chooses to manage all accounts, both the performance-based accounts and the asset-based accounts, using the same models for all accounts within a trading strategy. Additionally, to mitigate any conflict of interests, KAM has developed policies and procedures prohibiting allocation of trades based on favorable or unfavorable market fluctuations.

Item 7 Types of Clients

KAM provides discretionary management services to different types of clients. We generally provide advice to individuals. KAM also provides investment advisory services to pooled investment vehicles.

The Fund: The minimum initial capital contribution for Limited Partnership Interest is \$500,000. KAM reserves the right to reduce the minimum initial capital contribution and to accept subscriptions for lesser amounts.

Institutional Advisory Services: KAM does not require the client to have a minimum investment amount to open and/or to maintain an account with it.

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

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

KAM’s investment objective is to seek to achieve superior absolute returns while attempting to preserve capital. KAM will attempt to accomplish the client’s investment objective by purchasing securities it believes trade below their intrinsic value and selling securities it believes trade above

their intrinsic value. KAM expects that the Fund and other client accounts will primarily purchase and sell equity securities of public companies in the healthcare industry. As the expertise of KAM lies with healthcare companies, the client portfolio will gravitate towards the healthcare sector and seek superior absolute returns primarily through long term capital appreciation with a focus on capital preservation. Although KAM contemplates the majority of the portfolio will be invested with such securities, KAM may also invest in other industries, asset classes and markets that are poised for superior performance. No assurance can be given, however, that the client portfolio will achieve its investment objective, and investment results may vary substantially over time and from period to period.

Sub-Advised Account: KAM provides investment sub-advisory services to an unaffiliated pooled investment vehicle. Additional information regarding the investment objectives, investment strategies, risks, and other terms of the sub-advised Fund is available from the principal investment advisor.

MATERIAL RISKS OF ANALYSIS AND INVESTMENT STRATEGIES

Clients need to be aware that investing in securities involves risk of loss that clients need to be prepared to bear.

Every method of analysis has its own inherent risks. To perform an accurate market analysis KAM must have access to current/new market information. KAM has no control over the dissemination rate of market information; therefore, unbeknownst to KAM, certain analyses may be compiled with outdated market information, severely limiting the value of KAM's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by KAM) will be profitable or equal any specific performance level(s). KAM does not represent, warrant, or imply that the services or methods of analysis employed by KAM can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

Alternative investment products often engage in leveraging and other speculative investment practices that may increase the risk of investment loss. Because risks are inherent in all the investments in which the Fund engages, no assurances can be given that the Fund's investment objectives will be realized.

There can be no assurance that the Fund will achieve its investment objective or avoid substantial losses. An investor could lose all or a substantial amount of his or her investment. Notwithstanding the method of analysis or investment strategy employed by the Firm, the assets within the Fund are subject to risk of devaluation or loss. An investor should not make an investment in the Fund with the expectation of sheltering income or receiving cash distributions.

KAM believes that substantial returns can be achieved by investing in the Fund; however, such investment involves a high degree of risk. Because risks are inherent in all the investments in which the Fund engages, no assurances can be given that the Fund's investment objectives will be realized. KAM urges investors to review carefully the risk factors set forth in the Fund's Memorandum. The Fund's Memorandum contains important information concerning risk factors and other material aspects of the Fund and must be read carefully before any decision whether to invest is made. The risk factors set forth in the Fund's Memorandum are those deemed by KAM to be the most significant.

In addition to all of the risk factors listed in the PPM in great detail, an investor also should carefully consider the following risks prior to making an investment in the Fund:

- *General Investment Risks.* The Fund's success depends upon KAM's ability to implement its investment strategy. Any factor that would make it more difficult to execute timely trades may also be detrimental to the Fund's profitability.
- *Investment and Trading Risks.* All investments involve the risk of loss of capital. KAM believe that the Fund's investment program and its research and risk-management techniques moderate this risk through the careful selection of securities and other financial instruments. The Fund's investment program will utilize such investment techniques as option transactions, limited diversification, margin transactions, short sales and futures and forward contracts, which practices can, in certain circumstances, maximize the adverse impact to which the Fund may be subject.
- *Dependence on Key Personnel.* Often, hedge fund managers have total trading authority over their funds. The success of the Fund depends in substantial part upon the skill and expertise of the principal who will be responsible for managing the Fund.
- *General Economic Conditions.* The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of U.S. equity prices and liquidity of the Fund's investments.
- *Execution of Orders.* The Fund's trading strategies depend on the ability to establish and maintain an overall market position in a combination of financial instruments selected by KAM. The Fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, systems failures or human error attributable to employees, brokers, agents or other service providers.

While this information provides a synopsis of the events that may affect your investments in the Fund, this listing is not exhaustive. Please read the Risk Disclosures section in the Fund's Memorandum carefully. We want you to understand that there are inherent risks associated with investing in the Fund; YOU COULD LOSE ALL OR A SUBSTANTIAL AMOUNT OF YOUR INVESTMENT.

The Fund's success depends on KAM's strategies and the ability to implement its investment strategies. Any factor that would make it more difficult to execute more timely trades, such as a significant lessening of liquidity in a particular market, may also be detrimental to profitability. No assurance can be given that the investment strategies to be used by the Fund will be successful under all or any market conditions.

An investment in the Fund should form only a part of a complete investment program, and an investor must be able to bear the loss of his or her entire investment. There can be no assurance that the Fund will achieve its investment objectives or avoid substantial losses. Prospective investors are urged to consult with their own financial, tax and legal advisors before investing in the Fund.

RECOMMENDATION OF SPECIFIC TYPES OF SECURITIES

KAM specializes in recommendations related to the Fund which are designed for investors who have the knowledge and experience in financial matters to evaluate the merits and risks of such investments. Fund investments may include, but are not limited to, equity securities, debt and other income securities, high-yield securities, exchange traded funds, derivative instruments including options transactions, and emerging markets securities.

Item 9 Disciplinary Information

The Firm is required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Neither KAM, its management nor related persons has been involved in legal nor disciplinary events related to past or present investment clients.

Item 10 Other Financial Industry Activities and Affiliations

KAM is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. Furthermore, none of KAM's management or supervised persons is registered as representatives of, or has an application pending to register as representatives of a broker-dealer.

KAM is not registered as, and does not have pending applications to register as, a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor. Furthermore, none of KAM's management or supervised persons is registered as, or has an applications pending to register as, associated persons of the foregoing entities.

As noted in Item 4, KAM is affiliated with Krensavage Advisors, LLC ("Krensavage Advisors"), which act as the general partner of the Fund. The principal owner of KAM also serves as the principal owner of Krensavage Advisors, which is solely responsible for the management of the Fund.

KAM serves as the sub-advisor to an unaffiliated registered investment advisor for a pooled investment vehicle.

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

DESCRIPTION OF CODE OF ETHICS

All employees of KAM must act in an ethical and professional manner. In view of the foregoing and applicable provisions of relevant law, KAM has adopted a Code of Ethics to specify and prohibit certain types of transactions deemed to create conflicts of interest (or the potential for or the appearance of such conflicts), and to establish reporting requirements and enforcement procedures relating to personal trading by KAM personnel. KAM's Code of Ethics, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

KAM recommends to its investment advisory clients or prospective investment advisory clients who are qualified clients as defined by SEC 275.205-3, the purchase or sale of the interests in the Fund. KAM earns both a management fee and a performance allocation from the Fund and management fees and performance based fees from managed account services. KAM will provide written notification to clients advising of such conflicts of interest.

PROPRIETARY /SIMULTANEOUS TRADING

At times, KAM and/or its supervised persons may buy or sell securities for their own accounts that we have also recommended to our clients. This presents a conflict of interest. In any instance where

similar securities are being bought or sold, we will uphold our fiduciary duty by always transacting on behalf of our client before transacting for our own benefit. It is the policy of KAM that supervised persons must avoid security transactions and activities for their own accounts that might conflict with or be detrimental to the interest of the client. To the extent supervised persons are aware of trades in individual issues being considered, recommended, or traded for the client account, the supervised persons will make every effort to trade in their own accounts after trades are executed for the client. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, we will monitor our proprietary and personal trading reports for adherence to our Code of Ethics which includes procedures for pre-clearing transactions and the use of blackout windows. KAM will always document any transactions that present conflicts of interest. In any instance where similar securities are being bought or sold, we will uphold our fiduciary duty by always transacting on behalf of our client before transacting for our own benefit.

Item 12 Brokerage Practices

SELECTION AND RECOMMENDATION

KAM will have complete discretion regarding the selection of brokers for the Fund and other client accounts and the amount of brokerage commissions and fees paid to such brokers, and this determination will be based upon four factors: (1) where the best execution (price) is likely to be obtained; (2) a brokerage firm's research and investment ideas that directly impact the Fund's portfolio; (3) a firm's ability to properly execute any orders (based on the size of the trade and its complexity to execute); and (4) the operational aspects of brokerage firms' back office (will the accounts receive payment of securities on a timely basis) and custodian or other administrative services. "Best execution" is not synonymous with lowest brokerage commission. Consequently, KAM may pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction for other investment funds similar to the Fund. However, KAM has determined that the research, execution and other services rendered by a particular broker merit greater than typical fees.

SOFT DOLLARS

KAM may generate "soft dollars" with respect to the Fund's trades; if it does so, KAM intends to comply with the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under "soft dollar" arrangements, the brokerage firms would provide or pay the costs of certain services, equipment or other items for the benefit of the Fund, KAM, or one or more of their affiliates in consideration of the allocation to the firm of brokerage transactions (with resulting commission income) made on behalf of the Fund on both an agency and net basis. Services that may be furnished or paid for by brokers or dealers may include, without limitation (in addition to the research products and services described below) special execution capabilities, clearance, settlement, net pricing, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, performance measurement data, consultations, financial strength and stability, efficiency of execution, availability of stocks to borrow for short sales, custody, recordkeeping and similar services. Although these soft dollar arrangements may benefit the Fund and KAM by reducing their respective expenses, the amount of the fees payable to KAM will not be reduced.

Because such services could be considered to benefit KAM and its affiliates, and the "soft dollars" used to acquire them are the assets of the Fund, KAM could be considered to have a conflict of interest in allocating brokerage business on behalf of the Fund. Nonetheless, KAM believes that to the extent it

makes allocations to brokerage business with soft dollar arrangements, this would generally enhance the ability to obtain research, optimal execution and other benefits on behalf of the Fund. The Fund will not necessarily benefit from all such soft dollar services. KAM may also derive substantial benefits from these services, particularly to the extent that KAM uses soft dollars to pay for expenses it would otherwise be required to pay itself. Furthermore, because the extent of the products and services provided by these brokers will be based largely on the volume of commissions generated by the Fund's trading activities, these soft dollar arrangements may create an incentive for KAM to increase the volume of the Fund's trading activities.

As of December 31, 2013, KAM has not utilized any particular procedures direct Fund transactions in return for products and research services. KAM has not generated "soft dollars."

BROKERAGE FOR CLIENT REFERRALS

KAM does not receive client referrals from third parties for recommending the use of specific broker-dealer's services.

DIRECTED BROKERAGE

KAM recommends that clients utilize its recommended broker dealers. This arrangement is designed to maximize efficiency and to be cost effective to our clients. By requiring clients to use our specific custodian, we seek to achieve most favorable execution of client transactions. KAM reserves the right to change the recommended custodian at any time it deems said custodian is not the custodian most favorable to its clients. KAM investment advisory services also involve managing a pooled investment vehicle, heretofore described as, the Fund. Due to the structure of pooled investment vehicles, directed brokerage arrangements by clients are not applicable to nor affect the investment management policies of KAM.

ORDER AGGREGATION

KAM may, at times, aggregate sale and purchase orders of securities for advisory accounts with similar orders in order to obtain the best pricing averages and minimize trading costs. This practice is reasonably likely to result in administrative convenience or an overall economic benefit to the client. Clients also benefit relatively with better purchase or sale execution prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors. Our policies and procedures mandate aggregating multiple orders. Aggregate orders will be allocated to client accounts in a systematic non-preferential manner. KAM may aggregate or "bunch" transactions for a client's account with those of other clients in an effort to obtain the best execution under the circumstances.

Trade Error Policy: KAM maintains a record of any trading errors that occur in connection with investment activities of its clients. Both gains and losses that result from a trading error made by the Adviser will be borne by the respective client account, and Adviser will not reimburse a client account for a trading error that result in loss. By way of example, if the Adviser incorrectly entered an order to buy instead of sell 100 shares of a security held in a client's account, the client will retain the profit if the resulting 200 shares then owned are sold for a profit, but will incur the loss without reimbursement if the 200 shares are sold at a loss.

Item 13 Review of Accounts

PERIODIC AND INTERMITTENT REVIEWS

KAM reviews its client's account activity on a continual basis to determine their conformity with investment objectives and guidelines. For further due diligence, the portfolios will be assessed no less than quarterly for factors such as risk evaluation, tax treatment, performance relative to the indices and liquidity needs of each client. The reviews are conducted by the Firm's Managing Member.

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in your financial status (such as retirement, termination of employment, relocation, or inheritance). Clients are advised to notify KAM promptly if there are any materials changes in their financial situation, investment objectives, or in the event they wish to place restrictions placed on their account.

CLIENT REPORTS

KAM does not issue separate client reports. Clients will receive reports at least quarterly from the account custodian detailing the account performance and holdings.

The Fund: The Fund's books of account will be audited at the end of each fiscal year by a firm of certified public accountants selected by KAM. Books of account will generally be kept by the Fund, in accordance with GAAP. Audited financial statements are provided to Limited Partners annually. In addition, all Limited Partners will receive the information necessary to prepare federal and state income tax returns following the conclusion of such fiscal year as soon thereafter as is reasonably practical.

Item 14 Client Referrals and Other Compensation

The Firm does not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to its clients.

KAM anticipates that selling commissions and/or referral fees may be paid in connection with the offering of the Fund's Interests. A portion of the Management Fee may be remitted to unaffiliated third parties introducing Limited Partners to the Fund, or KAM may use its own resources to compensate third parties for such introductions.

Item 15 Custody

CUSTODY OF ASSETS

Custody means holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them.

KAM has custody of its client's portfolio assets because it has the ability to deduct advisory fees payable to it and it has a general power of attorney over the Fund's account.

KAM does not have physical custody of any client funds or securities. Physical custody of our client's funds and securities are held by a KAM preferred qualified custodian. KAM does not take physical custody of client assets and/or securities under any circumstances. Client funds and securities are held by the qualified custodian. While KAM does not have physical custody of client funds or securities, payments of fees may be paid by the custodian from the custodial brokerage account that

holds client funds pursuant to the client's account application. In certain jurisdictions, the ability of a Firm to withdraw its advisory fees from the client's account may be deemed custody.

ACCOUNT STATEMENTS

The Fund: The administrator for the Fund will deliver transaction reports to KAM. Please be advised that KAM is not required to provide information about specific investment transactions of the Fund to the Limited Partners. Nonetheless, on at least a quarterly basis, KAM will provide Limited Partners and Shareholders with quarterly capital statements which set forth the Net Asset Value of the investor's shares/interests. Additionally, the Fund is subject to an annual audit by an accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board ("PCAOB"). The audited financial statements are distributed to Limited Partners within 120 days of the end of the Fund's fiscal year.

Institutional Advisory Services: Although we are your advisor, your statements will be mailed by the account broker-dealer or custodian. When you receive these statements, please review the statements carefully. Please compare asset values, holdings, and fees to the account statement issued for the previous period.

Item 16 Investment Discretion

The Fund: KAM is not limited in its authority to purchase securities for the Fund. KAM has full discretion and authority to make all investment decisions with respect to the types of securities to be bought or sold or the amount of securities to be bought or sold for the Fund.

Institutional Advisory Services: It is KAM's customary procedure to have full discretionary authority in order to supervise and direct the investments of your accounts. You grant this authority upon execution of our Advisory Agreement. This authority is for the purpose of making and implementing investment decisions, without your prior consultation. You may inform our Firm of restrictions that you would like to impose regarding investment strategies or types of securities transactions within your account(s). Our discretionary authority does not give authority to take or have possession of any assets in your account or to direct delivery of any securities or payment of any funds held in the account to our Firm. Furthermore, our authority by agreement does not allow us to direct the disposition of such securities or funds to anyone except the account owner.

Item 17 Voting Client Securities

Fiduciary obligations of prudence and loyalty require an investment adviser with proxy voting responsibility to vote proxies on issues that affect the value of the client's investment. Proxy voting decisions must be made solely in the best interests of the client's account. In voting proxies, our Firm is required to consider those factors that may affect the value of the client's investment and may not subordinate the interests of the client to unrelated objectives.

The Fund: KAM will exercise all rights, powers and privileges of ownership in all Fund property, including the right to vote, give assent, execute, and deliver proxies, and the Fund's proxy voting policies override the undersigned's proxy voting policies. Fund investors are required to adopt the voting policies of the Fund for purposes of their investments in the Fund. KAM has adopted proxy voting policies and procedures for voting proxies on behalf of the Fund. Clients may obtain a copy of our proxy voting policy upon request. Clients may also request a copy of historical voting.

KAM carefully evaluates proposals subject to shareholder voting for the Fund's portfolio company and makes a best effort attempt to vote securities held by the Fund in the best interests of the Fund and in a manner intended to maximize current or long-term value, as appropriate under the circumstances. Firm procedures also require that KAM identify and address conflicts of interest between its related persons and the Fund. If a material conflict of interest exists, the Firm will determine whether voting in accordance with the guidelines set forth in its procedures is in the best interests of the Fund or whether taking alternative action may be more appropriate.

Should a material conflict arise between our Firm's interest and that of our clients, our Firm will vote the proxies in accordance with our fiduciary duty to our clients. A written record will be maintained describing the conflict of interest, and an explanation of how the vote taken was in the client's best interest. KAM may refrain from voting a proxy if the cost of voting the proxy exceeds the expected benefit to the client. Clients may obtain a copy of our proxy voting policies and procedures upon request.

Institutional Advisory Services: KAM typically does not vote proxies on behalf of clients. Clients retain the right to vote all proxies which are solicited for securities held in the account. Clients will receive proxies directly from the account custodian or from the investment's transfer agent. In addition, KAM will not take any action or render any advice with respect to any securities held in any accounts that are named in or subject to class action lawsuits. KAM will, however, forward to client any information received by it regarding class action legal matters involving any security held in the account. Consequently, all proxy solicitations will be sent directly to the client for voting by the custodian or the investment's transfer agent. Although we do not vote proxies, we permit our Investment Adviser Representative(s) to answer questions you may have regarding proxy voting materials in an effort to assist you in determining how to vote the proxy. However, the final decision of how to vote the proxy rests solely with you, the Client. Clients may direct KAM to vote proxies that are solicited for securities held in client accounts. The Firm may, but is not required to, take any action or render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which assets of the Account may be invested from time to time.

Item 18 Financial Information

BALANCE SHEET REQUIREMENT

A balance sheet is not required to be provided because KAM does not serve as qualified custodian for client's funds or securities, and does not require prepayment of fees of more than \$1,200 per client, six (6) months or more in advance.

FINANCIAL CONDITION

KAM does not have any financial impairment that will preclude it from meeting contractual commitments to clients.

BANKRUPTCY PETITION FILINGS

The Firm has not been the subject of a bankruptcy petition at any time during the last 10 years.

PRIVACY POLICY

KAM considers customer privacy to be a fundamental aspect of its relationship with its clients. KAM is committed to maintaining the confidentiality, integrity, and security of its current, prospective and former clients' personal information. KAM does not disclose nonpublic personal information about its clients or former clients to any persons other than as described below. KAM collects information about its clients (such as name, address, social security number, assets and income) from discussions with clients, from documents that clients may deliver to KAM (such as account applications) and in the course of providing services. In order to service its client accounts and effect client transactions, KAM may provide client personal information to its affiliates and to firms that assist it in servicing client accounts and which have a need for such information. KAM does not otherwise provide information about its clients to outside firms, organizations or individuals except as required by law. Any party that receives this information will use it only for the services and as allowed by applicable law or regulations, and is not permitted to share or use this information for any other purpose.