



FORM ADV PART 2A
DISCLOSURE STATEMENT
March 7, 2023

This brochure provides information about the qualifications and business practices of Krensavage Asset Management LLC (“**KAM**”). If you have any questions about the contents of this brochure, please contact us at (212) 518-3193 or info@krensavage.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. Additional information about KAM also is available on the SEC’s website at www.adviserinfo.sec.gov.

KAM is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

KAM’s address is 610 Fifth Avenue, Suite 301, New York, NY 10020. Its website is www.krensavage.com.

Item 2 **Material Changes**

KAM has made changes to the last version of this Brochure dated March 4, 2022. Some changes are minor editing changes, updates or clarification of prior text. The material changes that were made are summarized below.

- **Item 4E (Advisory Business):** This Item has been updated to reflect the amount of regulatory assets under management as of December 31, 2022.
- **Item 5B (Fees and Compensation- Other Fees and Expenses):** This Item has been updated to reflect that KAM's Pricing and Allocation Committee meets on a quarterly basis (rather than a semi-annual basis, as previously stated). The same change has also been made in other Items in this Brochure. This Item also now contains a reference to Fund expense caps and penalties for early withdrawal.
- **Item 8B (Methods of Analysis, Investment Strategies and Risk of Loss):** This Item has an updated description of KAM's investment strategy and program. Additional risk factors have been added, including factors related to the healthcare sector.

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Item 4 Advisory Business

A. ADVISORY FIRM

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 owned by Michael Paul Krensavage, who is the controlling principal of KAM (the “Managing Member”).

B. SERVICES

KAM provides investment advisory services and serves as the discretionary investment manager of Krensavage Partners, LP, a Delaware limited partnership (“**Krensavage Partners**”), Krensavage Offshore Fund, Ltd., a Cayman exempted company (“**Krensavage Offshore**”) and Krensavage Partners Too, LP, a Delaware limited partnership (“**Krensavage Partners Too**”)(each of Krensavage Partners, Krensavage Offshore, and Krensavage Partners Too are referred to herein as a “**Fund**” and together, as the “**Funds**”). Krensavage Offshore is a feeder fund into Krensavage Partners.

KAM pursues a concentrated value-oriented, approach to investing focused on the healthcare sector. The Funds invest their assets in securities according to KAM’s proprietary investment strategy. As the investment manager to the Funds, KAM is responsible for: (a) the formulation and implementation of the Funds’ investment strategy; (b) evaluating and monitoring investments made by the Funds; and, (c) making all investment decisions for the Funds.

Krensavage Advisors, LLC (“**Krensavage Advisors**”), an affiliate of KAM, acts as the general partner of Krensavage Partners. As general partner, Krensavage Advisors is ultimately responsible for the management of Krensavage Partners.

Krensavage Advisors Too, LLC (“**Krensavage Advisors Too**”), an affiliate of KAM, acts as the general partner of Krensavage Partners Too. As general partner, Krensavage Advisors Too is ultimately responsible for the management of Krensavage Partners Too.

Krensavage Advisors and Krensavage Advisors Too are herein referred to as the “**General Partners**”.

As noted, KAM is retained by each Fund to act as such Fund’s discretionary investment adviser. The specific terms and conditions applicable to the Funds, as well as each Fund’s investment focus, investment guidelines, and investment restrictions, if any, are described in each Fund’s confidential private placement memorandum or confidential explanatory memorandum (each a “**Memorandum**”). **This document is neither an offer to sell nor a solicitation of an offer to buy interests in or shares of either Fund.** Such an investment may be made only after receipt and review of the applicable Memorandum. Upon request to KAM, a copy of each Memorandum is available to persons meeting applicable investor eligibility criteria. Each Memorandum contains important information concerning risk factors and other material aspects of the applicable Fund(s) 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 each Fund’s Memorandum.

C. TAILORED RELATIONSHIPS

KAM provides investment advisory services to the Funds based on the investment objectives

of the Funds. **KAM does not provide tailored investment advice to the Limited Partners or Shareholders in the Funds.**

D. WRAP FEE PROGRAMS

KAM does not participate in and is not a sponsor of any wrap fee program.

E. ASSETS UNDER MANAGEMENT

KAM managed a total of approximately \$376,884,624 in regulatory assets under management (RAUM) as of December 31, 2022 on a discretionary basis.

Item 5 Fees and Compensation

A. ADVISORY FEES AND BILLING PROCEDURES

KAM receives a quarterly management fee (“**Management Fee**”) equal to 0.5% (2.0% per annum) of each Fund’s net asset value as of the beginning of each calendar quarter. The Management Fee is calculated and payable quarterly in advance, as of the first day of each quarter. A *pro rata* portion of the Management Fee is charged to Limited Partners or Shareholders on any amounts accepted by the Funds during a quarter. KAM or relevant General Partner, in their sole discretion, may waive or reduce Management Fees, for any Limited Partner or Shareholder in a Fund.

B. OTHER FEES AND EXPENSES

The Funds paid for their own organizational and initial offering expenses and pay for their own operating expenses (subject to a cap for Krensavage Partners and Krensavage Partners Too, as specified in the applicable Memorandum), including, but not limited to, operating expenses include, but are not limited to, (i) all expenses incurred in connection with the ongoing offer and sale of interests, including, but not limited to, printing of the offering documents and exhibits and documentation of performance and the admission of investors, (ii) all operating expenses of the Funds such as tax preparation fees, governmental fees and taxes, administrator fees, accounting fees, costs of communications with investors, and ongoing legal, accounting, auditing, bookkeeping, consulting and other professional fees and expenses, (iii) all “Transaction Expenses” of the Funds (as defined below), and (iv) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims, assertion of rights or pursuit of remedies, by or against the Funds, as each of the foregoing is further described in each Fund’s Memorandum. “Transaction Expenses” consist of all Fund research, trading and investment related costs and expenses (e.g., research reports, due diligence on portfolio companies, brokerage commissions, margin interest, expenses related to short sales, custodial and banking fees, clearing and settlement charges, fees for data and pricing information, and trade routing and order management fees. Krensavage Offshore, as the feeder fund into Krensavage Partners, will bear a pro rata portion of expenses of Krensavage Partners (the master fund).

Expenses that are common to more than one of the Funds will generally be shared among the applicable Funds pro rata according to the relative net asset values of each Fund or otherwise as KAM determines to be equitable.

Investors may be subject to an “early withdrawal penalty” of 3% applicable to any capital

contribution that it withdraws prior to the first anniversary of such contribution.

The general partner and KAM will pay for their own administrative and overhead expenses incurred in connection with providing services to the Funds.

KAM's Pricing and Allocation Committee (the "PAC") generally oversees issues related to Fund expenses at its regular quarterly meeting.

C. REFUND POLICY

No part of the Management Fee will be refunded in the event that a Limited Partner withdraws or Shareholder redeems, whether voluntarily or involuntarily, all or any of the value in the Limited Partner's capital account or Shareholder's shares during any quarter.

D. OTHER COMPENSATION

KAM does not accept any other compensation other than the fees as described in Item 5 and Item 6.

Item 6 Performance-Based Allocation and Side-By-Side Management

A. PERFORMANCE-BASED COMPENSATION

Performance-based compensation is compensation based on a share of the capital gains or capital appreciation of the assets of a client. Performance-based compensation arrangements cause an investment adviser to participate directly in the profits accumulated in a client's account. Performance-based compensation may create an incentive for the investment adviser to make investments on behalf of a client that are riskier or more speculative than would be the case in the absence of such compensation arrangements.

The Limited Partners in Krensavage Partners and Shareholders in Krensavage Offshore pay Krensavage Advisors an annual performance allocation at the close of each calendar year equal to 20% of the net profits otherwise allocable to each such Limited Partner or Shareholder, subject to a "high water mark". Likewise, the Limited Partners in Krensavage Partners Too pay Krensavage Advisors Too an annual performance allocation at the close of each calendar year equal to 20% of the net profits otherwise allocable to each such Limited Partner, subject to a "high water mark" mechanism. KAM or the relevant General Partner may, in their sole discretion, enter into arrangements with Limited Partners or Shareholders under which the performance-based allocation is reduced, waived, or calculated differently with respect to a particular Limited Partner or Shareholder, including such investors who are members, affiliates or employees of KAM, members of the immediate families of such persons and trusts or other entities for their benefit, or investors that make a substantial investment or otherwise are determined by KAM or the relevant General Partner, in their sole discretion, to represent a strategic relationship.

As KAM and its investment personnel manage more than one Fund account, a potential exists for one Fund to be favored over another Fund. KAM has adopted and implemented policies and procedures intended to address potential conflicts of interest relating to the management of multiple accounts and the allocation of investment opportunities to ensure that all Funds are treated fairly and equitably. At the quarterly PAC meeting, the committee reviews, among other things, trade allocation and account performance for any evidence of favoritism to one

Fund over another.

B. SIDE-BY-SIDE MANAGEMENT

“Side-by-Side Management” refers to a situation in which the same investment adviser manages accounts that are billed based only on a percentage of assets under management and at the same time manages other accounts that are subject to performance-based compensation arrangements. Since KAM only manages the Funds, it does not conduct side-by-side management of dissimilar advisory accounts.

Item 7 Types of Clients

KAM provides portfolio management services to the Funds only.

The minimum initial capital contribution for interests in Krensavage Partners is \$500,000, the minimum initial subscription for shares in Krensavage Offshore is \$500,000, and the minimum initial capital contribution for interests in Krensavage Partners Too is \$1,000,000. KAM reserves the right to reduce the minimum initial capital contribution and to accept subscriptions for lesser amounts. Except as may be required by law, there are no minimum requirements for maintaining an interest in the Funds.

Note that a Fund may from time-to-time enter into side letter agreements or other similar agreements (collectively, "Side Letters") with one or more investors in a Fund which provide them with additional and/or different rights (including, without limitation, with respect to management fees, performance allocations, early withdrawal penalty, withdrawals, access to information and minimum investment amounts) from other investors. The Fund's General Partner will not be required to notify any or all of the other investors of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will the General Partner be required to offer such additional and/or different rights and/or terms to any or all of the other investors.

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

A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The Funds' investment objective is to seek profits while attempting to preserve capital. KAM will attempt to accomplish this investment objective by investing primarily in securities and financial instruments, both domestic and foreign, of healthcare companies. KAM expects that the Funds will primarily purchase and sell equity securities of public pharmaceutical, biotechnology and medical device companies, while also investing in service providers such as pharmaceutical distributors. KAM seeks to buy companies trading at a discount to KAM's estimate of their intrinsic value and sell those trading at a premium to such intrinsic value. While the Funds focuses on healthcare companies, it may invest in other sectors if they offer attractive opportunities, as determined by KAM, in its sole discretion.

Potential investments include securities and financial instruments, publicly traded or privately placed, including but not limited to common and preferred stocks, bonds and other debt securities, convertible securities, limited partnership interests, mutual fund shares, options, warrants, monetary instruments and cash and cash equivalents.

KAM relies on extensive fundamental analysis to select primarily long investments from the U.S. and other developed markets. It may sell short companies that it believes are overvalued. KAM generally avoids leverage.

KAM tries to find companies trading so cheaply that investors are paying little or nothing for potential positive catalysts such as drug approvals, takeovers, spin-offs, restructurings or litigation success.

Investment candidates typically enter KAM's realm after suffering failed clinical trials, generic competition or litigation. KAM favors cash-rich companies with approved products or royalty streams. KAM typically avoids speculative biotechnology companies with no approved medicines.

KAM seeks to diversify the Funds' portfolio by investing in healthcare companies of all market values, as long as they offer acceptable liquidity. KAM runs a concentrated portfolio that typically contains 10 to 20 longs and 5 to 15 shorts, although the actual number of positions may vary substantially from time to time.

KAM typically limits long positions to 20% of the portfolio and shorts to 8%, although circumstances may force it to breach those limits. The Funds' portfolio typically contains multiple long positions exceeding 10% of the portfolio. KAM maintains smaller short positions, an acknowledgement of unlimited risks of short selling. While the Funds may maintain a significant allocation in cash, they typically are fully invested.

The Funds' risk management methodology requires its investments to possess a substantial margin between KAM's estimate of intrinsic value and the market price of the security. The Funds' aversion to debt, both at the companies it invests in, and in the Funds' portfolio, plays a central role in risk management.

KAM tries to maintain liquidity in the portfolio, generally meaning that it can sell 50% of its holdings within five (5) trading days. However, this is not a hard and fast rule.

No assurance can be given that the Funds will achieve their investment objective and investment results may vary substantially over time and from period to period.

B. MATERIAL RISKS OF ANALYSIS AND INVESTMENT STRATEGIES

Investors need to be aware that investing in securities involves risk of loss that clients need to be prepared to bear. Investors may lose their entire investment. An investor should not make an investment in any Fund with the expectation of sheltering income or receiving cash distributions.

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.

KAM believes that substantial returns can be achieved by investing in the Funds; however, such investment involves a high degree of risk. Because risks are inherent in all the investments in which the Funds engage, no assurances can be given that the Funds' investment objectives will be realized. KAM urges investors to review carefully the risk factors and other material aspects of the Funds as set forth in each Fund's Memorandum. The risk factors set forth in each Fund's Memorandum are those deemed by KAM to be the most significant and other subsequent risks may arise which are currently unforeseen.

Below is a summary of the risk factors described in full in the Funds' Memoranda:

- **General Investment Risks.** The Funds' 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 Funds' profitability.
- **Investment and Trading Risks.** All investments involve the risk of loss of capital. KAM believe that the Funds' investment program and its research and risk- management techniques moderate this risk through the careful selection of securities. The Funds' investment program will utilize such investment techniques as option transactions, limited diversification, margin transactions, and short sales, which practices can, in certain circumstances, maximize the adverse impact to which the Funds may be subject. At times, an illiquid market for a particular security may limit KAM's ability to execute its investment strategy.
- **Healthcare Sector Risk.** The Funds' assets are expected to be concentrated in the healthcare sector, which means the Funds will be more affected by the performance of the healthcare sector than a fund that is more diversified across sectors. Companies in the healthcare sector are subject to extensive government regulation and their profitability can be significantly affected by restrictions on government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure (including price discounting), limited product lines and an increased emphasis on the delivery of healthcare through outpatient services. Companies in the healthcare sector are heavily dependent on obtaining and defending patents, which may be time consuming and costly, and the expiration of patents may also adversely affect the profitability of these companies. Healthcare companies are also subject to extensive litigation based on product liability and similar claims. In addition, their products can become obsolete due to industry innovation, changes in technologies or other market developments. Many new products in the healthcare sector require significant research and development and may be subject to regulatory approvals, all of which may be time consuming and costly with no guarantee that any product will come to market.
- **Healthcare Reform and Cost Control Initiatives.** Healthcare reform and cost control initiatives by third-party payors could reduce the prices that can be charged for pharmaceutical and healthcare products, which could limit the commercial success of the related companies in which the Funds seek to invest. In the United States, there have been, and KAM expects there will continue to be, a number of legislative and regulatory proposals to change the healthcare system in ways that could significantly affect the business of such

companies. Future legislation may limit the prices that can be charged for pharmaceutical and healthcare products developed by such companies and may limit commercial opportunities related thereto and reduce associated revenue and profits. For example, federal laws require drug manufacturers to pay specified rebates for medicines reimbursed by Medicaid and provide discounts for out-patient medicines purchased by certain public health service entities and “disproportionate share” hospitals and for purchases by some federal governmental departments. In many countries other than the United States, reimbursement, pricing and profitability of prescription pharmaceuticals and biopharmaceuticals are subject to government control. KAM is unable to predict what additional legislation or regulation, if any, relating to the healthcare and pharmaceutical industries or third-party coverage and reimbursement may be enacted in the future or what effect such legislation or regulation would have on the business of the companies in which the Funds seek to invest.

Moreover, managed care plans may continue to put pressure on the pricing of pharmaceutical and healthcare products. Cost control initiatives could decrease the price that a company receives for any of its future products, which could adversely affect profitability. These initiatives may also have the effect of reducing the resources that pharmaceutical and healthcare companies can devote to in-licensing drug candidates and the research and development of new drugs, which could reduce a company’s profitability. As a result of the nature of the Funds’ investing activities, it is possible that the Funds’ financial performance may fluctuate substantially from period to period.

Significantly, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (IRA) into law. This statute marks the most significant action by Congress with respect to the pharmaceutical industry since adoption of the PPACA in 2010. Among other things, the IRA requires manufacturers of certain drugs to engage in price negotiations with Medicare (beginning in 2026), with prices that can be negotiated subject to a cap; imposes rebates under Medicare Part B and Medicare Part D to penalize price increases that outpace inflation (first due in 2023); and replaces the Medicare Part D coverage gap discount program with a new discounting program (beginning in 2025). The IRA permits the Secretary of the Department of Health and Human Services (HHS) to implement many of these provisions through guidance, as opposed to regulation, for the initial years. For that and other reasons, it is currently unclear how the IRA will be effectuated, and while the impact of the IRA on the pharmaceutical industry cannot yet be fully determined, it is likely to be significant.

- **Investments in Small Capitalization and Unseasoned Companies.** KAM’s investment program contemplates that a portion of the Funds’ portfolios may be invested in small and/or unseasoned companies with small market capitalization. These companies often involve higher risks because they may lack the management experience, financial resources, product diversification and/or competitive strength of larger and/or more established companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Due to the lower trading volume of smaller company securities, the Funds may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time when making large sales, which could limit gains or increase losses on Fund investments.

- **Short Sales.** When deemed appropriate by KAM, the Funds may sell securities short. Short selling involves the sale of a security that a Fund does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Partnership may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.
- **Limited Liquidity of Interests and Shares.** An investment in any of the Funds involves substantial restrictions on liquidity and the interests (or shares) therein are not freely transferable. There is no market for the interests (or shares) and no market is expected to develop. Additionally, transfers are subject to the consent of the applicable General Partner or board of directors, which consent may be granted or withheld in the General Partner's (or board's) discretion. Therefore, investors may be unable to liquidate their investment promptly in the event of an emergency or for any other reason.
- **Concentration of Investments.** KAM's investment program contemplates a focused investment portfolio for each Fund. The Funds are not formally limited in the amount of the assets that may be invested in a single company, security, country, industry, sector or asset class, and KAM does not subject the portfolio to any formal policies regarding diversification. The concentration of the Funds' portfolios in any manner will generally subject the Funds to a greater degree of risk with respect to the failure of one or a few investments, or with respect to economic downturns in relation to an individual industry or sector.
- **Execution of Orders.** The Funds' trading strategies depend on the ability to establish and maintain an overall market position in a combination of financial instruments selected by KAM. The Funds' 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.
- **Investment Expenses.** The investment expenses of the Funds (*e.g.*, expenses related to the investment and custody of the Funds' assets, such as brokerage commissions, custodial fees and other trading and investment charges and fees) as well as other fees may, in the aggregate, constitute a high percentage relative to other investment entities. The Funds will bear these costs regardless of their profitability.
- **Dependence on Key Personnel.** The success of the Funds will depend on the management of KAM, the General Partners and on the skill and acumen of Michael P. Krensavage, who serves as the portfolio manager for the Funds.
- **No Participation in Management.** The management of the Funds is vested solely in KAM and the applicable General Partners and directors of the Funds (if any). Investors have no right to take part in the conduct or control of the business of the Funds. In connection with the management of the Funds' business, KAM will devote only such time to Fund matters as it, in its sole discretion, deems appropriate.
- **General Economic Conditions.** The success of the Funds' 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 Funds'

investments.

- **Cybersecurity Risks.** There are ongoing cybersecurity risks to the healthcare companies in which KAM invests. To the extent that a company that KAM invests in is subject to cyber-attack or other unauthorized access, such company may be subject to substantial losses. In certain events, the targeted company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any such circumstances could subject a company that KAM has invested in to substantial losses. In addition, in the event that a cyber-attack or other unauthorized access is directed at KAM or one of its service providers holding its financial or investor data, KAM or a Fund may also be at risk of loss.

While the foregoing information provides a synopsis of the risk factors that may affect your investments in any Fund, this listing is not exhaustive. Please read the Risk Disclosures section in each Fund's Memorandum carefully. KAM wants investors to understand that there are inherent risks associated with investing in the Funds; YOU COULD LOSE ALL OR A SUBSTANTIAL AMOUNT OF YOUR INVESTMENT.

The Funds' success depends on KAM's strategies and the ability to implement its investment strategies. No assurance can be given that the Funds' investment objectives and investment strategies will be achieved or will avoid substantial losses.

An investment in the Funds 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. Prospective investors are urged to consult with their own financial, tax and legal advisors before investing in the Funds.

C RECOMMENDATION OF SPECIFIC TYPES OF SECURITIES

As described above, KAM specializes in investments in the healthcare sector. The Funds 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, and derivative instruments including options transactions.

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. None of KAM, its management, or related persons has been involved in any legal nor disciplinary events related to past or present advisory 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 a representative

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 application pending to register as, associated persons of the foregoing entities.

As noted in Item 4, KAM is affiliated with Krensavage Advisors, which acts as the General Partner of Krensavage Partners, and Krensavage Advisors Too, which acts as the General Partner of Krensavage Partners Too. The principal owner of KAM (Michael P. Krensavage) is also the principal owner of the General Partner entities. KAM does not believe that this structure creates a conflict of interest to the Funds or investors.

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

A. 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 Compliance Manual, including 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.

B. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

KAM does not recommend or effect transactions in securities in which any related person may have a material financial interest. KAM does not engage in principal transactions. On a monthly basis, KAM engages in rebalancing the portfolios of Krensavage Partners and Krensavage Partners Too. Rebalancing transactions are made only by utilizing either (a) an interposed non-affiliated broker-dealer, or (b) an off-exchange transaction as a price which is within the range of trading for that particular day. Any other cross-transactions must be approved by the Chief Compliance Officer (CCO). Cross-trading is monitored by the PAC at its quarterly meetings.

C. PROPRIETARY /SIMULTANEOUS TRADING

KAM does not permit its employees to invest directly in the securities of healthcare sector companies, except that such employees and personnel may invest in exchange-traded funds or mutual funds that may hold securities of healthcare companies. Due to the blanket restriction on trading healthcare sector companies, KAM generally will not have any names on its Restricted List. Employees who begin working at KAM holding healthcare sector securities are required to obtain approval from the CCO prior to selling such securities. The CCO regularly monitors the personal trading activity of employees.

Item 12 Brokerage Practices

A. SELECTION AND RECOMMENDATION

KAM will have complete discretion regarding the selection of brokers for the Funds and the amount of brokerage commissions and fees paid to such brokers, and this determination will be based upon seven 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 Funds' portfolios; (3) a firm's ability to properly execute any orders (based on the size of the trade and its complexity to execute); (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; (5) industry reputation of the broker; (6) financial strength and capital position; and (7) error correction capabilities. "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 Funds. However, KAM has determined that the research, execution and other services rendered by a particular broker merit greater than typical fees.

B. SOFT DOLLARS

Although KAM does not currently have any "soft dollar" arrangements in place, KAM may generate "soft dollar credits" with respect to the Funds' trades (see below). 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 Funds' brokerage firms would provide or pay the costs of certain services, equipment or other items for the benefit of the Funds, 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 Funds 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 Funds 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 Funds, KAM would have a conflict of interest in allocating brokerage business on behalf of the Funds. 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 Funds. The Funds will not necessarily benefit from all such soft dollar services, however. 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 Funds' trading activities, soft dollar arrangements may create an incentive for KAM to increase the volume of the Funds'

trading activities.

Note that research reports, introduction of investors to a Fund (either through a capital introduction event or otherwise), attendance at certain seminars, and discussions with research analysts may be acquired from various broker-dealers that KAM utilizes as either an executing broker or prime broker for the Funds. These products and services are not provided with “soft dollar” credits generated by specific trades, but rather would be provided by the broker-dealer because of KAM’s ongoing relationship with the broker-dealer.

The PAC is charged with monitoring soft dollar usage (if any).

C. BROKERAGE FOR CLIENT REFERRALS

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

D. DIRECTED BROKERAGE

KAM does not have any directed brokerage arrangements in place with any of its clients.

E. 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. The Funds may also benefit with relatively better purchase or sale execution prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors. Aggregate orders will be allocated to client accounts in a systematic non-preferential manner. If the bunched order does not fill at one price, resulting in partial fills, allocations to the Funds will be made on an average pricing basis. The PAC reviews aggregated orders at its regular quarterly meetings.

Trade Allocation Policy: KAM may at times determine that certain investments will be suitable for acquisition by more than one Fund. If that occurs, KAM will endeavor to allocate in good faith the investment acquired among the various accounts for which KAM considers them to be suitable. In general, when allocating investments, KAM will allocate investments acquired for multiple Funds pro rata in proportion to the relative net worth of each such participating Fund. In determining whether participation by a particular Fund is appropriate, KAM will take into account, among other considerations: (a) whether the risk-return profile of the proposed investment is consistent with the objectives of the Fund, which objectives may be considered (i) solely in light of the specific investment under consideration or (ii) in the context of the portfolio’s overall holdings and available capital; (b) the potential for the proposed investment to create an imbalance in the portfolio of a Fund; (c) liquidity requirements of a Fund; (d) potential tax consequences; (e) legal or regulatory restrictions; (f) the need to re-size risk in the portfolio of a Fund; and (g) whether a Fund has substantial amount of investable cash (e.g., during a “ramp-up” period).

It is KAM’s general policy that no Funds managed by KAM shall receive inappropriate preferential treatment over any other and that all Funds should be treated fairly in light of the policy considerations described herein.

In addition, the ability of one or more Funds to invest in the same investment or to invest in the same amounts or on the same terms may be adversely affected by any limitation on the

availability of the investment. KAM will endeavor to allocate in good faith the limited amount of such investments acquired among the various Funds for which it considers them to be suitable in accordance with the general policies set forth above.

Notwithstanding any similar strategies between accounts, KAM may determine that certain investment opportunities are appropriate for one account but not another. KAM may give advice or take action with respect to one account that differs from the advice given or action taken with respect to another account.

Trade Error Policy: Although all of KAM's employees are expected to exercise due care in making and implementing investment decisions, employees may from time-to-time make errors with respect to a trade made on behalf of a Fund. It is the responsibility of KAM to take all commercially reasonable efforts to correct all trade errors prior to the settlement date. However, the affected Fund(s) will bear the cost of any trading losses, liabilities, damages, expenses or any other costs resulting directly from a trade error (collectively, the "Error Costs"), except for the following two limited exceptions: (i) Error Costs that directly result from KAM's gross negligence, willful misconduct, or violation of applicable law (as shall be determined in the sole discretion of KAM by the PAC), or (ii) Error Costs that may not be waived or limited by KAM under applicable law. Further, if any benefit results to a Fund from a trade error, such Fund will receive the benefit of that trade error. A Fund will not bear the cost, or receive the benefit of, any error associated with another Fund, and it shall be the responsibility of KAM to allocate such costs/benefits accurately.

Item 13 Review of Accounts

A. PERIODIC AND INTERMITTENT REVIEWS

KAM reviews the Funds' investment programs on a continual basis to determine their conformity with investment objectives and guidelines. 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 the effectiveness of a given strategy or approach.

B. CLIENT REPORTS

The Funds' 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 Funds, in accordance with GAAP. Audited financial statements are provided to Limited Partners and Shareholders annually. In addition, all Limited Partners and Shareholders 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 and monthly statements during the year.

Item 14 Client Referrals and Other Compensation

A. ECONOMIC BENEFITS FROM OTHERS

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.

B. COMPENSATION TO UNAFFILIATED THIRD PARTIES

KAM utilizes several third-party placement agents (solicitors) who make referrals of investors to the Funds. Such third-party placement agents are paid based on a negotiated percentage of revenues generated from management fees and incentive fees.

Item 15 Custody

A. 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 for purposes of Rule 206(4)-2 of the Investment Adviser Act of 1940 because it has the ability to deduct advisory fees payable to it and it has a general power of attorney over the Funds' accounts.

Qualified custodians maintain custody of Fund assets and securities. The custodians for the Funds are identified in ADV Part 1.

B. ACCOUNT STATEMENTS

The Funds are subject to an annual audit by an independent accounting firm 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 and Shareholders within 120 days of the end of each Fund's fiscal year. Due to the provision of the annual audit by a PCAOB auditor, the specific provisions of the Custody Rule regarding provision of account statements are not applicable. Note however, that on a monthly basis, the Fund administrator will provide Limited Partners and Shareholders with monthly capital statements which set forth the net asset value or capital balance of the investor's shares/interests.

Item 16 Investment Discretion

KAM is not limited in its authority to purchase securities for the Funds. 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 Funds.

Despite this broad authority, KAM is committed to adhering to the investment strategy and program set forth in the Offering Memorandum of each Fund. In addition, various securities and/or tax laws and KAM's internal compliance policies impose restrictions on the investments KAM can make on behalf of the Funds.

KAM provides all potential investors in the Funds with an Offering Memorandum that sets forth, in detail, KAM's investment strategy and program with respect to such Fund. By

completing a Fund's subscription documents to acquire an interest or shares in one of the Funds, investors give KAM complete authority to manage their investments in accordance with the applicable Offering Memorandum.

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.

KAM believes its policies and procedures are reasonably designed to ensure that proxies are voted in the best economic interests of clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. A summary of KAM's proxy voting policies and procedures are set forth below. Clients may obtain a copy of KAM's complete proxy voting policies and procedures upon request by contacting KAM as set forth on the Cover Page.

KAM's general policy is to vote- not abstain from voting- on all issues presented on portfolio securities held for its clients. KAM will consider all issues presented for a vote of security holders from an investment point of view and vote in the best investment interests of the beneficial owners of the client account holding the securities that are being voted, with the goal of maximizing the long-term value of the client account.

All employees of KAM have a duty to report any potential conflict of interest of which they become aware regarding voting on behalf of client accounts. KAM will consider all potential conflicts of interest brought to its attention, or that otherwise come to its attention, and will determine whether there exists a material conflict of interest with respect to the vote in question. A conflict of interest will be considered material to the extent it is determined that such conflict has the potential to influence KAM's decision-making regarding the vote. Where it is deemed that a material conflict of interest does not exist, KAM may cast such vote, subject to the duty to act solely in the best interest of the client's accounts holding the securities that are being voted. In a situation where the issue is not specifically addressed in KAM's policies and an apparent or actual material conflict exists, KAM will either: i) delegate the voting decision to an independent third party; ii) inform clients of the conflict of interest and obtain advance consent of a majority of such clients for a particular voting decision; or iii) not vote.

Item 18 Financial Information

A. 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.

B. FINANCIAL CONDITION

KAM does not have any financial impairment that will preclude it from meeting contractual

commitments to clients.

C BANKRUPTCY PETITION FILINGS

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