

Ironwood Capital Advisors III LLC

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This brochure (“Brochure”) provides information about the qualifications and business practices of Ironwood Capital Advisors III LLC (“ICA III”). If you have any questions about the contents of this Brochure, please contact us at 860-409-2100 or by email at stotler@ironwoodcap.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about ICA III also is available on the SEC’s website at www.adviserinfo.sec.gov. (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you with both Part 1 of our Form ADV as well as this Brochure, which is Part 2 of our Form ADV.

ICA III is a registered investment adviser. Registration with the SEC as an investment adviser does not imply that ICA III or any of the principals or employees of Ironwood Capital Holdings, LLC (“Ironwood Capital”), the parent of ICA III, possess a particular level of skill or training in the investment advisory business or any other business.

Item 2 – Material Changes

1. We are updating this Brochure as part of our annual updating amendment for year ending December 31, 2013. It contains updates to our AUM as well as conditions impacting two of our related funds.
2. We will provide you a copy of this updated brochure either by mail or access to a copy via our secure website.
3. If you would like an additional copy of this Brochure, please download it from the SEC's public disclosure website (IARD) www.adviserinfo.sec.gov or contact our Chief Compliance Officer, Ellen Stotler, at 860-409-2100 or stotler@ironwoodcap.com .

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Item 4 – Advisory Business

Ironwood Capital Advisors III LLC (“ICA III”), a Delaware limited liability company, is a registered investment adviser under the Advisors Act. ICA III provides investment advisory and management services to Ironwood Mezzanine Fund III LP and its general partner (the “Main Fund”) and Ironwood Mezzanine Fund III-A LP and its general partner (the “SBIC Fund” and together with the Main Fund, the “IMF III Funds”)¹. The IMF III Funds are private mezzanine debt funds. ICA III advises the IMF III Funds on selection for a diversified portfolio of private investments made directly in later stage, cash generating, lower middle market companies (each, a “Portfolio Company”). Portfolio Companies include companies in business services, value-added manufacturing, distribution, consumer products and healthcare sectors, in broad geographic areas. In addition, ICA III provides all back- and middle-office management services to the ICA III Funds.

ICA III is 100% owned by Ironwood Capital Holdings, LLC (“Ironwood Capital”). Ironwood Capital Connecticut I LLC (“Ironwood CT”) is an adviser under common control with Ironwood Capital and is therefore a “Related Advisor”. Ironwood CT provides non-discretionary co-advisory services to the managing agents of several private debt funds (the “CT Funds” and together with the IMF III Funds, the “Funds”). The CT Funds are not affiliated with or under common control with Ironwood Capital.

The IMF III Funds and the CT Funds are “qualified clients” as defined in the Advisors Act rule 205-3, and pursue investment objectives and strategies that are substantially similar. ICA III and Ironwood CT (together the “Advisors”) are both subject to the supervision and control of Ironwood Capital. The Advisors are both governed by Ironwood Capital’s written policies and procedures and Code of Ethics; they share the same Chief Compliance

¹ In addition, Ironwood Mezzanine Management III LLC, the general partner of the Main Fund, and Ironwood Mezzanine Management III-A LLC, the general partner of the SBIC Fund, which are affiliates of ICA III, may be deemed by the SEC to be investment advisers of the respective funds due to their common advisory personnel and the fact that the general partners will typically accept the recommendations of ICA III. Accordingly, these general partners will look to and are relying on the registration of ICA III in accordance with the American Bar Association Business Law Section No Action Letter dated December 8, 2005, and are not themselves registering as investment advisers.

Officer; and they share office space. Ironwood CT is therefore a “Relying Advisor” in this filing as that term is defined by the SEC in the American Bar Association Business Law Section No Action Letter dated January 18, 2012.

Ironwood Capital is wholly owned by three principals, Marc A. Reich, Carolyn C. Galiette and Roger J. Roche, Jr. (the “Principals”). Ironwood Capital is the successor to an investment firm founded in 1991 by Mr. Reich and Ms. Galiette. Mr. Reich, Ms. Galiette, and Mr. Roche have significant private mezzanine debt fund management expertise and each has more than twenty years of experience in financial services and investment management.

The Advisors provide investment advice related to limited types of investments in accordance with the Funds’ specific investment objectives and restrictions, pursuant to the investment guidelines and restrictions set forth in each Fund’s confidential private placement memorandum, limited partnership agreement and other governing documents (collectively, the “Governing Documents”). Advisory services are provided to the Funds on a non-discretionary basis.

In accordance with common industry practice, the Advisors may enter into “side letters” with Limited Partners.

The Advisors do not participate in any wrap fee programs.

The IMF III Funds’ committed assets total \$307.2 million (including assumed leverage). The CT Funds’ committed assets total \$55.8 million (including leverage). Assets under management for all of ICA III and its related advisors total \$495.9 million.

Item 5 – Fees and Compensation

The specific manner in which investment advisory and management services fees (the “Fees”) are calculated and paid to the Advisors are established in each of the Funds’ Governing Documents. The Fees are paid to the Advisors on a quarterly basis and are paid out of the Funds’ working capital on the first business day of each fiscal quarter.

In addition to the Fees paid to the Advisors, the Funds also pay certain expenses relating to the formation and operation of the Funds, certain legal, reporting and travel expenses, and other expenses incurred in connection with providing investment advisory and management services to the Funds.

Because the Advisors are SEC-registered investment advisers and this Brochure is delivered only to their clients, a fee schedule is not required to be provided.

Item 6 – Performance-Based Fees and Side-By-Side Management

Fees are based on a percentage of assets under management. The Advisors do not receive a performance-based fee. However, the general partners of the IMF III Funds, affiliates of ICA III, receive a portion of the returns of the IMF III Funds in the form of a carried interest in accordance with the applicable fund Governing Documents.

Item 7 – Types of Clients

The Advisors provide investment advisory and management services to the IMF III Funds and the CT Funds on a non-discretionary basis. The Funds are private debt funds that make direct investments in privately held businesses.

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

Methods of Analysis and Investment Strategies

The IMF III Funds invest in a diversified portfolio of later stage, cash generating, lower middle market Portfolio Companies. The CT Funds invest in a diversified portfolio of companies across the spectrum of later stage, cash generating, lower middle market Portfolio Companies to early stage, cash flow negative Portfolio Companies. Each Portfolio Company undergoes a rigorous due diligence process by the Advisors prior to selection by the general partners of the respective Funds. The due diligence process seeks to identify and confirm key attributes of the Portfolio Companies' management teams, including the team cohesiveness, viability and consistency of their business strategy, their prior experience, and ability to deliver successful outcomes in addition to analysis and verification of company financial performance, customers, sales, inventories, internal processes and controls, and (as applicable) prospects, product and service development, product offerings, etc. After an investment is made, the Advisors will engage in active portfolio monitoring, including verifying adherence to business strategy, tracking performance and general oversight.

Risk of Loss

The Advisors' investment strategy and method of analysis involves the risk of loss that the Funds and their limited partners should be prepared to bear, including, but not limited to, the following:

- 1) Dependence on Key Personnel. The Advisors' performance is dependent upon Ironwood Capital retaining its key personnel. In the event that any of the key personnel leave Ironwood Capital, there can be no assurance that Ironwood Capital will be able to replace them with individuals of equivalent caliber, experience and firm relationships. The loss of any of the key personnel could have a significant adverse impact on the performance of the Advisors.
- 2) Due Diligence. The Advisors' clients are reliant upon the Advisors' due diligence process and analysis. Failure of the Advisors to adequately conduct the due

diligence process and analysis could have a negative impact on the performance of an investment.

- 3) Nature of Fund Investments. The Funds will concentrate on making investments in Portfolio Companies that have significant risks as a result of business, financial, market or legal uncertainties. There can be no assurance that the Advisors will correctly evaluate the nature and magnitude of the various factors that could affect the value of a return on investments of the Funds. Valuations of the Funds' investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, as well as fluctuations in public and private capital markets may significantly affect the results of a Fund's activities and the value of its investments. The past performance of funds advised by the Advisors provides no assurance of future results.

An investment strategy such as that of the Funds involves a high degree of business and financial risk that can result in substantial losses. Among these are the following: (i) risks of investing in companies operating with substantial variation in operating results from period to period; (ii) risks of investing in companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position; and (iii) risks of companies that themselves have leveraged capital structures. Portfolio Companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and service capabilities, superior intellectual property protection, stronger business partnerships and a larger number of qualified managerial and technical personnel; especially since the Funds target privately held Portfolio Companies in the lower middle market.

- 4) Leveraged Investments. The leveraged capital structure of Portfolio Companies will increase the exposure of the Funds to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates. The Funds' investments are likely to be subordinated debt or another form of debt capital in a Portfolio Company's capital structure. If a Portfolio Company is unable to generate sufficient cash flow to meet principal and interest payments on its senior indebtedness, a Fund may suffer a partial or

total loss of capital invested in the issuer, which, given the size of each Fund's investments, could adversely affect its returns.

If a Portfolio Company enters bankruptcy, other lenders may control the method and manner of distribution or exert substantial power with respect to the bankruptcy proceeding. The original lending agreement may also limit the rights of the Funds during bankruptcy for the benefit of more senior lenders. This may diminish a Fund's recovery or ability to claim an interest in the collateral of that Portfolio Company.

- 5) Challenging Debt Markets. An important factor in the Funds' strategy will be the ability of the Portfolio Companies to obtain senior debt financing on a timely basis and on competitive terms. If senior debt financing becomes unavailable or is excessively restrictive or costly, the proposed operations of the Portfolio Companies and thus the Funds could be adversely affected. Since late 2008, companies of the types in which the Funds seek to invest with outstanding credit have found it difficult to obtain senior debt. If available, the terms and conditions of senior debt may be on less favorable terms to borrowers.
- 6) Subordinated Debt and Equity Investments. The Funds' investments generally will have implied or imputed ratings below investment grade. Such investments generally have greater credit and liquidity risk than is typically associated with investment grade obligations. The Funds also will be subject to fraudulent conveyance, subordination and preference laws.
- 7) Issues of Collateral. The investments by the Funds, when secured, may be subordinate in lien to more senior creditors and therefore may be subject to greater risks than first priority lenders. Fluctuations in the market, prices or the economy may decrease the value of collateral that secures the Funds' secured mezzanine loans. This may expose such loans to the risk of being under collateralized, as the available collateral may only be sufficient to cover more senior liens. Also, junior lien holders may have less ability to negotiate favorable collateral terms and repayment rights, and may be forced to give up rights or subordinate rights to more senior lenders. There is a risk that junior lien holders like the Funds will receive unfavorable treatment in the case of default with respect to distributions, rights to collateral and the ability to enforce their rights against the collateral, or during bankruptcy.

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- 8) Difficulty of Locating Suitable Investments. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Funds to invest all of their committed capital in opportunities that satisfy their investment objectives. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense.
- 9) Illiquidity of Investments. An investment in one of the Funds requires a long-term commitment with no certainty of return. Many of the Funds' investments will be highly illiquid, and there can be no assurance that the Funds will be able to realize such investments at attractive prices or otherwise be able to affect a successful realization or exit strategy. An aspect of the Funds' strategy is to invest in lower middle market companies, which have often been ignored by other private debt funds and the capital markets. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind. Additionally, a Fund may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for a Fund's investments. Finally, in some cases, a Fund may be prohibited by contract from selling securities for a period of time.
- 10) Potential Limitations on Interest. Interest charged on loans the Funds make may be subject to state usury laws imposing maximum interest rates and penalties for violation, including restitution of excess interest and unenforceability of debt.
- 11) SBIC Risk Factors: In addition to the risk factors above, the SBIC Fund's strategy involves additional risk factors related to leverage and regulatory factors, including:
- a. Use of Debenture Leverage. The SBIC Fund generally expects to utilize debenture leverage provided under the SBIC program ("Debenture Leverage"). The use of Debenture Leverage by the SBIC Fund will increase both the potential for gain and the potential for loss of the SBIC Fund.
 - b. Possible Limitations on Available Debenture Leverage. Although Congress has in recent years consistently increased its appropriation of

funds for the SBA to invest in SBICs that obtain Debenture Leverage, there can be no assurance that the Debenture SBIC program will be maintained at current levels. Under the SBIC Act, an SBIC and its affiliates are also limited with respect to their aggregate amount of outstanding leverage.

- c. Possible Changes to Regulatory Scheme. Congress may amend or supplement the SBIC Act, and the SBA may amend or supplement its regulations, in a manner that imposes additional regulatory burdens upon or otherwise adversely affects the SBIC Fund's strategy.
- d. SBA Regulatory and Enforcement Powers. The SBA has significant ability to supervise and regulate the SBIC Fund. The SBA imposes greater restrictions on the portfolio of an SBIC than would generally be the case for an unregulated private mezzanine or private equity fund. Certain activities and decisions require SBA approval. In particular, it may be necessary for the SBA to approve an investment in a Portfolio Company made by the SBIC when the terms of such investment differ from those of the investment made by the Fund in the same Portfolio Company due to SBA regulations that limit the terms of such investment.

Item 9 – Disciplinary Information

The Advisors do not have any legal or other disciplinary event to report to you. This statement applies to the Advisors and every management person of Ironwood Capital.

Item 10 – Other Financial Industry Activities and Affiliations

Neither the Advisors nor any of the employees of Ironwood Capital who perform services for the Advisors under the administrative services agreements are registered as a broker-dealer or a registered representative of a broker-dealer. In addition, the Advisors and Ironwood Capital employees are not affiliated with any broker dealer.

None of the Advisors nor any of Ironwood Capital employees is registered as a registered futures commission merchant, commodity pool operator or commodity trading advisor.

The Advisors are solely engaged in providing investment advice to the Funds and do not sell products or services other than investment advice to clients. The Advisors do not have any arrangements to receive additional compensation from non-clients nor does it directly or indirectly compensate any person for client referrals.

Ironwood Capital has two additional wholly-owned subsidiaries that are unregistered investment advisors: Ironwood Capital Advisors LLC and Ironwood Capital Advisors II LLC, both of which are advisors to SBIC funds² and which are exempt from registration as investment advisers on that basis. Reich and Galiette also hold ownership interests in Ironwood Capital Management LLC, which is also an advisor to an SBIC fund³. When considered appropriate by the general partners of the Funds, Ironwood Capital's officers and employees may also serve as directors of the entities in which the Funds may acquire an interest.

The Advisors have business relationships with other Ironwood Capital funds and Ironwood Capital entities that may create a material conflict of interest. In the event of a potential

² Ironwood Mezzanine Fund LP, one of the SBIC funds, has relinquished its SBIC license as of December 31, 2014.

³ Ironwood Equity Fund, LP, one of the SBIC funds, is required to comply with SBA Regulations including Capital Impairment rules. In the event the maximum Capital Impairment level is exceeded and not cured within 15 days, the licensee is placed into Restricted Operations. As of December 31, 2013, IEF's Capital Impairment percentage was 82.7% which exceeds the 60% maximum impairment percentage. Ironwood Capital has notified SBA of the anticipated Capital Impairment and expects that IEF will be placed in Restricted Operations. In the event IEF is unable to remedy its Capital Impairment, the fund could be transferred to the Office of SBIC Liquidation which could have a material adverse effect on the fund's financial position and operations.

conflict of interest, the Funds' respective partnership agreements and/or management agreements have guidelines and policies as to the appropriate action to take with respect to such conflicts.

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

Code of Ethics

Ironwood Capital has adopted a Code of Ethics (the “Ironwood Code”) under Rule 204A-1 of the Advisers Act. The Ironwood Code applies to the Advisors, all and of the Advisors’ access persons. The Ironwood Code was designed to ensure the Advisors meet their fiduciary obligations to their clients and the Advisors’ obligation with respect to the use of material non-public information. The Ironwood Code also reinforces a culture of compliance within the firm.

The Ironwood Code describes Ironwood Capital’s high standards of business conduct and fiduciary duty to the Funds to which they provide investment advisory and management services. It includes provisions relating to the prohibition on insider trading, personal securities trading procedures, trading restrictions, reporting requirements of holdings and transactions, record keeping, restrictions and reporting on gifts and business entertainment, among other items. The Ironwood Code emphasizes Ironwood Capital’s philosophy of honesty, integrity and professionalism, setting forth standards of conduct expected of the our personnel, promoting honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and promoting compliance with applicable government laws, rules and regulations.

Access persons are required to report their trading activities in accordance with the provisions in the Ironwood Code. Under the Ironwood Code, certain securities have been or may be designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of the Funds. In addition, Ironwood Capital has an Insider Trading Policy applicable to all its access persons which prohibits the use of material non-public information in connection with personal securities transactions and prohibits the tipping of material non-public information to other persons who may trade on the basis of the information. The Ironwood Code and investment policies are overseen by the Chief Compliance Officer, who is responsible for the review of such transactions to reasonably prevent conflicts of interest between and amongst the Advisors, their affiliated investment advisors and affiliated personnel, the Funds and their limited partners.

All of Ironwood Capital's access persons must comply with and acknowledge compliance with the terms of the Ironwood Code annually, and as amended.

Participation or Interest in Client Transactions

The Advisors may recommend to a general partner the purchase or sale of a security in which the Advisors' affiliates directly or indirectly have a position of interest. Any such transaction would be subject to Ironwood Capital's conflict of interest guidelines, as discussed more fully above and in the Governing Documents of each Fund.

Principal and Agency Cross Transactions

It is the Advisors' policy not to engage in any principal or agency cross securities transactions for the Funds.

Item 12 – Brokerage Practices

The Advisors typically do not utilize broker-dealers to effect investments. However, the Funds do directly invest in certain equity securities of privately held companies and may receive shares of such companies as part of a general distribution. A Fund may sell the securities received in share distributions such that the proceeds can then be distributed to the Funds' limited partners. The Advisors, other than Ironwood CT, will generally have discretionary authority to select the broker or dealer to be used to execute transactions on behalf of the Funds and to negotiate the commission cost to be paid by the Funds.

The Advisors shall seek best execution for the Funds' securities transactions and the respective general partners will have final approval. Brokers are selected according to various characteristics that support the Funds' interest in receiving the most favorable execution. Many criteria are considered, including but not limited to, the following: the integrity, ethics and trustworthiness of the broker regarding any relations and agreements with the Advisors and the applicable Fund, the speed and quality of trading execution to minimize market price impact and maximize value for the Fund, the broker's capability to provide services at the lowest possible cost, competent broker personnel and support staff, the efficient clearance and settlement of trades, commitment to technology and a preeminent trading system, the broker's overall ability to provide best execution for the Funds, and timely acknowledgement and correction of trade errors. The applicability of specific criteria will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple brokers or dealers.

If any Advisor ever has occasion to select brokers and dealers, it will do so on the basis of its judgment of their professional capability to provide the service at reasonably competitive rates. If, in the Advisor's judgment, the commission is reasonable in relation to the brokerage services provided, such Advisor may recommend that its respective Fund pay a brokerage commission in excess of the commission another broker would have received for effecting the same transaction.

Research or Other Soft Dollar Benefits

The Advisors do not engage in soft dollar arrangements with respect to securities transactions for the Funds.

Brokerage for Client Referrals

The Advisors typically do not use broker-dealers. However, in the event one does, such Advisor will not consider, in selecting or recommending broker-dealers, whether it or a related person receives client referrals from a broker-dealer or a third party.

Directed Brokerage

The Funds are not permitted to direct securities transactions to a specific broker. This policy allows us to achieve most favorable execution of client transactions.

Item 13 – Review of Accounts

The Advisors will review the Portfolio Companies of each Fund on an ongoing basis to ensure the investment guidelines and objectives of the Funds are being met. Financial reports are sent to limited partners on a quarterly basis and are audited by an independent accounting firm on an annual basis. Further information on the reports provided by the Funds is contained in the Governing Documents.

Item 14 – Client Referrals and Other Compensation

The Advisors has no arrangements for client referrals, and, therefore has not compensated any person regarding client referrals.

Item 15 – Custody

The Advisors advise private funds that invest in privately placed uncertificated securities. The Advisors maintains all documents for the privately offered securities held by the Funds in fireproof cabinets on site at 45 Nod Road, Avon, CT. Cash in the IMF III Funds is maintained with a qualified custodian. Cash in the CT Funds is maintained and controlled by the managing agents of the Funds. Audited annual financial statements for the Funds are prepared by an independent public accountant registered with and subject to regular inspection by the PCAOB. Audited financial statements are distributed to the Funds' investors within 180 days of the end of the Funds' fiscal year.

ICA III maintains the Fund's assets and securities in fireproof cabinets on site at 45 Nod Road, Avon, CT. ICA III delivers quarterly financial statements on behalf of the Fund to all Limited Partners. In addition to the quarterly statements, an annual GAAP compliant audited financial statement is also issued to Limited Partners. Audited statements are prepared by an independent public accountant registered with and subject to regular inspection by the PCAOB. Audited financial statements are distributed to Limited Partners in the Fund within 120 days of the end of the Fund's fiscal year.

Item 16 – Investment Discretion

The Advisors do not have authority to determine, without the specific consent of their clients, the securities to be bought or sold, and the amount of securities to be bought or sold. The Funds retain investment discretion as provided for in the Governing Documents of the respective Funds.

Item 17 – Voting Client Securities

When exercising voting authority over any Fund's securities, the general partners of such Fund retain full discretion. At the present time, the Advisors do not anticipate that any Fund will acquire any publicly traded securities where they would be required to vote proxies.

To the extent the Funds receive proxies or other solicitations, the general partners may contact the Advisors. An Advisor shall advise the general partners based on the performance, activities and events related to each investment, and the evaluation of other issues that could have an impact on the value of the security. An Advisor shall review each proposal submitted for a vote on a case-by-case basis and shall recommend the general partner vote all proxies in a prudent manner, considering the prevailing circumstances at the time and in a manner consistent with the Fund's proxy voting policies and procedures and general partner's fiduciary duties to the Fund and its limited partners.

Investors may obtain a copy of Ironwood Capital's proxy voting policy upon request by contacting Ellen Stotler, Chief Compliance Officer, at 860-409-2100 or Stotler@ironwoodcap.com.

Item 18 – Financial Information

The Advisors do not require or solicit prepayment of more than \$1,200 in fees from the Funds six months or more in advance. Therefore no financial information is provided.

The Advisors have no financial commitment or conditions that are reasonably likely to impair its ability to meet contractual and fiduciary commitments to the Funds, and it has not been the subject of a bankruptcy proceeding.