



Madryn Asset Management, LP Part 2A of Form ADV The Brochure

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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

There have been no material changes to this brochure since the last filing in March 2019.

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Item 4. Advisory Business

Madryn is a Delaware limited partnership that was founded and established in July 2016 and is owned by Dr. Avinash Amin and Peter Faroni. The Firm provides discretionary investment advice to pooled investment vehicles (each such vehicle, a “Fund,” and all such vehicles collectively, the “Funds”) as well as to separately managed accounts (each such account, an “SMA,” and all such vehicles collectively, the “SMAs,” and together with the Funds, the “Clients”). 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, or the separate investment and advisory agreement, investment management agreement, or portfolio management agreement of the respective Client (each such agreement an “Advisory Agreement”). Madryn provides a full range of private equity style services including investment sourcing, due diligence, negotiation, structuring, monitoring, valuation, and management. Madryn became registered with the SEC on January 3, 2017 and was provided File No. 801-108769.

Madryn currently advises the Madryn Health Partners Fund (the “Fund”), a privately offered pooled investment vehicle with a mini-master feeder structure which is domiciled in the Cayman Islands, and a parallel fund, Madryn Health Partners LP, a Delaware limited partnership. The Madryn Health Partners Fund and the Madryn Health Partners LP are collectively referred to herein as the “Funds”. Please see Item 7 for a more detailed description of the Funds.

Madryn has nine employees and approximately \$410 million of Client assets under management (“AUM”) the date of this brochure.

Item 5. Fees and Compensation

Madryn typically receives an annual management fee (a “Management Fee”) in connection with the advisory services it provides to the Funds. Management Fees are typically between 1.2% and 1.75% per annum and are payable quarterly in advance. Management Fees are not directly deducted from a Funds’ assets, but Madryn bills the Funds for Management Fees on a quarterly basis. During a Fund’s investment period (an “Investment Period”), Management Fees are typically calculated based on the capital investors have committed to the Fund. Following a Fund’s Investment Period, Management Fees are typically calculated based on the aggregate cost basis of investments made therein.

The Management Fee payable in any quarterly period will be reduced by an amount equal to any transaction fees 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 Partnership in connection with the organization and securing of capital subscriptions of the Partnership during the immediately preceding quarterly period.

Madryn, at its discretion, may reduce or waive Management Fees for certain large or strategic investors pursuant to side letter arrangements. Additionally, Madryn, at its discretion, may reduce or waive Management Fees for certain classes of investors, including employees and affiliates of Madryn. Management Fee arrangements for SMAs are individually negotiated and established pursuant to each Client’s investment management agreement.

In addition to the Management Fees, Madryn or an affiliate will be charged a performance-based fee, described in Item 6 below.

In accordance with the offering documents, the Funds will reimburse general partners for the Funds' organizational and start-up expenses, including legal, travel, accounting, filing, capital raising, and other organizational expenses. In addition to this share of organizational and start-up expenses, the Funds will pay all other costs and expenses of the Funds that are not reimbursed or borne by portfolio companies or other persons, including management fees; legal, auditing, consulting, financing, accounting, and custodian fees and expenses; expenses associated with the Funds' financial statements, tax returns and Schedule K-1s; expenses incurred in connection with the sourcing, evaluation, acquisition, holding and disposition of investments (including investments that are not consummated), including private placement fees, sales commissions, appraisal fees, entity-level taxes, brokerage fees, underwriting commissions and discounts, travel expenses, and legal, accounting, investment banking, consulting, information services, and professional fees; expenses of the Advisory Committee and annual meetings of the limited partners; insurance; expenses for establishing and maintaining the Funds debt facilities; and extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Funds.

Expenses borne by SMA Clients are set forth in trading advisory or similar agreements between Madryn and the respective SMA Clients. These expenses generally include all custodial fees, brokerage commissions, clearing fees, interest and withholding or transfer taxes incurred in connection with trading for the respective SMA Clients.

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

Madryn (or an affiliate) receives performance-based compensation that may create a conflict of interest in that Madryn (or an affiliate) may have an incentive to make investments that are riskier or more speculative than those which might have been made in the absence of such a performance-based fee. In addition, in the event that there are Clients that do not pay a performance-based fee, Madryn may be incentivized to provide preferential treatment to Clients that have a performance-based fee over those that do not.

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

Investors in the Funds will pay performance-based fees on the excess returns over a preferred return of 8% per annum. 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. The Funds reserve the right to increase the rate of the Preferred Return in respect of one or more Limited Partners, in its sole discretion.

Incentive fee arrangements with Managed Accounts are individually negotiated and established pursuant to each Managed Account's investment management agreement.

Madryn in its discretion may waive or reduce incentive fees, carried interest and allocations for certain large or strategic investors or for certain classes of investors, including employees and affiliates of Madryn.

Investors should consult the Funds' offering documents for more information regarding the calculation of the incentive fee.

Item 7. Types of Clients

As mentioned previously, the Firm provides investment advisory services to a Delaware limited partnership, Madryn Health Partners, LP (the "Onshore Fund"), Madryn Health Partners (Cayman Feeder), LP, a Cayman limited partnership (the "Offshore Fund"), and the Madryn Health Partners (Cayman Master), LP, a Cayman limited partnership (the "Master Fund", and together with the Onshore Fund and Offshore Fund, collectively "the Funds"). The Onshore Fund and the Master Fund will be managed on a pari passu basis, to the extent that there are no extenuating circumstances, such as legal or tax restrictions, with regard to 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, 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.

Madryn will also offer co-investments to individual partners in the Funds or to third parties at its discretion. The Firm may also form one or more vehicles for pooled co-investments. The terms of the co-investment Clients may differ from those for investors in the Funds and will be outlined in the relevant documentation regarding the particular co-investment.

Generally, the minimum commitment to a Fund will be \$10,000,000, which may be waived. The Firm expects to enter into separate account relationships with similar institutional investors. The minimum for separate account mandates will be subject to negotiation on a Client-by-Client basis.

When deemed appropriate for a large or strategic investor, Madryn may in the future establish, separately managed accounts, which: (i) tailor their investment objectives, guidelines, and restrictions to specific Funds 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 have been and 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 those funds.

Investors in the Funds and SMA Clients will be subject to lock-up periods for their investments and neither Madryn nor the Funds guarantee that a Client 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. Clients may negotiate a return of any unpaid fees with the transfer party or Madryn at the time of termination.

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

The investment strategy of Madryn is aimed at providing customized financing solutions to healthcare companies worldwide. Capital will be deployed through structured investments in senior debt, subordinated debt, convertible debt, and equity securities, as well as hybrid investments combining elements of two or more security types, all of which are supported by healthcare assets and cash flows. Investments are generally collateralized by a first priority security interest in all assets of the company including intellectual property, regulatory filings, contracts, and PP&E.

The strategy will aim to create a portfolio of 12–15 investments of \$20–75 million each, diversified by therapeutic category, product type, and sales geography. All investments will be allocated on a pro rata basis between the Onshore Fund and the Offshore Fund, subject to any tax or legal considerations.

RISK OF LOSS

All investing involves a risk of loss and the investment strategy offered by Madryn could lose money over short or even long periods. Performance could be negatively impacted by a number of different market risks including, but not limited to, commercial risk related to the success of the healthcare products of the companies in which Madryn invests, regulatory risk related to product approvals of companies in which Madryn invests, financing risk related to the ability of Madryn portfolio companies to continue to raise additional capital to support their commercial activities, competitive risk related to other products and companies that compete with Madryn portfolio companies, reimbursement risk related to whether the products of Madryn portfolio companies receive favorable reimbursement from public and private payors. This could result in impairment of value to individual investments and cause accounts to decline in value. Madryn selects investments based, in part, on information provided by issuers to regulators or made directly available to Madryn by the issuers or other sources. Madryn is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

LACK OF OPERATING HISTORY

Madryn as an investment adviser does not have any operating history. Clients and investors must rely on the ability of the Firm to identify, structure, and implement investments consistent with Clients' investment objectives.

CONCENTRATION OF INVESTMENTS

Clients will participate in a limited number of investments and intend to make the majority of their investments in the pharmaceutical/medical device industry, and, as a result, Clients' investment portfolios will be concentrated in one general industry. As such, the performance of a few holdings and the industry generally may substantially affect Clients' aggregate returns. Furthermore, to the extent that the amount of capital raised by Clients is less than the targeted amount, or because of other factors, Clients 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 healthcare structured finance investments involves a high degree of uncertainty. Clients may compete for healthcare structured finance investments with other investment firms, investment affiliates of large financial services organizations and occasionally the licensees themselves. There can be no assurance that the Madryn will be able to identify and close on a sufficient amount of transactions that meet Clients' investment objectives, and therefore there can be no assurance that Madryn will successfully deploy all of Clients' committed capital during the Investment Period. However, Limited Partners will be required to pay annual management fees during the Investment Period based on the entire amount of their Commitments.

ORIGINATED INVESTMENTS

Clients' success will depend, in part, on the ability of the Madryn to originate investments on advantageous terms. In originating and purchasing investments, Clients compete with a broad spectrum of financial institutions, some of which may have greater financial resources than Clients. Increased competition for, or a diminishment in the available supply of, qualifying healthcare structured finance investments could result in lower investment returns on such healthcare structured finance investments, which could reduce returns to Limited Partners.

Clients may originate certain investments and later syndicate a portion of one or more investments to other affiliated funds or third parties, including a Parallel Fund. Prior to such syndication, or if such syndication is not successful, Clients' exposure to the originated investment may exceed the exposure that Clients intends to have over the long-term or would have had if it had purchased such investment in the secondary market rather than originating it. This could result in a Client suffering losses that it otherwise would not incur. The level of analytical sophistication, financial and legal, necessary for successful investing in healthcare structured finance investments is unusually high. There is no assurance that the Madryn will be successful in identifying successful investments.

ILLIQUIDITY; LACK OF CURRENT DISTRIBUTIONS

An investment in the 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. The return of capital and the realization of gains, if any, on healthcare structured finance investments may occur earlier. While an equity investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on such equity investment. Furthermore, the expenses of operating Clients (including the management fee payable to affiliates may exceed its cash flow, thereby requiring that the difference be paid from Clients' capital and drawn down from Limited Partners.

GOVERNMENT REGULATION; RISK OF DRUG WITHDRAWALS

Products are subject to extensive and rigorous regulation by United States local, state, and federal regulatory authorities and by comparable foreign regulatory bodies. Regulatory clearance of a product is limited to those disease states and conditions for which the product is useful, as demonstrated through clinical studies and determined by the appropriate regulatory authorities.

Marketing or promoting a drug for an unapproved indication is prohibited. Furthermore, clearance of a Product for marketing for a specific indication may entail ongoing requirements or post-marketing studies.

Although Clients' focus will be on healthcare structured finance 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 or corresponding regulatory authorities outside of the U.S., 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.

Any regulation in force and effect at the date of the initial closing or at the time an investment is made is subject to change, which may materially and adversely impact the performance of Clients.

RISKS RELATED TO STRUCTURED INVESTMENTS

Structured investments, including, but not limited to, structured debt, 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 term and the intent of the documents. Therefore, the Fund 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.

Structured investments are subject to the risks of the underlying assets. These risks include the possibility of a default by, or bankruptcy of, the issuers of such assets or a claim that the pledging of collateral to secure any such asset constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors of the issuer of such asset or nullified under applicable law. The Fund will not own such assets directly and will therefore not benefit from general rights applicable to the holders of assets, such as the right to indemnity and the rights of setoff, or have voting rights with respect to such assets. Structured investments are often leveraged, thereby increasing their risk. Utilization of leverage is a speculative investment technique and will generally magnify the opportunities for gain and risk of loss borne by an investor in the equity or subordinated debt securities issued by a structured investment. Many structured investments contain covenants designed to protect the providers of debt financing to such structured investments. A failure to satisfy those covenants could result in the untimely liquidation of the structured investment and a complete loss of the Fund's investment therein.

USE OF LEVERAGE AND LEVERAGED INVESTMENTS

Clients may seek to enhance its total returns through the use of leverage. Although the use of leverage may create an opportunity for increased returns of the Fund, it also results in additional risks and can magnify the effect of any losses and thus could negatively impact Clients' business and results of operation and have important adverse consequences to Clients' investments. Clients may borrow directly or may borrow indirectly, for example, by contributing assets to an entity which issues debt. It is likely that any debt Clients incur will include covenants that may restrict Clients' operating flexibility, including covenants that, among others, limit Clients' ability to: i) pay distributions in certain circumstances, (ii) incur additional debt, and (iii) engage in certain transactions. If Clients secure their leverage through the pledging of collateral, Clients may, if Clients is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, be subject to risk that a lender seizes its assets through margin calls or otherwise that could require liquidation of investments at inopportune times or at prices that are not favorable to Clients and cause significant losses. If a lender seizes and liquidates pledged collateral, such collateral will likely be sold at distressed price levels. Clients will fail to realize the full value of such assets in a distressed sale. In addition, Clients may be required to maintain a portion of its assets in cash or high-grade securities as a reserve against interest or principal payments and expenses. Clients expect that any credit facility will have customary affirmative covenant, negative covenant, and default provisions. However, there can be no assurance that Clients will enter into an agreement for a credit facility on terms and conditions representative of the foregoing or that additional material terms will not apply.

Furthermore, if entered into, any such credit facility may in the future be replaced or refinanced by one or more credit facilities having substantially different terms. Clients' compliance with its credit facility may impact its returns and ability to make distributions. Clients may be required to pay commitment fees and other costs of borrowings under the terms of a credit facility. Moreover, interest on borrowings will be an expense of Clients.

With the use of borrowings, there is a risk that the interest rates paid by Clients on the amount it borrows will be higher than the return on Clients' investments. In addition, any leverage instruments that Clients may issue in the future will likely have rights, preferences, and privileges over Clients' and against Clients' assets in liquidation that are more favorable than those of the interests in Clients. Such additional costs and expenses may affect the operating results of Clients. If Clients cannot generate sufficient cash flow from its investments, it may need to refinance all or a portion of its indebtedness on or before maturity. The U.S. capital markets have recently experienced historic dislocations and liquidity disruptions, which have caused financing to be unavailable in many cases and, even if available, have caused the cost of prospective financings to increase.

These circumstances have materially impacted liquidity in the debt markets, making financing terms for borrowers able to find financing less attractive, and in many cases have resulted in the unavailability of certain types of debt financing. Continued uncertainty in the debt and equity markets may negatively impact Clients' ability to access financing on favorable terms or at all. The inability to obtain additional financing could have a material adverse effect on Clients' operations and on its ability to meet its debt obligations. If it is unable to refinance any of its indebtedness on commercially reasonable terms or at all, Clients' business and returns may be harmed.

Clients may make use of leverage by incurring subscription financing or other debt to finance a portion of its investment in a given Healthcare Structured Finance Investment. Leverage generally

magnifies both Clients' opportunities for gain and its risk of loss from a particular investment. The use of leverage may also result in interest expense and other costs to Clients that may not be fully covered by distributions made to Clients. The leveraged capital structure of an investment will increase the exposure of leveraged Fund investments to any deterioration in the Pproduct's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such investments.

In the event any portfolio investment cannot generate adequate cash flow to meet debt service payments, Clients may suffer a loss of capital invested, which could adversely affect the returns of Clients. Furthermore, the investments in which Clients will invest generally will not be rated by a credit rating agency. Furthermore, market conditions may unfavorably impact Clients' ability to secure leverage on terms as favourable as more established borrowers in the market, or to obtain any leverage on commercially feasible terms. To the extent Clients are able to secure financing for investments, increases in interest rates or in the risk spread demanded by financing sources would make the partial financing of investments with indebtedness more expensive and could limit Clients' ability to structure and consummate its investments.

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

Madryn and its employees have not 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 Health Advisors, LP is the general partner of the Onshore Fund and the Offshore Master Fund. Madryn Health Advisors (Cayman), LLC is the general partner of the Offshore Feeder Fund. These entities are under common control with Madryn and are advisory affiliates. 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 is exempt from registration as a Commodity Pool Operator ("CPO") with the Commodity Futures Trading Commission ("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, among other things, contains provisions designed to: (i) prevent improper personal trading by employees; (ii) prevent improper use of material, non-public information about securities recommendations made by 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 policies and procedures designed to prevent its employees from misusing material nonpublic information (which may include information regarding Madryn's Clients) in their personal trades. Madryn maintains a Restricted List of securities subject to sales or trading activity prohibitions and employees must request pre-approval to execute personal securities transactions. 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.

Item 12. Brokerage Practices

Brokerage

The origination and consummation of private investment opportunities for Clients is not expected to involve broker-dealers or the payment of commissions or similar fees. In future, there may be a need to liquidate publicly traded securities which are obtained in the course of the consummation of the privately negotiated credit deals. Madryn does not envision this occurring any time in the near future and will be taking steps to establish brokerage accounts and policies and procedures to govern these types of transactions prior to their occurrence. Upon establishment, Madryn will update this Form ADV Part 2A and will notify Clients and investors of the arrangements in accordance with the custody rule.

Allocation of Investment Opportunities

Due to certain legal and regulatory restrictions, offshore Clients 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 Clients can originate loan opportunities.

Upon expiration of the seasoning period, Madryn may instruct the onshore Clients to sell a portion of that loan investment opportunity to the offshore Clients in accordance with the procedures below. During the Seasoning Period the onshore Clients will own a larger position than intended for investment and the offshore Clients will not have an interest in the investment. The onshore

Clients therefore bear the full risk of the investment until such time as the relevant portion is sold to the offshore Clients.

Cross Trades Between Clients

Transactions between Clients will not be permitted except in the case of sales following a loan origination Seasoning Period (a “Season and Sell transaction”). When engaging in a Season and Sell transaction, Madryn must:

- o Obtain an independent third-party valuation appraisal.
- o 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 Clients with roughly equivalent investments; however there is no obligation on behalf of the offshore Clients 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 Clients. Offshore Clients will not participate in seasoned deals that are in default. To reimburse the onshore Clients for the opportunity cost of the capital intended for the offshore Clients, offshore Clients will pay interest on the transaction to the onshore Clients 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 Clients and would not be allocated or shared in by the offshore Clients.

Item 13. Review of Accounts

The Firm has 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 each 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 the 120-day deadline provided in Rule 206(4)-2 under the Investment Advisers Act of 1940.

Separately managed account Clients will receive reporting as agreed and outlined in the relevant investment management agreement governing the Client relationship.

By virtue of side letters, certain large and strategic 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

The Funds have entered into an agreement with Fortress Group Inc. as a placement agent. In accordance with the agreement and the offering documents, payment for the placement agent services will be made by the Firm and then billed back to the Funds as an offset against the management fees due to Madryn.

Aside from the management and incentive fees outlined in Items 5 and 6, Madryn does not receive any other compensation resulting from the provision of advisory services to Clients.

Item 15. Custody

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 the Administrator within 120 days of the Private 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 governing documents of the Funds, Madryn 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 do not have the ability to impose limitations on Madryn's discretionary authority.

With regard to SMAs, the extent of Madryn's discretionary authority, if any, will be outlined in the Advisory Agreement. SMA Clients may also choose to implement investment restrictions and guidelines as part of the Advisory Agreement.

Item 17. Voting Client Securities

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.

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.