



Madryn Asset Management, LP

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New York, NY 10017

Part 2A of Form ADV
The Brochure

March 2024

This brochure (the “Brochure”) provides information about the qualifications and business practices of Madryn Asset Management, LP (“Madryn” or the “Firm”). It is provided in connection with Madryn’s Form ADV filing (“Form ADV”). If you have any questions regarding the contents of Madryn’s Form ADV or this Brochure, please contact us at +1 (646) 560-5490. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Madryn is available on the SEC’s website at www.adviserinfo.sec.gov. Being a “registered investment advisor” or describing Madryn as “registered” does not imply a certain level of skill or training. This brochure does not constitute an offer to sell or the solicitation of an offer to buy any security.

Item 2. Material Changes

Since the Firm's most recent annual update in March 2023, Madryn has updated the following Items in this Brochure:

- Item 4 has been updated to reflect, among other matters, Madryn's and its affiliates' principal owners as of January 2024.
- Item 5 has been updated to describe, among other matters, Madryn's and its Funds' arrangements with Operating Partners and to clarify certain practices with respect to Fund expenses.
- Item 7 has been updated to disclose, among other matters, the launch of a dedicated vehicle established for the purpose of facilitating broader co-investment participation alongside certain Madryn Funds.
- Item 11 has been updated to disclose, among other matters, additional conflicts of interest that exist between Madryn, its affiliates, its Funds, and Limited Partners.
- Item 12 has been updated to describe, among other matters, the circumstances under which the Firm may effect transactions between Funds.

Madryn has also made various updates to improve and clarify the description of its business practices, risks, and compliance policies and procedures as well as to respond to evolving industry best practices. Please review this Brochure carefully and in its entirety.

Item 3. Table of Contents

Item 2. Material Changes	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business	4
Item 5. Fees and Compensation	5
Item 6. Performance-Based Fees and Side-by-Side Management	9
Item 7. Types of Clients.....	10
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	13
Item 9. Disciplinary Information.....	23
Item 10. Other Financial Industry Activities and Affiliations	23
Item 11. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading.....	23
Item 12. Brokerage Practices	29
Item 13. Review of Accounts.....	30
Item 14. Client Referrals and Other Compensation	30
Item 15. Custody	31
Item 16. Investment Discretion	31
Item 17. Voting Client Securities.....	31
Item 18. Financial Information	32

Item 4. Advisory Business

Madryn is a Delaware limited partnership that was founded and established in July 2016. In January 2024, Madryn closed on a strategic transaction (the “Transaction”) with Walter Global Asset Management, Inc. and its affiliates (collectively, “WGAM”) whereby WGAM acquired an indirect minority ownership stake in Madryn along with an interest in certain other entities affiliated with Madryn (the “Transaction”).

WGAM is a global diversified private equity firm based in Canada that seeks to deliver strategic partnership and development capital to investment managers, financial service firms and wealth managers. As a result of the Transaction, the Firm is 99% owned by Madryn Capital, LLC (“Madryn Capital”) a Delaware limited liability company, with the remaining 1% directly held by Dr. Avinash Amin. Dr. Amin and Mr. John Ricciardi collectively hold a significant majority ownership interest in Madryn Capital, with the remaining minority interest held by WGAM.

The Firm provides discretionary and non-discretionary investment advice to pooled investment vehicles (each such vehicle, a “Fund,” and all such vehicles collectively, the “Funds”, or “Clients”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). Madryn has broad and flexible investment authority with respect to the management of Client accounts, subject to investment objectives, policies, procedures, and restrictions set forth in, as applicable, the limited partnership agreement (or analogous governing document) of the respective Client (each such agreement an “Advisory Agreement”). The Firm’s advisory services consist of sourcing and evaluating investment opportunities, structuring, negotiating and executing investments on behalf of the Funds, managing and monitoring the performance of such investments, and disposing of such investments. Investment advice is provided directly to the Funds and not individually to the investors in the Funds (each such investor, a “Limited Partner”).

Madryn and its affiliates provide investment advisory services and certain administrative services to the below pooled investment vehicle clients. Please see Item 7 for a more detailed description of the Funds.

- Madryn Health Partners (Cayman Master), LP – a privately offered pooled investment vehicle with a mini-master feeder structure, domiciled in the Cayman Islands.
- Madryn Health Partners, LP – a privately offered pooled investment vehicle and Delaware limited partnership that operates parallel to Madryn Health Partners (Cayman Master), LP (together with Madryn Health Partners (Cayman Master), LP, (“MHP I”).
- Madryn Select Opportunities, LP – a privately offered pooled investment vehicle and Delaware limited partnership.
- Madryn Health Partners II (Cayman Master), LP – a privately offered pooled investment vehicle with a mini-master feeder structure, domiciled in the Cayman Islands.
- Madryn Health Partners II, LP – a privately offered pooled investment vehicle and Delaware limited partnership that operates parallel to Madryn Health Partners II (Cayman Master), LP (together with Madryn Health Partners II (Cayman Master), LP, (“MHP II”).
- Madryn Health Partners II Overage, LP – a privately offered pooled investment vehicle and

Delaware limited partnership with a mini-master feeder structure.

In addition to providing investment advisory services to Clients, Madryn, through an affiliate, acts as the administrative agent and/or collateral manager in connection with certain structured debt investments.

As of December 31, 2023, Madryn has twelve employees and manages approximately \$1.1 billion in regulatory assets under management (“RAUM”).

Item 5. Fees and Compensation

Generally, Madryn and/or its affiliates are compensated in the form of Management Fees, Performance Based Fees or Carried Interest, and Loan Administration / Agency Fees (each as defined below). Management Fees and Carried Interest arrangements described herein have been modified, waived or reduced by Madryn in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements which may not be disclosed to other investors in the same Fund.

Management Fee

As compensation for the provision of investment advisory services, Madryn receives from each Fund a fee (each, a “Management Fee”) generally calculated as a percentage of either: i) a Fund’s total capital commitments, or ii) the aggregate cost basis of all investments held by the Fund. The Management Fee is generally payable quarterly in advance, and is generally reduced by an amount equal to any transaction fees (which, as more fully described in the Funds’ offering documents, include but are not limited to: closing fees, investment banking fees, placement fees, monitoring fees, consulting fees, advisory fees, directors’ fees and other fees (except, for the avoidance of doubt, agency fees, as further described below)) received during the immediately preceding quarterly period. In addition, the Management Fee payable in any quarterly period shall be reduced by an amount equal to the aggregate amount of all third party private placement fees paid or reimbursed by the Funds in connection with the organization and securing of capital subscriptions of the Funds during the immediately preceding quarterly period. Management Fees paid by a Fund are indirectly borne by the investors in such Fund. Installments of the Management Fee payable for any period other than a full calendar quarter shall be adjusted on a pro rata basis according to the actual number of days in such period.

Performance-Based Fees / Carried Interest

Each Fund’s Advisory Agreement generally provides that Madryn or its affiliates are entitled to receive performance-based compensation in the form of carried interest, typically in an amount equal to a percentage of distributions after the limited partners have received a preferred return on their investment in the Fund.

Loan Administration / Agency Fees

Madryn, through its affiliate Madryn Fund Administration, LLC, also receives fees and compensation for providing administrative and loan agent services to its Funds' portfolio companies in connection with certain structured debt investments. These fees are charged by Madryn's affiliate to (and paid directly by) the portfolio company, as applicable, and are not borne by the Clients, provided that Madryn is generally also entitled to charge the Clients directly. These fees are generally due and payable in advance at the close of an investment and on each anniversary thereof, pursuant to a fee letter directly negotiated with each portfolio company (as applicable). As more fully described in the applicable limited partnership agreement, such fees or compensation are not typically expected to be offset by Madryn against the Management Fee paid by any Clients. Please refer to Item 11 in this Brochure for additional information on this practice.

Fund Expenses

In accordance with and more fully described in each Fund's Advisory Agreement, the Funds will reimburse general partners and/or Madryn's affiliates for (or will otherwise directly incur) the Funds' organizational and start-up expenses, including legal, travel, accounting, filing, capital raising, and other organizational expenses (subject to applicable expense caps articulated in the Advisory Agreement).

The Funds will also pay other costs and expenses that are not reimbursed by portfolio companies or other persons, including:

- i. all costs, expenses, liabilities and obligations attributable to acquiring, sourcing, evaluating, financing, holding, monitoring, evaluating and disposing of investments, including principal and interest on money borrowed by the Funds, registration expenses, brokerage, finders', custodial, legal, consulting, investment banking, travel, meals, lodging and fees and expenses of other third party service providers;
- ii. legal, accounting, auditing, insurance (including directors and officers, errors and omissions, professional liability insurance, and cybersecurity insurance), litigation and indemnification costs and expenses, judgments and settlements, consulting, financing, appraisal, filing and other fees and expenses (including expenses associated with the preparation and distribution of the Funds' financial statements, tax returns and Schedule K-1s or any other reporting);
- iii. all costs, expenses, liabilities and obligations incurred by the Funds, the General Partner or Madryn relating to investment, financing and disposition opportunities for the Fund not consummated (including break-up fees and fees and expenses related to unconsummated transactions and expenses and costs that would have been allocable to third party or affiliated co-investors had such proposed transaction or investment been consummated, if the amount allocable to such co-investors is not paid by such persons);

- iv. all out-of-pocket fees and expenses incurred by the Funds or Madryn in connection with any conference or meeting of the Limited Partners and the Advisory Committee (including without limitation, travel, accommodation, meal, event or other similar expenses);
- v. except to the extent specifically allocated to a Limited Partner as an expense thereof, any taxes, fees and other governmental charges levied against the Funds, and all expenses incurred by the tax matters representative, as provided in the Advisory Agreement or, in connection with any tax filing, audit, examination, investigation, settlement or review of the Funds;
- vi. attendance at conferences in connection with the evaluation or sourcing of potential investments or specific sectors solely to the extent that such conferences are in furtherance of Fund business, and expenses for business development and entertainment directly related to the development and management of investments and any prospective investments;
- vii. expenses related to the administration of the Funds or their subsidiaries, including, but not limited to fees, expenses and costs of a third party administrator, expenses and costs incurred in connection with the preparation and circulation of drawdown notices and distribution notices;
- viii. appraisal expenses, including the cost of any independent valuation expert;
- ix. expenses related to the organization, documentation and maintenance of entities through or in which investments may be made, and the costs of winding up and liquidating the Funds and any such other entities;
- x. costs and expenses incurred in connection with all legal and regulatory compliance obligations under applicable US and non-US laws and regulations directly related to the making, holding or disposing of investments by the Fund, whether such compliance obligations are imposed on Madryn, its affiliates or the Funds, including, without limitation, filings pursuant to Rule 506(b) under Section 4(a)(2) of the Securities Act and filings pursuant to Section 13 and Section 16 of the Securities Exchange Act of 1934 (such as Schedules 13G and 13D, and Forms 3, 4, and 5); costs and expenses relating to the Directive on Alternative Investment Fund Managers, any filings or other documents necessary to avoid the imposition of withholding or other taxes pursuant to FATCA and applicable Commodity Futures Trading Commission (“CFTC”) filings;
- xi. costs, expenses, interest and liabilities related to borrowings, guarantees and credit support and other obligations;
- xii. communications expenses, including any software or online data portal used in connection with reporting, capital call notices, distribution notices and other communications with Partners, those incurred in connection with the administering of and compliance with side letter agreements entered into with any Limited Partner, including summaries thereof and any most favored nations process;

- xiii. expenses incurred in connection with a purchase, sale, assignment, pledge or transfer of all or a portion of a Limited Partner's interest in the Fund or the withdrawal or termination of a Limited Partner (except to the extent allocable to or payable by, and actually borne and paid by, the applicable purchaser or Limited Partner, assignee, pledgee or transferee, as the case may be);
- xiv. fees, costs and expenses of anti-money laundering or "know your customer" compliance, tax diligence expenses and/or related procedures; and
- xv. expenses incurred in connection with the formation and structuring of the Funds, including legal, travel, accounting, filing, capital raising, and other organizational expenses.

Operating Partner Expenses

From time to time, Madryn, its Funds, or its Funds' portfolio companies will retain third party consultants or advisors to provide assistance with deal sourcing and due diligence, offer financial and structuring advice, and advise and execute on strategic or operational imperatives for portfolio companies (collectively, "Operating Partners"). These services may be provided to Madryn Funds or portfolio companies on an exclusive basis and may include services that are similar in nature to those provided by Madryn employees. A Fund's share of any retainer fees, consulting fees, success fees, profit sharing or other fees paid to such Operating Partners ("Operating Partner Fees") will be borne by the Fund or portfolio company (whether paid by the Fund directly or by a portfolio company directly). In addition to Operating Partner Fees, a Fund will also generally bear its share of reasonable out of pocket expenses incurred by such Operating Partners in connection with the provision of their services, to the extent not directly reimbursed by a portfolio company.

In addition, Madryn may in its sole discretion admit an Operating Partner to a Fund's general partner, through which the Operating Partner would be eligible to receive carried interest. Fees or other payments or benefits received by Operating Partners in connection with their services, including any amounts paid in connection with particular transactions or investments, will not be considered transaction fees and consequently will not reduce the management fee or carried interest distributed by a Fund to Madryn. Operating Partners may also be permitted to invest directly in a Fund as a limited partner on preferential fee terms.

Operating Partners may serve on the boards of portfolio companies or as consultants in an operations capacity. Any directors' fees, salaries, consultant fees, other cash compensation, stock options or other compensation and incentives received by Operating Partners in such capacities will be borne by the portfolio companies, will not be considered transaction fees, and consequently will not reduce the management fee or carried interest paid by a Fund. Madryn's use of Operating Partners is expected to fluctuate and/or expand over time.

Allocation of Expenses

Generally, each Fund bears its own expenses as set forth in the applicable Advisory Agreement. However, common expenses frequently may be incurred on behalf of more than one Fund. Madryn seeks to allocate those common expenses among the Funds in a manner that is fair and reasonable over time. The allocation of expenses will inherently require judgment, and there can be no assurance that the Fund will not bear a disproportionate share of expenses. Under its current expense allocation policies, Madryn generally expects to allocate common expenses among the Funds in the following manner:

- i. if the common expenses are dependent on the level of usage of a product or service:
 - a. actual committed capital, to the extent a Fund has held its final close;
 - b. targeted capital commitments, if the Fund is raising capital; or
 - c. pro rata on the basis of respective net asset values.
- ii. if the common expenses relate to a particular investment, pro rata on the basis of invested capital.
- iii. if the common expenses are neither dependent on the level of usage of a product or service nor relate to a particular investment, per capita.

Madryn may, however, use other methods to allocate certain common expenses among the Funds if it deems another method more appropriate based on the relevant facts and circumstances. The portion of a common expense that Madryn allocates to a Fund for a particular product, service, or investment may not reflect the relative benefit derived by that Fund from that product, service, or investment in any particular instance, and certain expenses borne by a Fund may have the effect of benefiting one or more investors or group of investors in such Fund without benefiting all investors in such Fund.

Further, common expenses shared across multiple Funds may be allocated and incurred on the basis of targeted capital commitments, for one fund, and actual capital commitments, for another fund. Consequently, the extent to which a particular Fund contributes to a common expense at any point in time may be informed by the status of that Fund's capital raising efforts. Upon a Fund's final closing, the basis for its pro-rata contribution to a particular common expense will shift from targeted capital commitments to actual capital commitments. If there is a significant difference between that Fund's targeted and actual capital commitments, it could result in that Fund having materially under- or over-incurred its pro-rata share of common expenses throughout its fundraising period. Madryn does not anticipate that it will retroactively true-up the allocation of common expenses to reflect a Fund's final closing. Madryn's expense allocations often depend on inherently subjective determinations and, accordingly, expense allocations made by Madryn in good faith will be final and binding on the Funds.

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

Madryn's or its affiliates' entitlement to performance-based compensation in the form of carried interest may create an incentive for Madryn to cause the Funds to make investments that are riskier or more speculative than would otherwise be made in the absence of such performance-based compensation. In addition, in the event that certain Clients do not pay a performance-based fee, Madryn may be incentivized

to provide preferential treatment to Clients who pay a performance-based fee over those who do not.

To mitigate these potential conflicts of interest, Madryn has adopted and implemented policies and procedures to govern the fair allocation of investment opportunities across participating Clients.

Generally, investors in the Funds will pay performance-based fees on a portion of excess returns over a preferred return of 8% per annum (the “Preferred Return”). Certain strategic and early-stage investors will receive a higher Preferred Return and may receive a portion of the carried interest paid to Madryn and its affiliates. Madryn reserves the right to increase the rate of the Preferred Return in respect of one or more Limited Partners, in its sole discretion; moreover, Madryn in its sole discretion has waived or reduced management fees and/or carried interest allocations for certain large or strategic investors or for certain classes of investors, including employees and affiliates of Madryn. Investors should consult the Funds’ Advisory Agreements for more information regarding the calculation and distribution of proceeds attributable to investments, together with any dividend, interest, royalty or other income or any other payments received by the Funds with respect to such investments.

Item 7. Types of Clients

The Firm provides investment advisory services to various pooled investment vehicles, as more specifically described herein. Certain Clients have been established in the form of alternative investment vehicles (“Feeder Clients”) to address particular tax or regulatory requirements. Each Feeder Client is a limited partner of or an investor in a Client, and interests in such Feeder Client are held by the investors who elect to participate in the Client through such Feeder Client. Prospective investors should refer to the applicable Client Advisory Agreement for complete details on any Feeder Client established with respect to such Client. In addition, certain Clients are structured as part of a mini-master feeder arrangement, pursuant to which a US-domiciled vehicle (in each case an “Onshore Fund”) is managed alongside a non-US domiciled vehicle (generally, in each case, a “Master Fund”). The Onshore Funds and their associated Master Funds are managed on a *pari passu* basis, to the extent that there are no extenuating circumstances, such as legal or tax restrictions, with regard to the allocation of investments.

The Funds are privately offered and qualify for an exclusion from the definition of an “investment company” under the Investment Company Act of 1940 Act, as amended. Madryn expects Fund investors to generally consist of institutional investors, such as state and corporate pension plans, university endowments, and funds of funds.

Generally, the minimum commitment to a Fund will be \$10,000,000, which may be waived in Madryn’s sole discretion. When deemed appropriate for a large or strategic investor, Madryn may in the future establish separately managed accounts or pooled investment vehicles consisting of a single investor and its affiliates, which: (i) are tailored to accommodate specific investment objectives, guidelines, and restrictions and/or (ii) are subject to objectives, guidelines, restrictions, terms and/or fees different from those of the Funds. Such investment objectives, fee arrangements and terms will be individually negotiated, and it should be noted that such separately managed account relationships are and generally would be subject to

significant account minimums.

Madryn has entered into side letter agreements with certain large and strategic investors that provide such investors with additional notification and disclosure rights, and transfer rights, triggered by certain events. In the future, Madryn may enter into additional side letter agreements. Madryn also has arrangements with strategic investors in the Funds to share in carried interest earned by the Funds.

Investors in the Funds will be subject to lock-up periods for their investments and neither Madryn nor the Funds guarantee that a Limited Partner will be able to redeem an investment at any time other than those outlined in the relevant agreement. Therefore, there will be no fee refunds in the event of redemptions. Limited Partners may negotiate a return of any unpaid fees with the transfer party or Madryn at the time of termination.

Co-Investment Offerings

Madryn may, but is under no obligation to, provide co-investment opportunities, on such terms and in such amounts as Madryn may determine in its discretion, to one or more Limited Partners (and without making any such opportunity available to all Limited Partners). Madryn or its affiliates have formed and may in the future form entities through which co-investors participate in such co-investments and may receive fees, carried interest or other compensation in connection with such co-investments by some or all of such co-investors. Such fees, carried interest or other compensation received by Madryn or its affiliates shall not offset the Management Fee. Madryn may invite investors that are not affiliated with the Funds to participate in co-investment opportunities. Beyond such a “syndication” of investments among an investor group, co-investment opportunities for Limited Partners and others (if any) will be determined on a case-by-case basis by Madryn. Madryn may consider a number of factors in allocating any particular co-investment opportunity to one or more Limited Partners, to a dedicated co-investment vehicle (as more fully described below), or to other parties, including, without limitation:

- i. the amount of capital required for the investment;
- ii. the nature of the security or the transaction;
- iii. timing and speed or certainty of execution;
- iv. the ability to make the investment;
- v. whether a particular limited partner has expressed co-investment interest;
- vi. any previous dealings with such prospective co-investor;
- vii. the perceived strategic value of a prospective co-investor to the investment opportunity;
- viii. the commitment or potential commitment to the Funds of a prospective co-investor; and
- ix. other factors Madryn otherwise deems relevant.

Madryn has agreed to provide co-investment opportunities to certain limited partners on a priority basis in connection with investments made by the Funds, including any such investment made alongside the Funds. Subject to these priority rights, Madryn has also established a dedicated co-investment vehicle to participate in select future transactions alongside certain Funds after the Fund has received its priority allocation to

each such transaction (and to the extent there is excess capacity after such allocation given the transaction size). For strategic and other reasons, a co-investor or dedicated co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer).

Dedicated co-investment vehicles have been and may in the future be offered on a no-fee, no carry basis in an effort to drive greater diversification, enhanced execution capability, and broader co-investment participation across Madryn's limited partner base.

Allocation of Investment Opportunities

Where an investment is considered for purchase or sale on behalf of more than one Client, Madryn's Investment Committee and Chief Compliance Officer shall be responsible for documenting the relevant guidelines and considerations that inform the final allocation of the transaction in advance of consummating the transaction or trade (the "Allocation Memorandum"). The Investment Committee will consider actual and apparent conflicts of interest and will determine that Madryn is acting in good faith and in accordance with all applicable representations to Clients and Investors. In making the allocation determination, the Investment Committee will generally consider the following factors, which will be reflected in the applicable Allocation Memorandum:

- i. Each Client's investment strategy and investment objectives;
- ii. The size and nature of the investment;
- iii. The relative amounts of capital available or projected future capacity for investment;
- iv. The structural and operational differences between Clients;
- v. The minimum, maximum, or target investment size;
- vi. The applicable investment limitations (including, without limitation, industry, asset class, and geographic exposure limits, hedging limits, leverage, concentration, and diversification considerations) of the Clients;
- vii. The eligibility of the Clients to make such investment under applicable laws, regulations, and any other applicable tax, legal, regulatory, contractual compliance, operational, or administrative issues;
- viii. Lender covenants and other limitations;
- ix. Composition of each Client's portfolio;
- x. Suitability as a follow-on investment for a current investment of a Client;
- xi. The availability of other suitable investments for each Client;
- xii. Cash flow considerations; and
- xiii. Any other requirements, guidelines, or restrictions contained in the Governing Documents of the Funds and other considerations deemed relevant by Madryn and/or such affiliates in good faith.

Allocation Exceptions

If Madryn determines that it is in the best interests of one or more Clients to deviate from the allocation

policies and procedures noted above, or to the extent that an allocation decision poses a material conflict of interest or could give the appearance of a material conflict of interest, Madryn may, in its sole discretion, elect to seek approval for the decision from the affected Clients or their associated limited partner advisory committees. Moreover, with specific regard to MSO, Madryn is contractually obligated to obtain approval from MSO's limited partner advisory committee prior to allocating certain investment opportunities to MSO. The grant or withholding of such approval may impact Madryn's intended allocation methodology to the extent a particular investment opportunity is presented to MSO and other Madryn Funds.

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

Madryn aims to provide customized financing solutions to pharmaceutical, biotechnology, medical device, diagnostics and healthcare IT companies worldwide. Madryn typically targets investments of \$20–\$75 million each, diversified by therapeutic category, product type, and sales geography. Broadly, Madryn will consider the following investment criteria when evaluating potential investment opportunities:

- **Investment Structure:** Madryn may invest in senior debt, subordinated debt, convertible debt, revenue interests, royalty streams, and selective equity securities, as well as combinations of these, supported by cash flows generated by commercially validated healthcare products and other company assets.
- **Strong Intellectual Property:** Robust intellectual property protections (such as patents) provide significant barriers to entry by preventing both similar and generic products from competing until the protections expire.
- **Regulatory Approval:** Madryn will focus on investments in products that have already achieved approval from the FDA, EMA, or other regulatory authority.
- **Priority Claims:** Madryn seeks investments in which it is structurally senior in claim and/or right of payment with respect to the assets and/or cash flows that it is underwriting.
- **Stage of Development:** Madryn anticipates investing primarily in companies with commercially validated healthcare products currently generating revenue where the commercial risk can be assessed and for which Madryn believes that there is likelihood of a favorable risk/reward trade-off.
- **Market:** Madryn will seek opportunities to provide capital to companies with healthcare products that address distinct unmet or underserved medical needs, with an emphasis on products in markets with tangible barriers to entry.
- **Commercial Validation:** Madryn seeks investments in healthcare companies with products or technologies that have commercial validation in the form of current revenue generation, regulatory and reimbursement approvals, and/or license arrangements and partnerships with corporate

partners.

- **Significant Barriers to Entry:** Madryn seeks investments in products that benefit from significant barriers to market entry; such barriers may take the form of strong intellectual property estates, substantial R&D investment requirements, rigorous regulatory approval processes, production complexity, and/or established commercial infrastructure and marketing relationships.
- **Innovative, Value-Added Products:** Madryn seeks investments in life sciences companies with products or technologies that address distinct unmet or underserved medical needs and that can demonstrate incremental economic benefit leading to clear and attractive market opportunities.
- **Capable, Trusted Counterparties:** Madryn seeks investments in companies with experienced and capable management teams that are sufficiently capitalized and prepared for successful commercial execution; Madryn will structure investments in a manner consistent with alignment of interests between its Funds and the counterparty. Madryn considers the strength of equity syndicates when underwriting investments.

Although the investments pursued differ in structure, they will be primarily yield-oriented investments supported by commercially validated healthcare products. The investment structures to be pursued by Madryn include:

Debt Investments

An investor may utilize senior secured loans (debt backed at a low loan-to-collateral value ratio by healthcare product assets including sales of high margin products, intellectual property, regulatory filings, and other product assets), subordinated debt, or convertible debt (debt that is convertible to the equity of a healthcare product company) on their own or in combination with revenue or royalty interest investments in order to mitigate risk while still retaining access to the underlying product cash flows. With these structures, an investor may achieve incremental returns through origination fees, prepayment fees and/or warrants.

Equity Investments

Equity investments are expected to be most frequently made in combination with other investment structures, and not as stand-alone investments. Although not expected to be a significant component of the investment strategy, in those cases where equity investments are made, Madryn will endeavor to mitigate risk through terms that qualify the equity as “senior equity,” whether through liquidation preferences, preferred dividends, anti-dilution rights, and/or negative control features.

Hybrid Investments

The experience and expertise of the investment team allow Madryn to pursue a range of structures. Madryn

believes this capability to be a key differentiating feature that makes Madryn attractive to healthcare companies seeking a financing partner. Madryn may exercise its flexibility through hybrid structures that combine structured debt with preferred equity components or warrants. By combining equity or equity derivatives with a debt instrument, Madryn may increase returns and demonstrate better alignment with equity sponsors and company management teams.

Risk of Loss

Business Risks

Madryn's portfolio will consist primarily of investments secured by senior claims on healthcare company assets or cash flows, including investments in senior, subordinated, and convertible debt, as well as royalty streams, revenue interests, and hybrid investments combining elements of the foregoing, predominantly for commercial pharmaceutical and other healthcare products, and other interests, including selective equity interests, in companies concentrated in the healthcare sector, and operating results will be difficult to predict. Such investments involve business and financial risk that can result in substantial losses.

Concentration of Investments

Madryn will participate in a limited number of investments and intends to make the majority of its investments in the pharmaceutical/medical device industry, and, as a result, Madryn's investment portfolio will be concentrated in one general industry. As such, the performance of a few holdings and the industry generally may substantially affect Madryn's aggregate returns. Furthermore, to the extent that the amount of capital raised by Madryn is less than the targeted amount, or because of other factors, Madryn may invest in fewer investments and thus be less diversified than was otherwise intended.

Lack of Sufficient Investment Opportunities

The nature of sourcing, negotiating, and completing investments involves a high degree of uncertainty. Madryn may compete for investments with other investment firms, investment affiliates of large financial services organizations and occasionally the licensees themselves. There can be no assurance that Madryn will be able to identify and close on a sufficient amount of transactions that meet its investment objectives, and therefore there can be no assurance that Madryn will successfully deploy all of its committed capital during the Investment Period. In addition, there generally will be little or no publicly available information regarding the status and prospects of companies in which Madryn invests or is considering for an investment.

Illiquidity; Lack of Current Distributions

An investment in Madryn's Funds should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, on equity investments generally will

occur only upon the partial or complete disposition of such investments.

Healthcare Sector

Madryn intends to invest in the securities of issuers in the healthcare sector, which investments involve substantial risks, including: (i) the fact that certain prospective investments may have limited operating histories; (ii) the fact that the scarcity of management and marketing personnel with appropriate scientific or medical training may result in slow or impeded growth of a company; (iii) the possibility of lawsuits related to patents or products; (iv) obsolescence of products; (v) change in government policies; (vi) changes in investor sentiments and preferences with regard to healthcare sector investments (some of which are generally perceived as risky); (vii) volatility in the U.S. stock markets that affects the prices of healthcare company securities resulting in substantial volatility in the performance of the Funds; (viii) the difficulty and burden of securing intellectual property rights in the field of medical devices, diagnostics, pharmaceuticals and biotechnology; and (ix) the fact that many companies in the healthcare sector are subject to extensive government regulation.

Government Regulation; Risk of Drug Withdrawals

Although Madryn's focus is on investments backed primarily by products that already have received regulatory approval, prior to the grant of such marketing approvals by the U.S. Food and Drug Administration, the European Medicines Agency, or other corresponding regulatory authorities outside of the US and Europe, most products must undergo extensive investigation and clinical trials to meet stringent safety and efficacy requirements. Also, the manufacturer of a Product and its manufacturing facilities are subject to approval, continual review and periodic inspections by the regulatory authorities. As a result, the frequency of product withdrawals is low. Nevertheless, there have been instances when discovery of previously unknown problems with a product, manufacturer or facility has resulted in temporary restrictions on the use or the manufacture of such product, including costly recalls or even withdrawal of the product from the market. Such events, whether voluntary or mandated by a regulatory authority, typically result in an immediate reduction or discontinuation of revenues from the product worldwide. If such an event were to occur, it would likely have a significant and adverse effect on the performance of a particular investment and could have a material adverse effect on the aggregate performance of Madryn.

Risks Related to Structured Investments

Structured investments, including, but not limited to, royalty investments, revenue interests, structured debt, royalty bonds, equity, and combinations thereof, are highly complex investments. Their complexity gives rise to the risk that certain investors, parties involved in their creation and issuance, and/or other parties with an interest in them may not share the same understanding of how these investments behave, or the rights that the various interested parties have with respect to them. Furthermore, the documents governing these investments may contain ambiguities that are subject to differing interpretations. Even in the absence of such ambiguities, if a dispute were to arise concerning these instruments, there is a risk that a court or other tribunal might not fully understand all aspects of these investments and might rule in a manner

contrary to both the terms and the intent of the documents. Therefore, Madryn cannot be fully assured that it will be able to enjoy all of the rights that it expects to have when it makes structured investments. In addition, due to their complex structure, structured investments may be difficult to value and may have reduced liquidity. Structured investments are also a relatively recent development in the financial markets. Consequently, there are certain tax and market uncertainties that present risks relating to investing in structured investments.

Credit Risk and Interest Rate Risk

The Funds invest primarily in senior secured loans and other debt and structured instruments, which are subject to credit and interest rate risks. Credit risk describes the likelihood that a borrower will default on the payment of principal and/or interest on a particular debt instrument. Credit risk is generally assessed on the basis of a borrower's financial strength and solvency, among other factors, and unanticipated fluctuations in these underlying factors with regard to a borrower in a Client's portfolio may affect the performance of a Client's investment. Interest rate risk refers to the risks associated with market changes in interest rates as dictated by the US Federal Reserve. Actions by the US Federal Reserve and other central banks may have a significant effect on interest rates and on the US and global economies generally, which in turn may affect the performance of a Client's investments or the ability of a Client to realize its investment objective. The majority of structured debt positions in the Funds' respective portfolios are anchored to a floating reference rate (e.g., the Secured Overnight Financing Rate ("SOFR")). Consequently, rising interest rates may have the effect of elevating a portfolio company's total interest payments, which in turn may exert additional pressure on cash reserves and reduce the ability to service outstanding debt obligations to Madryn and its Funds. Generally, rising interest rates will negatively impact the value of a fixed rate instrument, and falling interest rates will have a positive effect on value. The value of a floating rate instrument may react to interest rate fluctuations in a similar manner.

Financial Institution Liquidity Risks

The Funds' portfolio companies place significant reliance on certain banking or financial institutions, which may include regional banking partners, for regular banking services. These banking or financial institutions play a critical role in the day-to-day operations of the Funds' portfolio companies, providing the necessary liquidity to conduct business, manage cash flows, and meet financial obligations. Certain regional banks, in particular, may specialize in providing services to venture-backed or growth-equity companies, which may be similar in profile to those in which the Funds invest. These regional banks may consequently have a smaller footprint, a narrower range of services, and a more concentrated depositor base than that of larger national or global banking institutions, which can make them more susceptible to a liquidity shortage in the event of an economic downturn or other sudden or unanticipated macroeconomic event. The stability and financial health of these banking institutions is critical to the success of the Funds' portfolio companies. Should there arise unanticipated issues with liquidity or other financial problems, the Funds' portfolio companies may be unable to access the necessary capital to meet day-to-day working capital needs and other financial obligations, which could have a material adverse effect on a portfolio company's financial performance, and ultimately, on the Funds' investments.

Borrowing

Subject to certain limitations set forth in the Advisory Agreement, Madryn intends, from time to time, to cause the Funds (directly or indirectly through one or more intermediate entities (e.g., special purpose vehicles)) to incur indebtedness on a secured or unsecured basis to facilitate the consummation, management, and/or disposition of investments. It is expected that this indebtedness will be secured primarily by either: i) the unfunded commitments of Funds' Limited Partners, or ii) assets held within the Funds' respective portfolios.

The extent to which Madryn or its Clients use leverage may have important consequences to the Limited Partners, including, but not limited to, the following: (a) greater fluctuations in the net assets of Madryn's Clients; (b) use of cash flow for debt service and related costs and expenses, rather than for additional investments, distributions or other purposes; (c) increased interest expense, if interest rate levels were to increase; (d) in certain circumstances, prematurely disposing of investments to service Madryn's Funds' debt obligations; and (e) limitation on the flexibility of Madryn to make distributions to its Limited Partners or sell assets that are pledged to secure the indebtedness. There can be no assurance that Madryn's Clients will have sufficient cash flow to meet their debt service obligations. As a result, Clients' exposure to losses may be increased due to the illiquidity of its investments generally.

Early in the life of a Fund, Madryn expects to fund certain capital needs of the Funds with the proceeds of borrowings in lieu of drawing down commitments, which will result in the net internal rate of return of the Funds being higher than it otherwise would have been without Fund-level borrowing, particularly during the early years of a Fund's life. Consequently, Madryn (or an affiliate thereof) may be incentivized to fund the acquisition of investments and ongoing capital needs of Madryn with the use of indebtedness in lieu of drawing down unfunded commitments.

Later in the life of a Fund, Madryn is likely to explore financing strategies involving asset-backed leverage, which may include but is not limited to the utilization of: i) an asset-backed facility, which is a credit facility secured by a discreet pool of Fund assets, and/or ii) a repurchase agreement, whereby a Fund sells securities to a counterparty (typically a large financial institution) and agrees to repurchase them at a later date at a specified price, often with the securities serving as collateral for the transaction. While asset-backed leverage presents opportunities for increasing Fund returns, it may increase losses as well; accordingly, any event that adversely affects the value of an investment would be magnified to the extent asset-backed leverage is used. Asset-backed financing arrangements may also be cross-collateralized, which means that one Client's assets may be pledged as collateral to secure indebtedness incurred by another Client. If the indebtedness is structured in this manner, the failure of one Client to repay indebtedness may result in another Client being required to fund more than their pro rata share of such indebtedness.

Tax-exempt investors should note that the use of leverage by the Fund or its subsidiaries may create UBTI.

Investments in Equity Securities

Madryn is expected to selectively hold equity securities or derivatives issued thereon. Such equity securities and derivatives may take various forms, including, but not limited to, common stock, preferred stock, warrants, convertible securities, equity options and other equity or hybrid equity securities. Equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Further, equity securities generally involve a high degree of risk. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities. Madryn may experience a substantial or complete loss on individual equity securities.

Minority Investments

Madryn expects to make minority investments in portfolio companies where Madryn may have limited influence. In such cases, Madryn generally will rely significantly on the existing management and board of directors of such companies, which may include representation of other financial investors with whom Madryn is not affiliated and whose interests may conflict with the interests of Madryn. As such, investors in portfolio companies may have economic or business interests or goals that are inconsistent with those of Madryn, and Madryn may not be in a position to protect the value of its investments in such portfolio companies, which could result in restrictions on Madryn's investments being sold or such investments incurring substantial losses.

Investments in Growth Businesses

The Fund expects to invest in growth companies. These companies may be characterized by short operating histories, evolving markets, intense competition and management teams that have limited experience working together. A portfolio company may need to implement appropriate sales and marketing, inventory, finance, personnel and other operational strategies in order to become and remain successful. The Fund's returns will depend upon Madryn's ability to find and invest in companies that can successfully combine these strategies where products and markets are constantly evolving. There can be no assurance that Madryn will find and invest in a sufficient number of these companies to meet investor return expectations.

Public Company Securities

The Fund may hold securities traded on public markets. Investments in such securities may involve different risks than those associated with investments in securities that are not traded on public markets. Among those risks are (a) increased disclosure requirements, (b) greater volatility, (c) increased likelihood of shareholder litigation, (d) restrictions on timing of disposition and (e) increased compliance costs.

SPAC investments

Madryn may, but is under no obligation to, offer the Fund opportunities to invest in or form special purpose acquisition companies (“SPACs”). The Fund may invest in units of, shares of, warrants to purchase stock of, and other interests in, including founder shares, SPACs. The funds raised by a SPAC in its initial public offering (“IPO”) are held in trust until the SPAC successfully consummates an initial business combination (“IBC”) or until redeemed by public shareholders in connection with an IBC.

Risks associated with an investment in a SPAC include: (i) as a newly formed company with no operating history, there is little basis on which to evaluate the SPAC’s ability to consummate a successful IBC; (ii) an attractive business combination target may not be identified at all, and the SPAC may be required to liquidate; (iii) shareholders may not be afforded an opportunity to vote on the proposed IBC; (iv) an IBC, if effected, may prove unsuccessful and an investment in the SPAC may lose value; (v) the warrants or other rights with respect to the SPAC may expire worthless or may be repurchased or retired by the SPAC at an unfavorable price; (vi) the Fund may be delayed in receiving any redemption or liquidation proceeds from a SPAC to which it is entitled; (vii) an investment in a SPAC may be diluted in connection with the business combination or by additional financings; (viii) no or only a thinly traded market for shares of or interests in a SPAC may develop, leaving the Fund unable to sell its interest in the SPAC or to sell its interest only at an unattractive price; (ix) the values of investments in SPACs may be highly volatile and may depreciate significantly over time; (x) assets in the SPAC may be subject to third-party claims, which could reduce the per share liquidation price received by the investors in the SPAC; (xi) the investor would be unable to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition; and (xii) a SPAC investment may be subject to an extended lock-up period and other restrictions on resale and redemption, including those in connection with a private placement voting and support agreement.

Lender Liability

In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. While believed to be unlikely because of the nature of Madryn’s investments, Madryn could be subject to lender liability claims. Any such claim, if determined adversely to Madryn, could have a material adverse effect on Madryn’s returns to investors.

Fair Valuation

Many of the investments will take the form of loans that are not publicly traded. The fair value of loans that are not publicly traded may not be readily determinable, and Madryn will value these loans at fair value as determined in good faith, including to reflect significant events affecting their value, as discussed in more

detail in the relevant Advisory Agreement. The types of factors that Madryn may take into account in determining the fair value of Madryn's loans generally include, as appropriate, comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a borrower, the nature and realizable value of any collateral, the borrower's ability to make payments and its earnings and discounted cash flow, the markets in which the borrower does business and other relevant factors. Madryn has adopted and implemented policies and procedures governing its valuation practices. Because such valuations are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, Madryn's determinations of fair value may differ materially from the values that would have been used if a ready market for these loans existed.

Terms of Co-investments

To the extent that Madryn determines that a potential investment opportunity exceeds the amount appropriate for the Funds, Madryn may, in its discretion, but will be under no obligation to, provide all or any portion of such co-investment opportunity to certain Limited Partners. Decisions regarding whether and to whom to offer any such co-investment opportunity are made at the sole discretion of Madryn and may be offered to no Limited Partners or some and not others, and if offered to Limited Partners, with allocations that may differ from such Limited Partners' proportionate investments in Madryn. Madryn's determination may, among other factors, reflect Madryn's assessment of such Limited Partners' ability to both fund and timely execute such co-investment and whether allocating co-investment opportunities to such potential co-investor will help establish, recognize, strengthen and/or cultivate relationships that may provide direct or indirect benefits to current or future investment vehicles or investments.

Madryn or its affiliates may or may not charge management fees, administrative fees, one-time funding, acquisition or co-investment fees and/or carried interest in respect of other co-investments. Fee income attributable to co-investments will not be shared by Madryn with the Funds or co-investors. The performance of co-investments is not aggregated with that of the Funds, including for purposes of determining carried interest or Madryn's management fee under the Advisory Agreement. The Funds may be required to bear all broken deal costs associated with a co-investment where a portion of an investment is expected to be sold to co-investors and such acquisition falls through. Returns with respect to co-investment opportunities may differ from or exceed Limited Partners' returns with respect to the Funds, particularly for investors in co-investment opportunities whose investment will be subject to reduced management fees, carry distributions or similar compensation payable to Madryn or its affiliates.

As previously noted, Madryn has also agreed to provide co-investment opportunities (if any should arise) to one or more Limited Partners on a priority basis. In addition, Madryn and its respective affiliates have formed and may in the future form and manage one or more investment vehicles that participate in a portion of all or a subset of Madryn's co-investment opportunities.

Public Health Emergencies

Any public health emergency may impact certain industries or sectors more significantly than others. If

Madryn's portfolio is concentrated in such industries or sectors, Madryn will be negatively impacted. Any public health emergency, including the outbreak of COVID-19 or an outbreak of new epidemic diseases, or the threat thereof, could have a material adverse impact on Madryn and its investments and could adversely affect Madryn's ability to fulfill its investment objectives.

Cybersecurity Risk

Madryn, its affiliates, service providers, and portfolio companies and any of their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect Madryn and the Limited Partners, despite the efforts of Madryn and/or its portfolio companies and any of their service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, e-mail and other technology assets, as well as the confidentiality, integrity and availability of information belonging to Madryn and the Limited Partners. Such threats may include both intentional and unintentional events including, but not limited to, processing errors, human errors, technical errors including computer glitches and system malfunctions, inadequate or failed internal or external processes, market-wide technical-related disruptions, unauthorized access to digital systems (through "hacking" or malicious software coding), computer viruses, and cyber-attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality (including denial of service attacks).

Excuse from Investments

Under certain limited circumstances, a Limited Partner may be excused from participating in an investment (including, without limitation, to avoid violations of law and violations of a Limited Partner's pre-existing written policy or other agreed upon circumstance disclosed to or agreed to by, as applicable, Madryn prior to such Limited Partner's admission to Madryn) or Madryn may exclude or limit the participation of a Limited Partner in an investment (including, without limitation, if a Limited Partner's participation is reasonably likely to have a material adverse effect on Madryn). In any such circumstance, Madryn is likely to require each non-excused or non-excluded Limited Partner to make an additional capital contribution to Madryn in respect of such investment, subject to such additional capital contribution not exceeding such non-excused or non-excluded Limited Partner's unfunded Commitment and certain other limitations, thereby resulting in such non-excused or non-excluded Limited Partner having a greater investment exposure in such investment (and less capital to contribute to future investments) than such non-excused or non-excluded Limited Partner would otherwise have had but for such excuse event.

Foreclosure and/or Bankruptcy

A portfolio company's failure to satisfy financial or operating covenants imposed by Madryn or other lenders could lead to defaults and ultimately, in the event that Madryn elects to exercise contractual remedies as the majority lender, foreclosure on the company's assets. These actions may jeopardize such portfolio company's ability to meet its obligations under the debt or equity securities held by a Fund. In

such a situation, a Fund may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms. While the Funds' structured debt investments are generally secured by portfolio company collateral, there can be no assurance that such collateral could be readily liquidated or that the proceeds would satisfy the obligations of a defaulting or foreclosed portfolio company.

Director Liability

From time to time, a Fund will obtain the right to appoint one or more representatives to the board of directors of a portfolio company. Serving in this capacity exposes a Fund's representatives, and ultimately such Fund, to potential liability. While Madryn generally requires that the Funds' portfolio companies maintain insurance with respect to such liability, such insurance could be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming and can divert the attention of such persons from a Fund's investment activities.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with Madryn. Prospective investors in the Funds should read the entire applicable offering materials and consult with their own advisers before deciding whether to invest. In addition, as the investment program develops and changes over time, an investment managed by Madryn may be subject to additional and different risk factors.

Item 9. Disciplinary Information

Neither Madryn nor its employees have been involved in any legal or disciplinary events in the past ten (10) years that would be material to a Client's evaluation of the Firm or its personnel.

Item 10. Other Financial Industry Activities and Affiliations

Madryn is affiliated with its Funds' general partners (including Madryn Health Advisors, LP; Madryn Health Advisors (Cayman), LLC; Madryn Select Advisors, LP; and Madryn Health Advisors II, LP) by common ownership and control. Madryn and its related persons do not otherwise have any relationships or arrangements with financial services companies that pose material conflicts of interest, unless described herein under Item 11 of this Brochure and in the Advisory Agreements of the Funds, as applicable. Investors should review the offering documents for the Funds for further information regarding the organization and structure of the Funds and Madryn's affiliates.

Madryn Health Advisors, LP, Madryn Select Advisors, LP, and Madryn Health Advisors II, LP are exempt from registration as a Commodity Pool Operator with the CFTC.

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

Madryn has adopted a Code of Ethics and Conflicts of Interest Policy which contain provisions designed to: (i) prevent improper personal trading by employees; (ii) prevent improper use and disclosure of material,

non-public information about securities known to Madryn or securities holdings of advisory Clients and (iii) identify conflicts of interest, including monitoring of gifts and pay-to-play issues that could arise due to political donations by Madryn or its personnel.

Personal Trading Policy and Procedures

Madryn has adopted and implemented policies and procedures designed to prevent its employees from misusing material nonpublic information (which may include information regarding Madryn's Clients). Madryn maintains a Restricted List of securities subject to sales or trading activity prohibitions. Employees must request pre-approval to execute discretionary personal securities transactions in certain instruments, and are generally prohibited from transacting in issuers who primarily operate within the healthcare industry and who have market capitalizations of less than \$5 billion. If a company is listed on the Restricted List, employees are generally prohibited from trading in that company's securities.

A copy of Madryn's Code of Ethics shall be provided to any Client or prospective Client upon request.

Participation in Client Transactions

Madryn and certain of its Employees and affiliates invest in and alongside the Funds, either through the general partners, as direct investors in the Funds, or otherwise. A Fund or its general partner, as applicable, may waive all or a portion of the management and/or incentive fees related to investments held by such persons.

Conflicts of Interest

Various actual and potential conflicts of interest will exist between Madryn and its affiliates, on the one hand, and the Funds and their respective Limited Partners, on the other hand, including those outlined below. The following conflicts of interest do not purport to be a complete list or explanation of all conflicts of interest that exist or may arise with respect to the Funds. Madryn and its affiliates may face other actual or potential conflicts of interest in addition to those set forth below.

Strategic Minority Stake Transaction with Walter Global Asset Management, Inc.

In connection with the minority interest acquired by WGAM as a result of the Transaction described in Item 4 of this Brochure, WGAM obtained the rights (i) to receive a portion of the net Management Fee and other income received by Madryn or its affiliates, (ii) to participate in a portion of carried interest received by Madryn's affiliates in respect of certain Funds, and (iii) contribute a portion of MHP II's general partner's commitment to the Fund. Prior to the completion of the Transaction, Madryn obtained consent from MHP II's LPAC, in accordance with the Fund's governing documents. While the Madryn team continues to be responsible for controlling the day-to-day operations of Madryn, WGAM will hold certain minority rights, including consent and consultation rights with respect to certain material actions of Madryn's business. Because of such minority interest and the rights described above, WGAM may have

interests and rights that differ from those of the Funds. Further, WGAM and its affiliates may have relationships with other investment managers, investment vehicles or accounts that could give rise to potential conflicts with the interests of the Funds. For example, WGAM or its affiliates may sponsor or invest in other investment firms that pursue strategies similar to that of the Funds. While WGAM benefits from the success of the Funds, such activities may adversely affect the Funds.

Compensation

The capital contributions of Madryn and its affiliates will represent only a small portion of the Funds' respective capital. Limited Partners will invest greater amounts and may receive a proportionately smaller amount of the profits of the Funds than Madryn. The Management Fee, which will be payable without regard to the Funds' performance, could motivate Madryn and its affiliates to gather more assets or commitments than they can manage effectively, thereby diluting returns to Limited Partners. The existence of Madryn's affiliates' entitlement to carried interest may create an incentive for Madryn to cause the Funds to make investments that are riskier or more speculative than it would otherwise make in the absence of such performance-based compensation.

Investments in Different Parts of the Capital Structure

While Madryn generally expects to allocate all investment opportunities pro-rata across all eligible Funds, certain Funds may have investments in different parts of the capital structure than other Funds with respect to a single portfolio company. In such circumstances, the investments by certain Funds may be senior in priority to other Funds' interests and therefore, certain Funds would be paid out in liquidation prior to other Funds. Certain Funds may also have certain voting and other governance rights to which other Funds will not be entitled with respect to their interests. If a portfolio company becomes distressed or defaults on its obligations, Madryn may have conflicting loyalties between certain Funds and, in this regard, Madryn may take actions on behalf of certain Funds that are adverse to the interests of other Funds. If Madryn determines to invest additional or "follow-on" capital in an existing portfolio company to finance growth or other opportunities or in light of financial or other difficulties, participating Funds (which may or may not include Funds with existing positions in such portfolio company) will contribute additional capital in such amounts, if any, as determined by Madryn in its sole discretion. Madryn intends to mitigate any potential conflicts of interest by structuring such follow-on investments in a manner intended to cause each participating Fund to either bear its proportionate share across debt and/or equity securities, as applicable, or to otherwise maintain relative and directional alignment of interests across debt and/or equity securities with respect to participating Funds.

Resolution of Conflicts

In accordance with the relevant Advisory Agreement, Madryn may, in certain situations, choose to seek the approval of the Limited Partner Advisory Committee ("LPAC") with respect to certain potential conflict of interest situations and matters that are required to be approved by a client under the Advisers Act, and LPAC approval will be required to resolve certain conflicts and other matters. Any such approval by the

LPAC will be binding upon the Funds and the Limited Partners. LPAC members may have direct or indirect interests in the activities of certain Funds or in investments and instruments, and in some cases, interests in portfolio companies in which the Funds seek to invest. LPAC members may receive information regarding the proposed investment activities of the Funds that is not generally available to the public or other Limited Partners. Moreover, certain Funds' LPACs may be subject to majority control by a single limited partner or by a small number of limited partners whose collective assets comprise a large portion of a Fund's capital commitments. There will be no obligation on the part of any LPAC member to make available for use by the Funds any information or strategies known to or developed by it and, in certain cases, they may be prohibited from doing so.

Travel Expenses

The Funds will reimburse Madryn and its affiliates for out-of-pocket travel expenses, including, without limitation, air travel (the cost of which may not exceed first or business class), car services, meals and hotels (which may include luxury class accommodations), incurred in holding, developing, identifying, evaluating, negotiating, making, structuring, conducting due diligence, acquiring, monitoring, selling and otherwise disposing of the Funds' investments, the offering of interests in the Funds and otherwise in connection with the business of a Fund. Moreover, Madryn and its affiliates can be expected to receive certain intangible or other benefits arising or resulting from their activities on behalf of the Funds which will not be shared with the Funds, its Limited Partners or the portfolio companies. For example, airline travel or hotel stays incurred as Fund expenses typically result in "miles" or "points" or credit in loyalty/status programs, and such benefits or amounts will, whether or not de minimis or difficult to value, inure exclusively to Madryn even though the cost of the underlying service is borne by the Fund or the portfolio companies or potential portfolio companies.

Service Providers and Suppliers

Madryn will from time to time engage service providers in connection with the operations of the Funds. The Funds' service providers may be service providers to Madryn and its affiliates. In addition, one or more of the Funds' or Madryn's service providers may be investors in the Funds and/or sources of investment opportunities for the Funds. These factors may influence Madryn in deciding whether or not to select any particular service provider for the Funds. Certain service providers provide goods or services to or have business, personal, financial or other relationships with Madryn. Certain Madryn Employees may have ownership or other economic interests in certain service providers to the Funds. These relationships may influence Madryn in deciding whether to select or recommend such a service provider to perform services for the Funds (the cost of which will generally be borne directly or indirectly by the Funds, as applicable). Notwithstanding the foregoing, Madryn will only select a service provider to the extent it determines that doing so is appropriate for the Funds given all surrounding facts and circumstances and is consistent with Madryn's responsibilities under applicable law; provided, that Madryn may not necessarily seek out the lowest cost option when engaging such service providers as other factors or considerations may prevail over cost.

Affiliated Administrative Agent / Collateral Manager

Madryn Fund Administration, LLC (“MFA”), a wholly owned subsidiary of Madryn, is an entity established to act from time to time in the capacity of administrative agent or collateral manager in connection with certain loans held by the Funds. In accordance with the credit agreement governing the loan, and as is typical in such arrangements, the administrative agent is responsible for, among other obligations: monitoring loan covenants, collecting and distributing various compliance materials, receiving requests for waivers or amendments to the credit agreement, and communicating with the borrower and any other lenders regarding routine matters such as debt service payments, interest rate calculations, and other borrowing inquiries. The credit agreement generally enumerates the rights and obligations of the administrative agent and provides that the borrower will compensate the agent in exchange for services rendered.

Under circumstances where MFA is appointed by Madryn as the administrative agent in connection with a particular loan, MFA will generally collect an annual agency fee from the borrower. The agency fee is paid directly by the borrower (and not by the Funds). In light of MFA’s affiliation with Madryn and the opportunity for MFA to receive compensation in connection with this practice, Madryn has an incentive to appoint MFA as the administrative agent in lieu of engaging an unaffiliated third-party service provider. This incentive poses a conflict of interest that could compromise Madryn’s ability to be impartial and could cause Madryn to disfavor unaffiliated third-party service providers who may be able to offer more effective service or more favorable rates. To mitigate this conflict of interest, the Firm has adopted and implemented policies and procedures to ensure that the quantum and nature of each agency fee arrangement is guided by market rates, is not likely to impact the creditworthiness of the borrower, and is reasonable in light of the services provided by MFA in its capacity as administrative agent. Prior to entering into any agency fee arrangement with a borrower or prospective borrower, Madryn’s Chief Compliance Officer will review the proposed fee amount for reasonableness. Reasonableness will generally be determined, among other considerations, by a benchmark against market data points. Such data points may include, but are not limited to, security type, transaction size, and the review of fees charged by unaffiliated third-party service providers (e.g., Alter Domus) at the time of or in relatively close temporal proximity to the transaction (subject to Madryn’s discretion). Any fees collected by MFA in connection with its capacity as administrative agent are not typically intended to be offset against Management Fees.

Line of Credit Utilization

Use of leverage arrangements may provide Madryn with an incentive to fund investments or otherwise utilize borrowings in lieu of capital contributions. For example, calculations of net IRRs are based on the timing of payments of capital contributions by and distributions to the Limited Partners. In instances where a fund utilizes borrowings under a fund’s subscription-based credit facility or asset-backed facility (or other facility), use of such facility will result in a higher reported net IRR than if the facility had not been utilized because such borrowings were used in lieu of capital contributions or in advance of related capital contributions that would only be made at a later date. Madryn may make distributions prior to the repayment of outstanding borrowings. In addition, in the event the Funds incur such indebtedness, the Preferred Return

accruing in respect of Limited Partners will be less than otherwise would have been the case in the absence of such indebtedness. Further, it is expected that interest will accrue on any such outstanding borrowings at a lower rate than any internal rate of return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the Fund. As a result, Madryn or its affiliates may be entitled (a) to receive Carried Interest earlier than they otherwise would have and (b) in certain circumstances, to receive more Carried Interest than they otherwise would have, in each case had the Funds not incurred such indebtedness and, instead, had required the Limited Partners to make additional capital contributions.

Determinations of Value

The fair value of the investments will be calculated by Madryn in good faith in accordance with U.S. generally accepted accounting principles and reviewed annually by the Funds' independent auditors. Valuations are subject to determinations, judgments, projections and opinions, and other third parties or investors may disagree with such valuations. The valuation of investments may affect Madryn's entitlement to Management Fees from the Funds and/or the ability of Madryn to raise successor funds or other vehicles or accounts. As a result, although such valuations will be determined in accordance with Madryn's valuation policies (and the valuation methodology described in the relevant Advisory Agreement) and reviewed by a third party valuation agent on a periodic basis, there may be circumstances where Madryn is incentivized to determine valuations that may be higher than the actual fair value of the Funds' investments.

SPAC Investments

Madryn and its personnel are permitted to market, organize, sponsor or act in other capacities for SPACs (each, a "Madryn SPAC"), including SPACs in which the Funds will have an interest, and to receive compensation relating thereto. Madryn's participation in SPACs, irrespective of whether the Funds participate, will give rise to potential conflicts of interest. Where a Fund invests in a SPAC (including a Madryn SPAC), the Fund will bear its proportionate share of the fees, costs and expenses of offering interests in and otherwise forming, organizing, operating and administering any such SPAC, as well as bear an amount and dilutive effect of any founders' equity or similar interests or promote. As such, with respect to a Madryn SPAC, in addition to any carried interest in which Madryn or its affiliate is entitled to at the Fund-level, the Funds' interests in such Madryn SPAC will also be subject to Madryn's direct interest in any associated SPAC compensation and promote. Additionally, Madryn may have to make a determination as to whether a potential investment should be allocated to the Funds, in whole or in part, or to a Madryn SPAC (in which the Funds may or may not participate). Madryn's interests with respect to a Madryn SPAC will be different from, and in addition to, Madryn's interest in the Funds, including an interest in such Madryn SPAC's founder equity. This interest could influence Madryn's decision of whether to allocate an investment opportunity to such Madryn SPAC as opposed to the Funds and whether to cause the Funds to participate in a Madryn SPAC.

Item 12. Brokerage Practices

Brokerage

While the origination and consummation of private investment opportunities for Clients does not generally involve broker-dealers or the payment of commissions or similar fees, Madryn will cause the Funds from time to time to purchase or sell publicly-traded securities on the secondary market. Under such circumstances, Madryn will seek to achieve “best price and execution” such that the Funds’ total costs or proceeds in each transaction are the most favorable under the circumstances. While this duty generally begins with a requirement that Madryn obtain the best price available for the securities in each transaction, Madryn may take into account a number of factors, including a broker’s trading expertise, reliability, responsiveness, reputation, execution, clearance, settlement and error correction capabilities, and the value of research it provides. When executing a transaction in any investment with or for the Funds, Madryn will take all reasonable steps to monitor the quality of execution, to ensure that the counterparty is reliable, and to ensure that the terms and circumstances of the transaction are the best available on the relevant market at the time of execution for transactions of the same size and nature. The Firm does not enter into soft dollar arrangements in respect of transactions for the Funds.

Cross Trades Between Clients

i. Season and Sell

Due to certain legal and regulatory restrictions, offshore Funds may not always be able to directly invest in a loan opportunity at the time of its origination and will be required to wait until a certain period of time has passed (the “Seasoning Period”), while onshore Funds can originate loan opportunities. Upon expiration of the Seasoning Period, Madryn may instruct the onshore Funds to sell a portion of that loan investment opportunity to the offshore Funds. During the Seasoning Period, the onshore Funds will own a larger position than intended for investment and the offshore Funds will not have any interest in the investment. The onshore Funds therefore bear the full risk of the investment until such time as the relevant portion is sold to the offshore Funds. When engaging in a Season and Sell transaction, Madryn must i) obtain an independent third-party valuation appraisal and ii) observe a mandatory 90 day holding period prior to sale.

No Season and Sell transaction will be considered to be a mandatory trade prior to the expiration of the holding period. Madryn’s intention is to provide both onshore and offshore Funds with roughly equivalent investments; however, there is no obligation on behalf of the offshore Funds to purchase the security at the end of the holding period. Should the respective loan default during the Seasoning Period, all downside risk rests with the onshore Funds. Offshore Funds will not participate in seasoned deals that are in default. To reimburse the onshore Funds for the opportunity cost of the capital intended for the offshore Funds, offshore Funds will pay interest on the transaction to the onshore Funds at market rates to be determined at the time of the transaction. In addition, in the event due diligence costs are incurred in connection with the loan originations; these costs would be borne by the domestic Funds and would not be allocated or shared in by the offshore Funds.

ii. Other Cross Transactions

Other than as described above with respect to a Season and Sell Transaction, where appropriate and believed to be in the best interest of both clients, Madryn could cause one Fund to purchase a security or other investment from, or sell a security or other investment to, another Fund (a “Cross Transaction”). The value of any positions that are purchased or sold pursuant to a Cross Transaction will be determined in a manner that is consistent with Madryn’s valuation and cross-trade policies. In particular, the Firm will seek to ensure that the transaction is: i) in the Firm’s judgment, in the best interests of each Fund involved in the transaction; and ii) in compliance with any investment guidelines or restrictions for these Funds. In effecting these transactions, Madryn will seek to ensure that the purchase or sale is effected at a price that is comparable to what price could be obtained through an arm’s-length transaction with a third party and that is otherwise fair to both parties, and generally anticipates that it will obtain an independent third-party valuation appraisal in furtherance of this objective. The Firm will maintain documentation to memorialize the rationale for the transaction and for determining fairness in pricing. To the extent required by the Advisers Act and/or relevant Fund governing documents, Madryn will obtain the written consent of the relevant Funds (which in certain circumstances will be from a Fund’s Advisory Committee) prior to effecting the Cross Transaction.

Item 13. Review of Accounts

The Firm has established an Investment Committee which is responsible for all formal decision-making regarding investments. On a day-to-day basis, the investment team is responsible for working with the portfolio company’s management and monitoring of the Funds’ investments.

Investors in the Funds will receive quarterly financial statements along with a commentary on the current events in the portfolio and in the markets in general. Investors will also be provided with audited annual financial statements no later than 120 days after the conclusion of the Funds’ fiscal years, pursuant to Rule 206(4)-2 under the Advisers Act.

As previously noted, Madryn has entered into side letter agreements with certain large and strategic investors that provide such investors with additional notification and disclosure rights. By virtue of these arrangements, certain investors may have more information and reporting available to them than other investors. However, there are no preferential terms regarding liquidity.

Item 14. Client Referrals and Other Compensation

Madryn and/or one or more of its Funds have entered into a marketing arrangement with a third party placement agent with respect to the sale of interests in the Funds. Such third party placement agent is compensated on the basis of the aggregate dollar amount of Fund interests purchased by limited partners who have been identified by the placement agent, at no cost to the investors in the Fund. Madryn and its related persons do not otherwise compensate any individual or entity for client referrals. Aside from the management, incentive, and agency fees outlined in Items 5 and 6, respectively, Madryn does not receive

any other compensation resulting from the provision of advisory services to Clients.

Item 15. Custody

With the exception of certain investments in “privately offered securities” in accordance with Rule 206(4)-2 under the Advisers Act and relevant SEC guidance, Madryn does not take or maintain physical custody of any Client cash or securities and conducts all business operations such that Client cash and securities are preserved in the safekeeping of an independent custodian. Clients receiving statements directly from such custodians should carefully review those statements and should carefully compare such statements to any reports sent by Madryn.

Madryn and/or its affiliates may be deemed to have custody of the assets and securities of the Funds by virtue of their status as an investment manager, manager, or general partner of the Funds.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, the Funds are subject to an annual audit in accordance with generally accepted auditing standards and the audit reports are issued in accordance with US GAAP by an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board. The relevant audited financial statements are distributed to each investor via each Fund’s third party administrator within 120 days of the Funds’ fiscal year end.

In addition, the Funds are subject to audit upon liquidation and the liquidation audit is provided to investors promptly after its completion.

Item 16. Investment Discretion

In accordance with the terms and conditions of the pertinent offering documents and Advisory Agreements of the Funds, Madryn generally has discretionary authority to determine, without obtaining specific consent from the Clients, their directors or investors, the securities, other financial instruments and the amounts to be bought or sold thereof on behalf of the Client accounts, and to implement the day-to-day investment decisions for Client accounts. Investors in the Funds generally do not have the ability to impose limitations on Madryn’s discretionary authority. With specific regard to MSO, however, Madryn is contractually obligated to obtain approval from MSO’s limited partner advisory committee prior to allocating certain investment opportunities to MSO.

Item 17. Voting Client Securities

The Firm has implemented written policies and procedures governing the voting of proxies; however, the types of securities in which Madryn typically invests are not expected to require proxy votes. However, where there are situations in which Madryn is eligible to provide input or vote on aspects of an investment, Madryn shall act in the best interests of its Clients. The Firm maintains a record of all proxy votes cast on behalf of Clients. Clients may contact Madryn for more information with regard to its proxy voting practices and policies.

Item 18. Financial Information

Madryn has never declared bankruptcy and is not aware of any financial condition that may be reasonably expected to impact its ability to manage its Clients' accounts.