
Brightwood Capital Advisors

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1. This brochure ("Brochure") provides information about the qualifications and business practices of Brightwood Capital Advisors ("Brightwood"). If you have any questions about the contents of this Brochure, please contact us at 1-646-957-9532 or by email at zomback@brightwoodlp.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.
2. Additional information about Brightwood is also available at the SEC's website 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.
3. Brightwood is an SEC registered investment adviser. Registration as an investment adviser does not imply that Brightwood, or any of the principals or employees of Brightwood, possess a particular level of skill or training in the investment advisory business or any other business.

Item 2 – Material Changes

1. This is our annual updating amendment to our most recent Form ADV filed in October, 2013. Amendments have been made to reflect the new fund structure for a recently closed set of funds, to disclose the formation of a new related party to the Advisor, to disclose the use of a third party marketer, and to reflect the Advisor's assets under management as of December 31, 2013.
2. We may, at any time, update this Brochure if there is a material change. If we do, we will either send you a copy of the updated Brochure (either by email or in hard copy form) or provide access to a copy via a secure website.
3. If you would like an additional copy of this Brochure, please download it from the SEC's public disclosure website (IAPD) www.adviserinfo.sec.gov or contact our Chief Compliance Officer, Russell Zomback, at 1-646-957-9532 or zomback@brightwoodlp.com.

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Item 4 – Advisory Business

Founded in March, 2010, Brightwood Capital Advisors, LLC (“Brightwood” or the “Advisor”), a Delaware company, became registered with the Securities and Exchange Commission in August, 2013. Sengal Selassie and Damien Dwin are the principals of the Advisor. Together they have more than 35 years of financial services and investment management experience. The Advisor is managed by Brightwood Capital Advisors, LP which owns a 99% share of the Advisor. Messrs. Selassie and Dwin each own 0.5%. Brightwood Capital Advisors GP, LLC is the general partner of Brightwood Capital Advisors, LP and directs the administrative functions performed on behalf of Brightwood. Messrs. Selassie and Dwin are the principals of Brightwood Capital Advisors, LP each owning a 50% share.

Brightwood is the Investment Advisor to Brightwood Capital Fund III Holdings, LP (“Master Fund III”). Master Fund III, a Delaware limited partnership, was formed on November 21, 2013 and commenced operations on December 16, 2013 pursuant to an Amended and Restated Agreement of Limited Partnership (the “Partnership Agreement”). Master Fund III was organized for the primary purpose of making investments in securities and managing, supervising or disposing of such investments. Master Fund III is the master fund in a master/feeder structure which consists of 2 feeder funds, Brightwood Capital Fund III, LP, a Delaware limited partnership, and Brightwood Capital Fund III-Institutional, LP, a Cayman exempted limited partnership (together the “Feeder Funds”). Brightwood Capital Fund III – Institutional Holdings Corp. serves as the US blocker for the Cayman exempt limited partnership.

Brightwood is also the advisor to Brightwood Capital Fund III-U, LP, a Delaware limited partnership that invests parallel to Master Fund III. In addition, Master Fund III owns Brightwood Capital Fund III Holdings SPV, LLC, a special purpose vehicle. Master Fund III and all of the related funds are collectively referred to as the “Fund III Funds”. Brightwood Capital Fund Managers III, LLC is the general partner to the Fund III Funds.

The Advisor also advises two SBIC funds, Brightwood Capital SBIC I, LP and Brightwood Capital SBIC II, LP (the “SBIC Funds”) and Brightwood Switch SPV, LP. Brightwood Capital SBIC Managers, LLC and Brightwood Capital SBIC Managers II, LLC serve as general partners of the SBIC Funds. Brightwood Cloud Infrastructure Managers, LLC is the general partner of Brightwood Switch SPV, LP. The Fund III Funds, the SBIC Funds and Brightwood Switch SPV, LP are collectively referred to as the “Funds”.

The Advisor provides investment advice to the Funds with respect to certain limited types of investments, specifically selection for a diversified portfolio of private investments made directly in later stage, cash generating, lower middle market companies, in accordance with the Fund's specific investment objectives and restrictions. The investment guidelines and restrictions for each of the Funds are set forth in the Funds' confidential private placement memorandum, limited Funds agreement and other governing documents (collectively, the "Governing Documents"). Advisory services are provided to the Funds on a discretionary basis. Brightwood does not tailor its advisory services to the individual needs of the investors in the Fund (the "Limited Partners"). In accordance with common industry practice, Brightwood may enter into "side letters" with Limited Partners.

The Advisor does not participate in any wrap fee programs.

As of December 31, 2013, the Advisor had assets under management of \$388,754,676 all of which is managed on a discretionary basis.

Item 5 – Fees and Compensation

The specific manner in which investment advisory and management services fees (the “Fees”) are calculated and paid to Brightwood are established in the Fund’s Governing Documents. Brightwood deducts its Fees from the Funds’ assets.

The aforementioned Fees paid to the Advisor covers most expenses associated with operation of the Fund (e.g., salaries, office expenses, travel, business development, office and equipment rental, bookkeeping, and providing investment advisory and management services to the Funds). The Fund is responsible for payment of interest and principal on indebtedness, taxes payable to Federal, state, local and other governmental agencies, expenses incurred in the actual or proposed acquisition or disposition of assets (e.g., diligence fees, legal fees, transfer taxes, etc. (Note: these expenses are generally passed through to the portfolio companies)), fees incurred in connection with membership in trade associations for small business investment companies, audit and tax fees, insurance, legal fees, annual meeting costs, fund administration costs, industry consultant fees, reimbursement of actual expenses of any advisory boards for the Fund, and organizational expenses up to a pre-determined cap. While Limited Partners are not billed directly for those items, such expenses impact their capital accounts.

Brightwood charges management fees a quarter in advance. Upon the close of a Fund, management fees will be refunded to the Fund on a pro rata basis.

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

Brightwood does not receive any performance-based fees in its capacity as investment advisor. However, the managing partners and supervised persons of Brightwood are also members of the general partners of the Funds. The general partners typically receive 20% of the net profits of the Funds after the limited partners' receive a return of their investment plus an eight percent (8%) preferred return has been earned. The 20% is typically referred to as "carried interest".

Item 7 – Types of Clients

Brightwood provides advisory services to the Fund on a discretionary basis. Limited Partners include commercial banks, trusts, pension plans, foundations, endowments, family offices, and high net worth individuals.

The minimum a Limited Partner may invest in Fund III is \$10,000,000 and in the SBIC Funds is \$100,000 although the minimum may be reduced at the General Partner's discretion. The minimum a Limited Partner may invest in Brightwood Switch SPV, L.P. is \$25,000.

Limited Partners admitted to the Partnership on or prior to April 1, 2014 that make capital commitments greater than or equal to \$100 million will receive "most favored nation" rights with respect to all other Limited Partners without regard to the amount of the Capital Commitments of other Limited Partners.

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

Methods of Analysis and Investment Strategies

Brightwood performs extensive due diligence before making an investment decision. This includes financial analysis (which frequently includes quality of earnings diligence performed by a qualified third party), competitive market analysis, meetings with the management teams of prospective portfolio companies, legal diligence, conversations with customers and suppliers, etc. 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. Final approval to buy or sell an investment requires the unanimous vote of the investment committee which is comprised of the managing partners of Brightwood. After an investment is made, Brightwood will engage in active portfolio monitoring, including verifying adherence to business strategy, tracking performance and general oversight.

The Risk of Loss in all of the Funds, particularly Fund III, are detailed below:

1. An investment in the Funds is speculative, involves a high degree of risk and is suitable only for persons of adequate financial means who have no need for liquidity in this investment. There can be no assurances or guarantees that (i) the Funds' investment objective will be realized, (ii) the Funds' investment strategy will prove successful, or (iii) Limited Partners will not lose all or a portion of their investment in the Funds. Prospective investors should carefully consider, with their respective financial, tax and legal advisors, the following risk factors before subscribing. In addition, there will be occasions when the Investment Adviser and its affiliates may encounter potential conflicts of interest in connection with the Funds. The following considerations should be carefully evaluated before making an investment in the Funds. Please note that the following is not meant to be an exhaustive listing of all potential risks associated with investing in the Funds.
2. Investment in the Funds involves certain general risks, including those related to general economic conditions.
3. All investments risk the loss of capital. No guarantee or representation can be made that the Funds will achieve its objective, will achieve gains for its Limited Partners, or will not incur substantial losses. Markets in which the Funds invest are subject to

fluctuations. The market value of any particular investment may be subject to substantial variation. Securities in which the Funds invest may be issued by unstable or unseasoned issuers. Changes in economic conditions, including changes in interest rates, inflation rates, industry conditions, government regulation, competition, technological developments, political events and trends, tax laws and many other factors can affect substantially and adversely the business and prospects of the Funds. None of these conditions is within the control of the General Partner or Investment Adviser.

4. The Funds invest in a highly competitive environment. The business of investing in assets meeting the Funds' investment objective is highly competitive. Competition for investment opportunities includes a growing number of non-traditional participants, such as hedge funds, private and public mezzanine and subordinated debt funds, including business development companies, and other private investors, as well as more traditional lending institutions and competitors. Some of these competitors may have access to greater amounts of capital and to capital that may be committed for longer periods of time or may have different return thresholds than the Funds, and thus these competitors may have advantages not shared by the Funds. Increased competition for, or a diminishment in the available supply of, investments suitable for the Funds could result in lower returns on such investments. In addition, issuers may prefer to take advantage of favorable high yield or second lien markets and issue subordinated debt in those markets, which could result in fewer investment opportunities for the Funds. Moreover, the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. The Funds may incur significant expenses in connection with identifying investment opportunities and investigating other potential investments which are ultimately not consummated, including expenses relating to due diligence, transportation, legal expenses and the fees of other third party advisors.
5. Fund III is a newly-formed entity with no operating history and has no financial information on which Limited Partners can evaluate an investment in the Fund or the Funds' prior performance. As a result, the Fund is subject to the business risks and uncertainties associated with recently formed businesses, including the risk that the Fund will not achieve its investment objective and the value of a Limited Partner's investment could decline substantially or such investment could become worthless.
6. In addition, although the Investment Adviser may make investments shortly after the Initial Closing, due to the time necessary to identify, evaluate, structure, negotiate and close suitable investments in middle market companies, the Investment Adviser can make no assurances that it will be able to invest substantially all of the Capital Commitments received by Fund III within the Investment Period.
7. The Funds will be dependent upon the Investment Adviser's Investment Team for its future success. The success of the Funds depends upon diligence, skill and network of

business contacts of the Investment Adviser's Investment Team and, in particular, Messrs. Dwin and Selassie. The Investment Adviser's Investment Team will evaluate, negotiate, structure, close and monitor the Funds' investments in accordance with the Funds' investment objectives. There can be no assurance that Messrs. Dwin and Selassie and the other members of the Investment Team upon which the Investment Adviser rely will continue to be associated with the Investment Adviser throughout the life of the Funds. The Funds will depend on the experience, diligence, skill and network of business contacts of Messrs. Dwin and Selassie and the other members of the Investment Team of the Investment Adviser. Messrs. Dwin and Selassie, together with the other members of the Investment Team of the Investment Adviser or any investment professionals that the Investment Adviser may subsequently retain, will identify, evaluate, negotiate, structure, close, monitor and manage the Funds' investments. The Funds' future success will depend to a significant extent on the continued service and coordination of the Investment Adviser's Investment Team. If the Investment Adviser's Investment Team does not maintain their existing relationships with sources of investment opportunities and does not develop new relationships with other sources of investment opportunities available to the Funds, the Investment Adviser may not be able to grow the Funds' investment portfolio. In addition, individuals with whom the Investment Adviser's Investment Team have relationships are not obligated to provide the Funds with investment opportunities. Therefore, the Funds can offer no assurance that such relationships will generate investment opportunities for the Funds.

8. Limited Partners may not receive distributions, or the Funds' distributions may not grow over time. Cash flow may not be sufficient to make distributions to the Limited Partners, and Funds' capital may be used to pay expenses. The authority to determine the timing and amount of cash distributions is vested solely in the General Partner. The Funds may not be able to achieve investment results that will allow it to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, restrictions and provisions in any future credit facilities, or under applicable law, may limit the Funds' ability to make distributions. There can be no assurance that, even if the Funds are profitable and have funds available for distribution, the General Partner will deem it appropriate or have the ability to distribute funds of the Funds to the Limited Partners. Moreover, Limited Partners may be allocated taxable income although they have not received any distributions. Any return on investment to the Limited Partners will depend upon successful investments that are made at the discretion of the Investment Adviser.
9. Investment in secured loans involves certain risks. While the Funds may invest in secured loans that may be over-collateralized at the time of the investment, it may nonetheless be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority

of the lien are each of great importance. The Funds cannot guarantee the adequacy of the protection of the Funds' interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Funds cannot assure that claims may not be asserted that might interfere with enforcement of the Funds' rights. In addition, in the event of any default under a secured loan held directly by the Funds, the Funds will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the secured loan, which could have a material adverse effect on the Funds' cash flow from operations.

10. In the event of a foreclosure, the Funds may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Funds. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.
11. Investment in Mezzanine Debt involves certain risks. The mezzanine investments in which the Funds invest are typically contractually or structurally subordinate to senior indebtedness of the applicable company, or effectively subordinated as a result of being unsecured debt and therefore subject to the prior repayment of secured indebtedness to the extent of the value of the assets pledged as security. In some cases, the subordinated debt held by the Funds may be subject to the prior repayment of different classes of senior debt that may be "layered" ahead of the debt held by the Funds. In the event of financial difficulty on the part of a portfolio company, such class or classes of senior indebtedness ranking prior to the debt held by the Funds, and interest thereon and related expenses, must first be repaid in full before any recovery may be had on the Funds' mezzanine or other subordinated investment. Subordinated investments are characterized by greater credit risks than those associated with the senior or senior secured obligations of the same issuer. In addition, under certain circumstances the holders of the senior indebtedness will have the right to block the payment of interest and principal on the Funds' mezzanine investment and to prevent the Funds from pursuing its remedies on account of such non-payment against the company. Further, in the event of any debt restructuring or workout of the indebtedness of any company, the holders of the senior indebtedness will likely control the creditor side of such negotiations.
12. Many issuers of mezzanine debt are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. In addition, many issuers of mezzanine debt may be in poor financial condition, experiencing poor operating results, having

substantial capital needs or negative net worth or facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Adverse changes in the financial condition of an issuer, general economic conditions, or both, may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on such securities more quickly than in the case of the senior obligations of such issuer. Mezzanine debt securities may not be publicly traded, and therefore it may be difficult to obtain information as to the true condition of the issuers. Finally, the market values of certain of this mezzanine debt may reflect individual corporate developments.

13. Mezzanine debt investments may also be in the form of zero-coupon or deferred interest bonds, which are bonds that are issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. These investments typically experience greater volatility in market value due to changes in the interest rates than bonds that provide for regular payments of interest.
14. Investment in debt securities involves general market and credit risks. Debt portfolios are subject to credit and interest rate risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and securities that are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Factors that may affect market interest rates include, without limitation, inflation, slow or stagnant economic growth or recession, unemployment, money supply and the monetary policies of the U.S. Federal Reserve Board and central banks throughout the world, international disorders and instability in domestic and foreign financial markets. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments may also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including, among other factors, the index chosen, frequency of reset and reset caps or floors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment

or prepayment schedules. The Funds expect that it will periodically experience imbalances in the interest rate sensitivities of its assets and liabilities and the relationships of various interest rates to each other. In a changing interest rate environment, the Funds may not be able to manage this risk effectively, which in turn could adversely affect the Funds' performance. In addition, the Funds' investments are generally expected to include subordinated or unsecured debt investments issued with a fixed yield; thus, credit risk and interest rate risk may be greater than those generally applicable to other types of debt investments.

15. Certain investments may not be repaid in priority to other obligations of portfolio companies. The characterization of certain of the Funds' investments as senior debt or senior secured debt does not mean that such debt will necessarily be repaid in priority to all other obligations of the businesses in which the Funds invest. Furthermore, debt and other liabilities incurred by non-guarantor subsidiaries of the borrowers of senior secured loans made by the Funds may be structurally senior to the debt held by the Funds. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, the debt and other liabilities of such subsidiaries could be repaid in full before any distribution can be made to an obligor of the senior secured loans held by the Funds. Finally, portfolio companies will typically incur trade credit and other liabilities or indebtedness, which by their terms may provide that their holders are entitled to receive principal payments on or before the dates payments are due in respect of the senior secured loans held by the Funds.
16. Investment in equity securities involves certain risks. The Funds expect to invest in equity securities. Such investments will be subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, to preferred stockholders. As with other investments that the Funds may make, the value of equity securities held by the Funds may be adversely affected by actual or perceived negative events relating to the issuer of such securities, the industry or geographic areas in which such issuer operates or the financial markets generally. However, equity securities may be even more susceptible to such events given their subordinate position in the issuer's capital structure. As such, equity securities generally have greater price volatility than fixed income securities, and the market price of equity securities owned by the Funds is more susceptible to moving up or down in a rapid or unpredictable manner. Dividends customarily paid to equity holders can be suspended or cancelled at any time. For the foregoing reasons, investments in equity securities can be highly speculative and carry a substantial risk of loss of principal.
17. Investment in assignments and participations involves certain risks. The Funds may acquire investments by way of assignment or by way of participation. Holders of indirect participation interests are subject to additional risks not applicable to a holder of a

direct assignment interest in a loan. In purchasing a participation, the Funds generally would have no right to enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such loan obligation, nor any rights of set-off against the obligor, and the Funds may not directly benefit from the collateral supporting the loan obligation in which it has purchased the participation. As a result, the Funds would assume the credit risk of both the obligor and the selling institution, which would remain the legal owner of record of the applicable loan. In the event of the insolvency of the selling institution, the Funds may be treated as a general creditor of the selling institution in respect of the participation, may not benefit from any set-off exercised by the selling institution against the obligor and may be subject to any set-off exercised by the obligor against the selling institution. Assignments and participations are typically sold strictly without recourse to the selling institution, and the selling institution will generally make no representations or warranties about the underlying loan, the portfolio companies, the terms of the loans or any collateral securing the loans. Certain loans have restrictions on assignments and participations which may negatively impact the Funds' ability to exit from all or part of its investment in a loan.

18. The Funds may hold non-controlling interests in its investments. The General Partner anticipates that the Funds will principally hold debt obligations and other non-controlling interests in portfolio companies and, therefore, will have limited ability to influence management of its portfolio companies to protect the Funds' position in them. However, the General Partner will seek appropriate creditor and shareholder rights to help protect the Funds' interests.
19. The terms of loans made by the Funds may be subject to early redemption. The terms of loans acquired or originated by the Funds may be subject to early prepayment options or similar provisions which, in each case, could result in the Funds realizing such loans earlier than expected, sometimes with no or a nominal prepayment premium. This may happen when there is a decline in interest rates, when the portfolio company's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost debt or when the general credit market conditions improve. In the event the Funds receive proceeds from an investment earlier than it had anticipated, the Funds may be permitted to reinvest such proceeds, but there is no assurance that the Funds will be able to reinvest such proceeds even where they are received during the Investment Period. The Funds' inability to reinvest such proceeds may materially affect the performance of the Funds.
20. The prices of the financial instruments in which the Funds invest can be highly volatile. Price movements of instruments in which the Funds' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of

governments and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention is intended to influence prices directly and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

21. The Funds may be exposed to risks associated with bankruptcy cases. As part of the Funds' lending activities, the Funds may originate loans to or otherwise invest in companies involved in bankruptcy or other reorganization and liquidation proceedings. In those cases where the Funds, by virtue of such action, are found to exercise "domination and control" of a debtor, the Funds may lose its priority if the debtor can demonstrate that its business was adversely impacted or other creditors and equity holders were harmed by the Funds.
22. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of the Funds. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operation of a debtor.
23. Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by the creditors and confirmation by a bankruptcy court. This process can involve substantial legal, professional and administrative costs to the debtor company and the Funds; it is subject to unpredictable and lengthy delays; and during the process the Funds' competitive position may erode, key management may depart and the debtor company may not be able to invest adequately. In some cases, the debtor company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value. Such investments can result in a total loss of principal. U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in reorganization for purposes of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Funds' influence with respect to a class of securities can be lost by the inflation of the number and amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

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24. The Funds may serve on creditors' committees or other groups to ensure preservation or enhancement of the Funds' position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Funds conclude that the obligations it owes to other parties as a committee or group member conflict with the duties it owes to the Funds, it will resign from that committee or group, and the Funds will not realize the benefits, if any, of participating on the committee or group. In addition, and also as discussed above, if the Funds are represented on a committee or group, it may be restricted or prohibited under applicable law from, disposing of or increasing its investments in such debtor company while it continues to be represented on such committee or group.
25. In addition, a number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer, or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Due to the nature of the loans intended to be acquired by the Funds, the Funds may be subject to allegations of lender liability.
26. Furthermore, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (a) intentionally takes an action that results in the under-capitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called equitable subordination. Because of the nature of the loans intended to be acquired by the Funds, it may be subject to claims from creditors of an obligor that loans issued by such obligor and held by the Funds should be equitably subordinated.
27. Investments in private, middle-market companies are risky, and the Funds could lose all or part of its investment. Investment in private, middle market companies involves a number of significant risks. Generally, little public information exists about these companies, and the Funds will rely on the ability of the Investment Adviser's Investment Team to obtain adequate information to evaluate the potential returns from investing in these companies. If the Investment Adviser is unable to uncover all material information

about these companies, the Investment Adviser may not make a fully informed investment decision, and the Funds may lose money on its investments. Middle market companies may have limited financial resources and may be unable to meet their obligations under their loans and debt securities that the Funds holds, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Funds realizing the proceeds of any collateral or any guarantees the Investment Adviser may have obtained in connection with the Funds' investment. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, middle market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on one or more of the portfolio companies the Funds invests in and, in turn, on the Funds. Middle market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. Investment in middle market companies therefore involves a high degree of business and financial risk, which can result in substantial losses, and accordingly, should be considered speculative.

28. The Funds' investments may be concentrated in a limited number of investments. The General Partner will generally seek to maintain a diversified portfolio, but may invest up to 10% (and an additional 10% with respect to investments that are expected to be held less than 12 months) of the aggregate Capital Commitments of the Funds in any single issuer. Accordingly, although the General Partner expects to spread the Funds' capital among a number of investments, the Funds may depart from such policy from time to time and may hold a few, relatively large positions in relation to the Funds' capital, but always subject to the percentage limitation described above. The result of any concentration of the investment is that a loss in any such position could significantly reduce the Funds' capital, which would have an adverse impact on the Funds' operating results.
29. The lack of liquidity in the Funds' investments may adversely affect its business. The Funds will generally make loans to private companies that are illiquid and may be difficult for the Funds to sell if the need arises. Although portfolio financings and investments by the Funds may generate current income, the return of capital and the realization of gains, if any, from a financing or investment generally will occur only upon the partial or complete satisfaction of the financing conditions or disposition of such investment, which may not occur for a number of years after the investment is made. It is unlikely that there will be a public market for any securities the Funds invests in at the time of their acquisition. If the Funds are required to liquidate all or a portion of the

Funds' portfolio quickly, the Funds may realize significantly less than the value at which the Funds had previously recorded such investments. In addition, the Funds will not be able to sell securities it purchases publicly, if it holds any, unless the sale of such securities is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the Funds may be prohibited by contract from selling certain securities it invests in for a period of time or the Funds may face other restrictions on the Funds' ability to liquidate an investment in a portfolio company to the extent that the Funds hold a significant portion of a company's equity or if the Funds have material non-public information regarding that company.

30. The Funds' failure to make follow-on investments in its portfolio companies could impair the value of its portfolio. Following an initial investment in a portfolio company, the Funds may make additional investments in that portfolio company as "follow-on" investments, in seeking to:

- increase or maintain in whole or in part the Funds' position as a creditor or equity ownership percentage in a portfolio company;
- exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or
- preserve or enhance the value of the Funds' investment.

31. The Funds have discretion to make follow-on investments, subject to certain limitations. Failure on the Funds' part to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and the Funds' initial investment, or may result in a missed opportunity for the Funds to increase its participation in a successful operation.

32. A default by a substantial number of Limited Partners or by one or more Limited Partners who have made substantial Capital Commitments would limit the Funds' opportunities for investment or diversification and would likely reduce returns to the Funds. During the Investment Period and upon not less than 10 business days' prior notice (except in the case of the first capital contribution, which may be upon five business days' notice), all Limited Partners will be obligated to make capital contributions for their pro rata portion of a financing or investment based on their Capital Commitment at the time the Funds makes such financing or investment. Failure by a Limited Partner to timely fund its Capital Commitment may result in its interests in the Funds being forfeited or interest charges being assessed. Failure of Limited Partners to contribute their Capital Commitments could also cause the Funds to be unable to realize its investment objectives.

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33. If contributions made by non-defaulting Partners are inadequate to cover the defaulted capital contribution, the Funds may be unable to pay its obligations when due. A default by a substantial number of Limited Partners or by one or more Limited Partners who have made significant Capital Commitments could substantially impair the Funds' ability to make or acquire investments or otherwise continue operations, limit opportunities for investment diversification and/or materially reduce returns to the Funds and, consequently, to Limited Partners.
34. The Funds may finance its investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in the Funds. The Funds may utilize indebtedness that is secured by Capital Commitments as well as indebtedness secured by investments of the Funds. Limited Partners whose Capital Commitments have been pledged may be called upon to fund their entire Capital Commitment to repay indebtedness, and the failure of other Limited Partners to honor their Capital Commitments may result in a Limited Partner's payments exceeding its pro rata share of the indebtedness of the Funds. In the event that any debt provider requires payment by one or more Limited Partners of more than its pro rata share of the indebtedness required to be repaid by the Funds, the other Limited Partners in the Funds may not have sufficient credit or assets to appropriately reimburse the funding Limited Partners or the Funds for having made the repayment. In addition, if certain investments are cross-collateralized, borrowing incurred with respect to one investment can impair the transferability and/or the value of other investments. The use of leverage magnifies the potential for gain or loss on amounts invested. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in the Funds. Securing such indebtedness may require the pledge or subordination of Funds assets as well as pledges from each Limited Partner with regard to such Limited Partner's Capital Commitment. Any such leverage increases the risk of any investment in the interests in the Funds. The more leverage that the Funds deploy, the more substantial the change, either up or down, in the value of the Funds upon the occurrence of certain events. The amount of borrowings that the Funds may have outstanding at any time may be substantial in relation to its capital.
35. Through the use of leverage, the Funds may be able to enhance the returns to its Limited Partners; however, if portfolio companies are unable to service their debt obligations and default on payments to the Funds, the use of leverage has the effect of increasing the Funds' losses. The cumulative effect of the use of leverage by the Funds could result in a substantial loss to the Funds if the Funds' portfolio companies are unable to service their debt obligations, such losses being greater than those incurred if the Funds were not leveraged. Any debt facility into which the Funds may enter may impose financial and operating covenants that restrict the Funds' business activities, the Funds' ability to call capital, remedies on default and similar matters. In connection with borrowings, the

Funds' lenders may also require the Funds to pledge assets, subscription commitments and/or the proceeds of the Funds' capital calls. Upon the occurrence of an event of default under any credit agreement with a lender, the lender may accelerate the maturity date of its loan and declare the principal amount, together with accrued interest, to be immediately due and payable by the Funds. The leverage provided will result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by available cash flow. While use of leverage may enhance returns to Limited Partners if the Funds meet their investment objectives, returns to Limited Partners may be reduced or eliminated if the returns on portfolio investments are less than the cost of operating the Funds, including the costs attributable to using leverage from various lenders. The Funds have no assurance that a lender will provide leverage to the Funds with respect to any or all investment opportunities as the lender will have discretion with respect to providing funds for any transaction in which the Funds seek to invest.

36. There can be no assurance that the Funds will be able to obtain indebtedness on terms available to any competitors, including terms which may be currently available in the market, or that indebtedness will be accessible by the Funds at any time, and to the extent that it is available there can be no assurance that such indebtedness will be on terms favorable to the Funds. The failure by the Funds to obtain indebtedness on favorable terms (or at all) could adversely affect the returns of the Funds.
37. The Funds may default under the borrowing facility it enters into or be unable to amend, repay or refinance any such facility on commercially reasonable terms, or at all, which could have a material adverse effect on the Funds' business, financial condition, results of operations and cash flows. In the event the Funds default under a borrowing facility, the Funds' business could be adversely affected as the Funds may be forced to sell a portion of its investments quickly and prematurely at what may be disadvantageous prices to the Funds in order to meet its outstanding payment obligations and/or support working capital requirements under such borrowing facility, any of which would have a material adverse effect on the Funds' business, financial condition, results of operations and cash flows. In addition, following any such default, the agent for the lenders under such borrowing facility could assume control of the disposition of any or all of the Funds' assets, including the selection of such assets to be disposed and the timing of such disposition, which would have a material adverse effect on the Funds' business, financial condition, results of operations and cash flows.
38. Provisions in a borrowing facility may limit discretion in operating the Funds' business. A borrowing facility may be backed by all or a portion of the Funds' assets and securities on which the lenders will have a security interest. The Funds may pledge up to 100% of its assets and may grant a security interest in all of its assets under the terms of any debt

instrument the Funds enter into with lenders. The Funds expect that any security interests it grants will be set forth in a pledge and security agreement and evidenced by the filing of financing statements by the agent for the lenders. In addition, the Funds expect that the custodian for its securities serving as collateral for such loan would include in its electronic systems notices indicating the existence of such security interests and, following notice of occurrence of an event of default, if any, and during its continuance, will only accept transfer instructions with respect to any such securities from the lender or its designee. If the Funds were to default under the terms of any debt instrument, the agent for the applicable lenders would be able to assume control of the timing of disposition of any or all of the Funds' assets securing such debt, which would have a material adverse effect on its business, financial condition, results of operations and cash flows.

39. In addition, any security interests as well as negative covenants a borrowing facility may provide may limit the Funds' ability to create liens on assets to secure additional debt and may make it difficult for the Funds to restructure or refinance indebtedness at or prior to maturity or obtain additional debt or equity financing. In addition, if the Funds' borrowing base under a borrowing facility were to decrease, the Funds may be required to secure additional assets in an amount equal to any borrowing base deficiency. In the event that all of the Funds' assets are secured at the time of such a borrowing base deficiency, the Funds could be required to repay advances under a borrowing facility or make deposits to a collection account, either of which could have a material adverse impact on the Funds' ability to fund future investments and to make distributions. In addition, the Funds may be subject to limitations as to how borrowed funds may be used, which may include restrictions on geographic and industry concentrations, loan size, payment frequency and status, average life, collateral interests and investment ratings, as well as regulatory restrictions on leverage which may affect the amount of funding that may be obtained. There may also be certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, a violation of which could limit further advances and, in some cases, result in an event of default. An event of default under a borrowing facility could result in an accelerated maturity date for all amounts outstanding thereunder, which could have a material adverse effect on the Funds' business and financial condition. This could reduce the Funds' revenues and, by delaying any cash payment allowed to the Funds under a borrowing facility until the lenders have been paid in full, reduce the Funds' liquidity and cash flow and impair the Funds' ability to grow its business.
40. Defaults by the Funds' portfolio companies will harm its operating results. The Funds' portfolio companies will typically have capital structures with significant leverage. Leveraged companies in which the Funds invest may have limited financial resources

and may be unable to meet their obligations under their loans and debt securities that the Funds hold. Although the Investment Adviser will seek to structure transactions in an attempt to minimize these risks, such leverage may increase the Funds' exposure to adverse economic factors such as rising interest rates, downturns in the general economy or deterioration in the condition of the portfolio company or its sector in its particular industry. Such developments may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Funds realizing any guarantees that it may have obtained in connection with its investment. Smaller leveraged companies also may have less predictable operating results and may require substantial additional capital to support their operations, finance their expansion or maintain their competitive position.

41. A portfolio company's failure to satisfy financial or operating covenants imposed by the Funds or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger cross-defaults under other agreements and jeopardize such portfolio company's ability to meet its obligations under the loans or debt or equity securities that the Funds hold. The Funds may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.
42. The Investment Adviser will have broad discretion in determining use of Capital Commitments. An investor will not be able to evaluate the nature of, and the terms on which the Funds will acquire particular assets when determining whether to invest in the Funds. Determinations to invest must therefore be made primarily on the basis of an investor's appraisal of the proposed objectives and operations of the Funds and the capabilities of the Investment Adviser and its management. The Funds will have complete and very broad discretion regarding the investments it will acquire and the relative composition of those investments as to aggregate value and type among the numerous types of investments available, subject to the limited restrictions set forth in the Funds Agreement. The Funds may not be successful at identifying suitable investments that meet its investment criteria or in consummating acquisitions or investments on satisfactory terms. Failure to properly identify or consummate acquisitions will negatively impact the Funds' growth, which could in turn adversely affect the Funds' returns and result in losses to the Funds' Limited Partners.
43. The Funds are dependent on the Investment Adviser for its future success. The Limited Partners will have no control over the management of the business activities or affairs of the Funds, all of which will be left to the discretion of the Investment Adviser. The Funds' ability to achieve its investment objective will depend on the Investment Adviser's ability to manage the Funds and to grow the Funds' investments and earnings. This will depend, in turn, on the Investment Adviser's ability to identify, invest in and

monitor portfolio companies that meet the Funds' investment criteria. The achievement of the Funds' investment objective on a cost-effective basis will depend upon the Investment Adviser's execution of the Funds' investment process, its ability to provide competent, attentive and efficient services to the Funds and, to a lesser extent, the Funds' access to financing on acceptable terms. The Investment Adviser's Investment Team will have substantial responsibilities in connection with the management of other investment funds, accounts and investment vehicles. The personnel of the Investment Adviser may be called upon to provide managerial assistance to the Funds' portfolio companies. These activities may distract them from servicing new investment opportunities for the Funds or slow the Funds' rate of investment. Any failure to manage the Funds' business and its future growth effectively could have a material adverse effect on the Funds' business, financial condition, results of operations and cash flows.

44. The Investment Adviser may not have access to all relevant information when selecting the Funds' investments. The Investment Adviser selects investments for the Funds in part on the basis of information made directly available to the Investment Adviser by such issuers, or through sources other than the issuers. Although the Investment Adviser evaluates all such information and data and seeks independent corroboration when the Investment Adviser considers it appropriate and when it is reasonably available, the Investment Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases complete and accurate information is not readily available.
45. Limitations exist on the liability of the General Partner, Investment Adviser and Advisory Committee members. The Funds' Agreement and the Funds' Investment Advisory Agreement will limit the circumstances under which the General Partner, the Investment Adviser and the Advisory Committee members can be held liable to the Funds. As a result, Limited Partners may have a more limited right of action in certain cases than they would in the absence of such provisions.
46. Fund III will be required to indemnify the General Partner, the Investment Advisor and each other Brightwood Indemnified Person, as well as the Advisory Committee Indemnified Persons, for losses and damages incurred, except under certain circumstances described in the Fund III Agreement. These losses and damages may be material and may have an adverse effect on the returns to the Limited Partners. The indemnification obligation of the Fund would be payable from the assets of the Fund, including the unfunded Capital Commitments of the Limited Partners and any amount that was distributed or returned to the Limited Partners less than two years prior to such time and up to 25% of the amount of distributions previously received by the Limited Partners. If the assets of the Fund are insufficient, the General Partner may recall certain distributions previously made to the Limited Partners. Additionally, each

Limited Partner will also be required to indemnify the Fund and each Brightwood Indemnified Person against taxes attributable to such Limited Partner.

47. Investment decisions may be undertaken on an expedited basis. Investment analyses and decisions by the Investment Adviser may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In these cases, the information available to the Investment Adviser at the time of making an investment decision may be limited. Therefore, no assurance can be given that the Investment Adviser will have knowledge of all circumstances that may adversely affect an investment. In addition, the Investment Adviser expects to rely upon independent consultants and other sources in connection with its evaluation of proposed investments, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or other sources, or as to the Funds' right of recourse against them in the event errors or omissions do occur.
48. The Funds operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses. Other entities, including public and private funds, business development companies, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity and hedge funds compete with the Funds to make the types of investments that the Funds plan to make in middle market companies. Certain of these competitors may be substantially larger, have considerably greater financial, technical and marketing resources than the Funds will have and offer a wider array of financial services. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to the Funds. There may be intense competition for financings or investments of the type the Funds intend to make, and such competition may result in less favorable financing or investment terms than might otherwise exist. There can be no assurance that there will be a sufficient number of attractive potential projects available to the Funds. In addition, some of the Funds' competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than the Funds. The competitive pressures the Funds faces may have a material adverse effect on the Funds' business, financial condition, results of operations and cash flows.
49. Possession of material non-public information, may limit the Investment Adviser's investment discretion. The Investment Team of the Investment Adviser, including members of the Investment Adviser's Investment Committee, may serve as directors of, or in a similar capacity with, portfolio companies in which the Funds invests, the securities of which are purchased or sold on the Funds' behalf. In the event that material nonpublic information is obtained with respect to such companies, or the Funds become subject to trading restrictions under the internal trading policies of those companies or

as a result of applicable law or regulations, the Funds could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on the Funds.

50. Prepayments of debt investments by the Funds' portfolio companies could adversely impact the Funds' results of operations and ability to make Limited Partner distributions. The Investment Adviser expects that the Funds' investments will generally allow for repayment at any time subject to certain penalties. When this occurs, the Investment Adviser may reinvest these proceeds in temporary investments, pending their future investment in accordance with the Funds' investment strategy. These temporary investments will typically have substantially lower yields than the debt being prepaid, and the Funds could experience significant delays in reinvesting these amounts. Any future investment may also be at lower yields than the debt that was repaid. As a result, the Funds' results of operations could be materially adversely affected if one or more of its portfolio companies elects to prepay amounts owed to the Funds.
51. Economic conditions may adversely affect the Funds. The Funds and the portfolio companies in which the Funds may invest may be adversely affected by deteriorations in the financial markets and economic conditions throughout the world, some of which may magnify the risks described herein and may have other adverse effects. Deteriorating market conditions could result in increasing volatility and illiquidity in the global credit, debt and equity markets generally. The duration and ultimate effect of recent market conditions cannot be forecast, nor is it known whether or the degree to which such conditions may remain stable or worsen. Deteriorating market conditions and uncertainty regarding economic markets generally could result in declines in the market values of potential investments or declines in the market values of investments after they are made or acquired by the Funds. Such declines may be exacerbated by other events, such as the failure of significant financial institutions or hedge funds, dislocations in other investment markets or other extrinsic events. In addition, such declines could lead to weakened investment opportunities for the Funds, could prevent the Funds from successfully meeting its investment objectives and/or could require the Funds to dispose of investments at a loss while such unfavorable market conditions prevail. Although the credit markets and the U.S. economy have seen signs of gradual improvement in recent years, there can be no assurance that market conditions will remain or improve further in the near future.
52. Risks are involved in the valuation of portfolio securities. With certain limited exceptions, valuations of the Funds' assets and liabilities will be determined by the General Partner and will be final and conclusive with respect to all Limited Partners. Substantially all of the Funds' investments are expected to be in loans that do not have readily ascertainable market prices. The participation of the General Partner in the

Funds' valuation process could result in a conflict of interest.

53. Some of the Funds' investments may be disposed of before it is most advantageous. The Funds expect to make investments which may not be advantageously disposed of prior to the date that the Funds will be dissolved, either by expiration of the Funds' terms or otherwise. Although the General Partner expects that investments will be disposed of prior to dissolution or suitable for in-kind distribution, and the General Partner has a limited ability to extend the term of the Funds, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.
54. The Funds may make some of its distributions in kind. Prior to the termination of the Funds, unless otherwise approved by the Advisory Committee, distributions will be in cash or marketable securities. Upon termination of the Funds, distributions may, without any such approval, also include non-marketable securities or other assets of the Funds. Investments distributed in-kind may not be readily marketable or saleable and may have to be held by the Partners for an indefinite period of time.
55. Limited Partners may be required to repay certain distributions. The capital contributed by any Partner is susceptible to risk of loss as a result of any liability of the Funds. Limited Partners may be required to return distributions previously received under certain circumstances, and may be liable under applicable fraudulent conveyance, bankruptcy or other insolvency laws to return a distribution. In addition, the Funds may make revolving loan or delayed draw commitments and as a result may be liable to the underlying borrowers or may have certain rights curtailed to the extent that the Funds defaults on such commitments. Finally, Limited Partners may be required to reimburse the Funds for amounts that are required to be withheld by the Funds for tax purposes.
56. Risks related to the Funds' status under ERISA. In the event that the Funds are operated in a manner so as to qualify as a "venture capital operating company" (as defined for purposes of ERISA), the Funds may not make certain investments that are made by the Parallel Funds, may structure its investments differently than the Parallel Funds and/or may dispose of investments at different times and on different (and potentially less favorable) terms than the Parallel Funds. In addition, the Funds may be forced to dispose of an investment at a different time than it would have had such regulation not been applicable.
57. The Funds may not be able to obtain various required state licensing requirements. The Funds may be required to obtain various state licenses in order to, among other things, originate commercial loans. Applying for and obtaining required licenses can be costly and take several months. There is no assurance that the Funds will obtain all of the licenses that the Funds needs on a timely basis. Furthermore, the Funds will be subject to various information and other requirements in order to obtain and maintain these

licenses, and there is no assurance that the Funds will satisfy those requirements. The Funds' failure to obtain or maintain licenses might restrict investment options and have other adverse consequences.

58. Limited Partners' interests in the Funds may be diluted from Subsequent Closings. Limited Partners that are admitted or increase their Capital Commitment at Subsequent Closings will participate in existing investments of the Funds, diluting the interest of existing Limited Partners therein. Although such Limited Partners will contribute their respective pro rata share of previously made Funds capital calls (plus an Additional Amount thereon), there can be no assurance that this payment will reflect the fair value of the Funds' existing investments at the time of any Subsequent Closings.
59. The Funds' investment returns may differ from those of the Parallel Funds. While the Funds, directly or indirectly, generally are expected to make each investment on a side-by-side basis with any Parallel Funds based on each entity's capital available for investment, the structure of certain transactions and/or tax, regulatory or other considerations, including ERISA, may result in a Fund not making an investment made by each other Fund or calling capital or investing or exiting in different proportions or on different terms or at different times than each other Fund, in each case, as determined by the Investment Adviser. As a result, the returns realized by the Funds may differ significantly from those of one or more of the Parallel Funds.
60. The Funds intend to incur leverage, collateralized by the Funds' assets and/or capital commitments. Any such leverage, if incurred, would be expected to increase the total capital available for investment by the Funds. In contrast, one or more Parallel Funds are not expected to incur any indebtedness. Accordingly, Investors in the Parallel Funds will likely experience differing investment returns than Limited Partners, and vice versa, and such differences may be substantial.
61. The Funds and the General Partner may enter into side letters with other Limited Partners. The Funds and the General Partner, without any further act, approval or vote of any Partner, may enter into side letters or other similar agreements with certain Limited Partners that establish rights under, or alter or supplement the terms of, the Funds Agreement, including arrangements with respect to the Management Fee, the Carried Interest, the right to make co-investments with the Funds or other vehicles managed by the Investment Adviser or its affiliates or the right to receive reports on a more frequent basis or to receive reports that include information not provided to other Limited Partners.
62. Certain confidentiality requirements will apply to each Limited Partner. Subject to certain exceptions described in the Funds' Agreement (including with respect to tax matters and exceptions relating to governmental and similar investors that are subject

to open records statutes or other similar laws), Limited Partners will be required to keep information relating to the Funds confidential. To protect the sensitive nature of such confidential information and in some cases based on the status of a Limited Partner, the General Partner will have the right to keep confidential from Limited Partners any information that the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner reasonably believes is not in the best interest of the Funds or could damage the Funds or its investments or that the Funds is required by law or by agreement with a third party to keep confidential.

63. Limited Partners' investments in the Funds will be illiquid. There is not and will not be any public market for the interests in the Funds, and the interests in the Funds will not be registered under the Securities Act or any state securities law and will be restricted as to transfer by law. The Funds have no plans, and are under no obligation, to register the interests in the Funds under the Securities Act or any state securities law. Therefore, it should be anticipated that a Limited Partner will be required to bear the economic risk of its investment for an indefinite period of time.
64. Certain business and regulatory risks are involved in any investment in private investment funds. Legal, tax and regulatory changes could occur during the term of the Funds that may adversely affect the Funds. The legal, tax and regulatory environment for private investment funds is evolving, and changes in the taxation or regulation of private investment funds may adversely affect the value of a limited Funds interest (an "LP Interest"), including by adversely affecting the value of investments held by the Funds and the ability of the Funds to obtain the leverage it might otherwise obtain or to pursue its investment objective. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, the U.S. Commodity Futures Trading Commission, the U.S. Internal Revenue Service ("IRS"), other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Funds could be substantial and adverse.
65. Investment in the Funds involves certain tax risks. An investment in the Funds involves complex tax considerations and risks, including, among others, that (i) a Limited Partner will be directly subject to U.S. federal, state, local, and/or non-U.S. taxes and tax return filing requirements in the jurisdictions in which the Funds directly or indirectly invests or operates, (ii) the Funds will be directly or indirectly subject to U.S. state, local and non-U.S. taxes in the jurisdictions in which the Funds directly or indirectly invests or operates, (iii) a Limited Partner will recognize significant amounts of phantom income

(i.e., income without a corresponding distribution of cash) subject to U.S. federal income tax at ordinary rates, (iv) a Limited Partner that is, or has any beneficial owners that are, a U.S. tax-exempt investor(s) will realize unrelated business taxable income (UBTI), (v) a Limited Partner that has any beneficial owners that are non-U.S. persons will be subject to adverse tax consequences as a result of being treated as engaged in a trade or business in the United States and realizing effectively connected income (ECI), (vi) a Limited Partner will be required to file for extensions for the completion of such Limited Partner's U.S. federal, state, local, non-U.S. and/or other income tax returns and (vii) in the event of an adverse determination in connection with any audit of the Funds, the Funds and/or a Limited Partner will be liable for additional taxes and could be required to file amended tax returns. Each prospective investor should consult its own advisor as to the advisability and specific U.S. federal, state, local and non-U.S. tax consequences of an investment in the Funds.

Item 9 – Disciplinary Information

The Advisor does not have any legal or other disciplinary event to report to you. This statement applies to Brightwood and every employee of Brightwood and its affiliates.

Item 10 – Other Financial Industry Activities and Affiliations

Neither the Advisor nor any of its Principals or related persons is registered as a registered futures commission merchant, commodity pool operator or commodity trading advisor.

Brightwood Capital Administrative Services, LLC (“BCAS”) is a newly formed wholly owned subsidiary of the Advisor. BCAS serves as the Syndication Agent, Administrative Agent and Collateral Agent for certain investment transactions. The Syndication Agent is responsible for underwriting the deal, collecting the funds from the syndicate and remitting the aggregate amount to the borrower/issuer. The Administrative/Collateral Agent is responsible for maintaining the official books and records of the transaction, managing the flow of payments and documentation and maintaining books and records on any collateral involved in securing the transaction.

With respect to BCAS’s role as the administrative and collateral agent for notes related to the Funds’ investments in portfolio companies or potential investments, BCAS retains its fees except that fees related to investments made by the SBIC Funds are credited against future management fees payable by the Limited Partners in the SBIC Fund to the Advisor. Syndication Fees are also credited against future management fees payable by the Limited Partners to the Advisor. However, syndication fees generated in transactions that are unrelated to the Funds’ investments will be retained by BCAS.

At times the Funds are financially unable to make an investment. Some of these investment opportunities for which the Fund(s) are not able to finance immediately are maintained in an investment warehouse (the “Warehouse”). Typically BCAS serves as the administrative agent for these Warehouse transactions and receives an administrative fee. The Advisor usually enters into an agreement with an unaffiliated third party in the Warehouse investment whereby the Advisor has the option to direct the investors’ position in the investment at par to one of the Funds when funding is available. Because of its interest in the performance of the Warehouse investments, the Advisor serves as the manager for each investment in the Warehouse. The Advisor does not receive a fee for this service however, in certain instances, the Advisor retains interest received from the portfolio company above an agreed upon interest rate with the unaffiliated third party in the warehouse.

The Advisor has business relationships with Brightwood’s related advisors and their funds that may create a material conflict of interest or the appearance of a material conflict of interest. In the event of any potential conflict of interest, the Fund’s Conflicts of Interest policy, Funds agreements and/or management agreements have guidelines and policies as to the appropriate action to take with respect to managing and disclosing such conflicts.

When considered appropriate by the General Partner, Brightwood's officers and employees may also serve as directors of the Portfolio Companies in which the Fund acquires an interest.

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

Code of Ethics

Brightwood has adopted a Code of Ethics (the "Code") under Rule 204A-1 of the Advisers Act. The Code applies to all of the related advisors, and all of the Advisors' access persons. The 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 Code also reinforces a culture of compliance within the firm.

The Code describes Brightwood's high standards of business conduct and fiduciary duty to the Fund to which it provides 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 Code emphasizes Brightwood'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 Code. Under the 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 Fund. In addition, Brightwood 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 Code and trading 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 Brightwood, the Fund, the Limited Partners, Brightwood's related advisors, their affiliated personnel, their funds and their limited partners.

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

Participation or Interest in Client Transactions

The Advisor may, on behalf of the Fund, purchase or sell a security in which the Advisor's related advisors directly or indirectly have a position of interest. Any such transaction would be subject to Brightwood's conflict of interest guidelines, as discussed more fully above and in the Governing Documents of the Fund.

Principal and Agency Cross Transactions

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

Item 12 – Brokerage Practices

The Advisor typically does not utilize broker-dealers to effect investments. However, in very rare circumstances the Fund may directly invest in certain equity securities of privately held companies or as a result of an IPO may receive shares of such companies as part of a general distribution. The Fund may sell the securities received in share distributions such that the proceeds can then be distributed to the Fund's Limited Partners. The Advisor will generally have discretionary authority to select the broker or dealer to be used to execute transactions on behalf of the Fund and to negotiate the commission cost to be paid by the Fund.

The Advisor will seek best execution for the Fund's securities transactions and the General Partner will have final approval. Brokers are selected according to various characteristics that support the Fund's interest in receiving the most favorable execution. Many criteria are considered, including but not limited to: the integrity, ethics and trustworthiness of the broker regarding any relations and agreements with the Advisor and the 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 the 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, the Advisor may recommend that the 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 Advisor does not engage in soft dollar arrangements with respect to securities transactions for the Fund.

Item 13 – Review of Accounts

The Advisor will review the Portfolio Companies of the Fund on an ongoing basis to ensure the investment guidelines and objectives of the Fund 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 Fund is contained in the Governing Documents.

Item 14 – Client Referrals and Other Compensation

The Advisor has entered into an agreement with the Private Fund Group of the Credit Suisse Private Banking and Wealth Management division of Credit Suisse Group AG (“CS”). CS acts as Brightwood’s advisor and exclusive placement agent. CS is paid a fee equal to a certain percentage of the aggregate amount of securities sold to investors placed by CS.

Item 15 – Custody

The Advisor advises private funds that invest in privately placed uncertificated securities. Cash held by the Funds is maintained with a qualified custodian. 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 Limited Partners within 120 days of the end of the Funds' fiscal year. In addition, the Advisor delivers quarterly financial statements on behalf of the Funds to all Limited Partners.

Item 16 – Investment Discretion

The Advisor has discretionary authority to determine, without the specific consent of the Limited Partners or the Funds' general partners, the securities to be bought or sold, and the amount of securities to be bought or sold as provided for in the Governing Documents of the Funds.

Item 17 – Voting Client Securities

When exercising voting authority over any Fund's securities, the General Partner retains full discretion. At the present time, the Advisor does not anticipate that the Funds will acquire any publicly traded securities where they would be required to vote proxies.

To the extent the Fund receives proxies or other solicitations, the General Partner may contact the Advisor for guidance. The Advisor shall advise the General Partner 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. The Advisor shall review each proposal submitted for a vote on a case-by-case basis and shall recommend that 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 the General Partner's fiduciary duties to the Fund and its Limited Partners.

Investors may obtain a copy of Brightwood's proxy voting policy upon request by contacting Russell Zomback, Chief Compliance Officer, at 1-646-957-9532 or zomback@brightwoodlp.com.

Item 18 – Financial Information

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