

Item 1 – Cover Page

PART 2A OF FORM ADV

BRIGHTWOOD CAPITAL ADVISORS, LLC



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March 30, 2023

This brochure ("Brochure") provides information about the qualifications and business practices of Brightwood Capital Advisors, LLC ("BCA") and Brightwood SPV Advisors, LLC ("SPV Advisors" and together with BCA, "Brightwood" or the "Advisor"). If you have any questions about the contents of this Brochure, please contact us by phone at 1-646-368-8397 or by email at olidge@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.

BCA is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act"). SPV Advisors is a relying adviser of BCA. Please be aware that registration with the SEC does not imply a certain level of skill or training.

Additional information about BCA and SPV Advisors is available on the SEC's website at www.adviserinfo.sec.gov.

IMPORTANT NOTE ABOUT THIS BROCHURE

This Brochure is not:

- an offer or agreement to provide advisory services to any person or separately managed account;
- an offer to sell interests (or a solicitation of an offer to purchase interests) in any private fund or other pooled investment vehicle;
- a complete discussion of the features, risks or conflicts associated with any advisory service, private fund or pooled investment vehicle.

As required by the Advisers Act, BCA and SPV Advisors provide this Brochure to current and prospective clients. Brightwood may also, in its discretion, provide this Brochure to current or prospective investors in a private fund or pooled investment vehicle advised by Brightwood, together with other relevant governing documents, such as an offering or private placement memorandum or investment management agreement, prior to, or in connection with, an investment in such fund or vehicle. This Brochure is also available through the SEC's website.

Although this publicly available Brochure describes investment advisory services and products provided by Brightwood, persons who receive this Brochure (whether from Brightwood or other means) should be aware that it is designed solely to provide information about Brightwood as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant client documents. More complete information about each private fund and pooled investment vehicle is included in the relevant client documents, certain of which may be provided to current and eligible prospective investors only by persons authorized to communicate with current or prospective investors by, or on behalf of, Brightwood. To the extent that there is any conflict between discussions herein and similar or related discussions in any client documents, the relevant client documents shall govern and control.

No offer or solicitation for an account, fund or vehicle managed by Brightwood will be made before the delivery of client documents to a prospective investor. Prospective investors should read the client documents carefully and consult with tax, legal and financial advisors before making any investment decision.

Item 2 – Material Changes

There have been no material changes to this Brochure from the previous version filed in March 2022.

Brightwood may update this Brochure if there is a material change to any information disclosed herein. In the event of a material change to this Brochure, Brightwood 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.

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 Brightwood's Chief Compliance Officer, Darilyn T. Olidge, Esq., at 1-646-368-8397 or olidge@brightwoodlp.com.

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Item 4 – Advisory Business

Advisory Firm and Principal Owners

BCA, a Delaware limited liability company, was founded in March 2010 and became registered with the United States Securities and Exchange Commission in August 2013. BCA is a wholly owned subsidiary of Brightwood Capital Advisors, LP, which is 100% owned by Sengal Selassie. Brightwood Capital Advisors GP, LLC is the general partner of Brightwood Capital Advisors, LP. Mr. Selassie is the managing member of Brightwood Capital Advisors GP, LLC and owns 100% of the interests in such entity.

SPV Advisors, a Delaware limited liability company, was founded in July 2018 and became a relying adviser of BCA in January 2020. SPV Advisors is a wholly owned subsidiary of BCA.

Advisory Services

Brightwood provides portfolio management and investment advisory services to pooled investment vehicles that invest primarily in secured loans of middle market companies organized and located in the United States. Such pooled investment vehicles are sold on a private placement basis to institutional and high net worth investors. Brightwood's advisory services generally include, without limitation, identifying prospective investments, analyzing investment opportunities, conducting research and performing due diligence on potential investments, negotiating and structuring investments, and monitoring investments and portfolio companies on an ongoing basis.

The pooled investment vehicles to which Brightwood provides investment advisory services are primarily private investment funds that are exempt from registration under the Investment Company Act of 1940, as amended (the "1940 Act"), and whose securities are exempt from registration under the Securities Act of 1933, as amended (the "Private Funds"). Certain of the Private Funds are licensed as small business investment companies by the U.S. Small Business Administration (such Private Funds, the "SBIC Funds") and certain other Private Funds are collateralized loan obligation vehicles (such Private Funds, the "CLO Funds"). In addition to the Private Funds, Brightwood serves as sub-adviser to a Luxembourg reserved alternative investment fund (the "Sub-Advised Fund") that was organized by an unaffiliated third party alternative investment fund manager (the "AIFM"). Lastly, Brightwood provides advisory services to a pooled investment vehicle that has elected to be regulated as a business development company under the 1940 Act (the "BDC" and collectively with the Private Funds and the Sub-Advised Fund, the "Funds").

Brightwood does not serve as general partner (or in a similar capacity) to any of the Private Funds. Instead, certain of Brightwood's affiliates, including Brightwood Capital SBIC Managers, LLC, Brightwood Capital SBIC Managers II, LLC, Brightwood Capital SBIC Managers III, LLC, Brightwood Capital Fund Managers III, LLC, Brightwood Capital Fund Managers IV, LLC and Brightwood Capital Fund Managers V, LLC, serve as general partners (collectively, the "General Partners") to one or more of the Private Funds. Neither Brightwood nor any of its affiliates serve as trustee to the CLO Funds or as general partner (or in a similar capacity) to the Sub-Advised Fund. Pursuant to an investment management agreement, collateral management agreement or other similar governing agreement, each Private Fund's respective General Partner or trustee has engaged BCA or SPV Advisors to provide investment advisory services or collateral management services to each respective Private Fund on a discretionary basis. In the case of the Sub-Advised Fund, the AIFM has engaged BCA to provide investment advisory services on a non-discretionary basis. In the case of the BDC, the BDC's Board of Directors has engaged BCA to provide investment advisory services on a discretionary basis.

Availability of Customized Services for Individual Clients

Brightwood provides investment advisory services on a discretionary and non-discretionary basis in accordance with the investment objectives, guidelines, and restrictions set forth in each Fund's confidential private placement memorandum or other governing documents (collectively, the "Governing Documents"). The Funds may negotiate through their Governing Documents for investment exposure (or investment limitations) with respect to specific industries, sectors, geographic regions, or investments.

Brightwood does not tailor its advisory services to the individual needs of the investors in the Funds (the "Investors"). However, Brightwood has the right to enter and has entered into agreements, such as side letters, with certain Investors that may in each case provide for investment terms that are more favorable than the terms provided to other Investors.

Wrap Fee Programs

Brightwood does not participate in any wrap fee programs.

Regulatory Assets Under Management

As of December 31, 2022, Brightwood's regulatory assets under management were \$5,697,541,772, of which \$5,566,978,324 were managed on a discretionary basis and \$130,563,448 were managed on a non-discretionary basis.

Item 5 – Fees and Compensation

Advisory Fees

Brightwood is entitled to receive compensation in consideration for advisory services provided to the Funds. While the fees applicable to each Fund are described in detail in the applicable Governing Documents and side letters, a summary of the fee structures applicable to the Funds is included below.

BCA receives “Management Fees” in consideration for advisory services provided to the Funds (except for one Private Fund, which pays an Acquisition Fee (defined below) to BCA, and the CLO Funds, which pay Collateral Management Fees (defined below) to SPV Advisors). Management Fees are generally a percentage of the Funds’ invested capital ranging up to 2.0% per annum. Management Fees may be reduced or waived in respect of any Investor at the discretion of BCA or the relevant General Partner. In the case of one Private Fund (such fund, the “Co-Invest Fund”), BCA receives an “Acquisition Fee” instead of a Management Fee. The Acquisition Fee is equal to 1.0% of the dollar amount of each investment made by the Co-Invest Fund.

SPV Advisors is entitled to receive compensation in consideration for collateral management services provided to the CLO Funds. Such compensation typically consists of a Senior Collateral Management Fee and a Subordinated Collateral Management Fee (together, “Collateral Management Fees”). Each of the Senior Collateral Management Fee and the Subordinated Collateral Management Fee is generally equal to 0.25% per annum of the principal balance of a CLO Fund’s collateral portfolio during the relevant payment period. The Senior Collateral Management Fee has a higher priority in a CLO Fund’s payment waterfall than the Subordinated Collateral Management Fee, which generally ranks below principal and interest payments to senior note holders in the payment waterfall. Accordingly, SPV Advisors will generally earn a Subordinated Management Fee only if over-collateralization and other interest coverage tests have been satisfied for all senior note holders. Collateral Management Fees may be reduced or waived in respect of any CLO Fund at the discretion of SPV Advisors.

Calculation and Deduction of Advisory Fees

The specific manner in which Brightwood calculates and deducts advisory fees is set forth in the Governing Documents for each Fund. As a general matter, Management Fees and Collateral Management Fees, as applicable, are charged quarterly in arrears for all Funds except the SBIC Funds, which are charged Management Fees quarterly in advance and reconciled at quarter end. The Co-Invest Fund is charged an Acquisition Fee at the time of each investment. Brightwood deducts Management Fees, Collateral Management Fees, and the Acquisition Fee from the Funds’ assets.

Other Fees and Expenses

Note: The fees and expenses discussed in this section are intended to provide a description of the types of fees and expenses that are typically charged to the Funds (and have been charged to certain Funds). Certain of the fees and expenses discussed below may not apply to all Funds and fees and expenses charged to future advisory clients may differ. The specific fees and expenses applicable to each Fund are set forth in the relevant Governing Documents. Prospective investors should carefully review the Governing Documents prior to making an investment in any Fund.

Additional Fees Received by Brightwood and Affiliates

BCA’s wholly owned subsidiary, Brightwood Loan Services LLC (“BLS”), receives syndication, agency,

and servicing fees for services provided to the Funds and outside parties. BLS serves as syndication agent for certain loans originated by subsidiaries of the Funds, such as BCOF (defined below). One hundred percent of the syndication fee income received by BLS in connection with such services is used to offset the Management Fee charged to the relevant Fund(s). BLS also serves as administrative agent for certain loans owned by the Funds and unrelated parties. Agency fees are paid to BLS by the borrowers, not the Funds, and retained by BLS.

In addition to the collateral management services provided to the CLO Funds, SPV Advisors provides managerial and administrative services to special purpose vehicles (“SPVs”) that are each wholly owned subsidiaries of Private Funds that utilize leverage in connection with their investment strategies (such as Private Funds, the “Leveraged Funds”). Each of the SPVs was formed by its parent company for the primary purpose of holding certain of the Leveraged Funds’ investments that are pledged as collateral for loans issued by third party lenders. SPV Advisors is entitled to fees for the managerial and administrative services provided to the SPVs. Such fees are charged directly to the relevant SPVs (and consequently are indirect expenses of the Leveraged Funds) and may be waived in whole or in part at the discretion of SPV Advisors. Separately, a pooled investment vehicle that is majority owned by an unaffiliated third party investment manager has engaged SPV Advisors to provide managerial and administrative services in respect of a static portfolio of private loans held by the pooled investment vehicle. SPV Advisors charges the pooled investment vehicle for expenses incurred in connection with the provision of such managerial and administrative services.

Brightwood’s affiliates, BCOF Capital, LP (“BCOF”) and BCOF Capital V, LP (“BCOF V”), originate loans and, in certain cases, purchase loans in the primary or secondary market. Loans originated or purchased by BCOF and BCOF V are subsequently offered by assignment or sale to certain of the Funds and/or unaffiliated third parties, generally after the expiration of a holding period of thirty to ninety days. BCOF and BCOF V receive interest payments on the loans during the holding period and realize any income or loss on the sale of such loans. BCOF is owned 99.8% by Brightwood Capital Fund IV, LP and 0.2% by BCA. BCOF V is owned 99.8% by Brightwood Capital Fund V, LP and 0.2% by BCA.

In addition to the above, certain affiliates of Brightwood receive performance-based fees in the form of “carried interest.” Please refer to Item 6 of this Brochure for additional information on performance-based fees.

Expenses Incurred by the Funds

Each Fund, subject to its Governing Documents, will pay certain expenses incurred in connection with the formation, organization, funding, and startup of the Fund (“Organizational Expenses”), which may include, without limitation, travel, printing, legal, capital raising, accounting, and regulatory compliance. Organizational Expenses are typically subject to an expense cap, which may vary from Fund to Fund, and any such expenses that exceed the specified expense cap will be borne by the relevant General Partner.

In addition to Organizational Expenses, each Fund will pay other costs and expenses relating to its and its subsidiaries’ activities, investments, and business (“Partnership Expenses”). Partnership Expenses are set forth in the Governing Documents for each Fund and may include, without limitation, (i) all fees, costs, expenses, liabilities and obligations attributable to structuring, organizing, acquiring, managing, operating, holding, valuing, monitoring, winding up, liquidating, dissolving and disposing of investments; (ii) legal, accounting, administration, custodian, depository, transfer, registration, auditing, consulting, insurance, broker, travel, litigation and indemnification costs and expenses, judgments and settlements, consulting, finder, financing, financing commitment, real estate title, appraisal, printing and filing fees; litigation and indemnification costs and expenses; judgments and settlements; and other fees and expenses; (iii) costs and expenses of the Fund’s Advisory Committee; (iv) all fees, costs, expenses,

liabilities and obligations relating to investment and disposition opportunities for the Fund not consummated; (v) all out-of-pocket fees, costs and expenses incurred in connection with the annual and other periodic (if any) meetings of the Investors and any other conference or meeting with any Investor(s); (vi) Management Fees (or similar advisory fees); (vii) expenses incurred in connection with certain services performed by an affiliate of the General Partner or Brightwood (such as legal, operational and administrative services) (subject to an expense cap and only applicable to certain Funds); (viii) any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund; (ix) placement fees; (x) all fees, costs and expenses incurred in connection with the dissolution, liquidation and final winding-up of the Fund; (xi) all fees, costs and expenses incurred in connection with the organization, management, operation, dissolution, liquidation and final winding-up of any subsidiaries of the Fund, including SPVs; (xii) Organizational Expenses; (xiii) expenses incurred in connection with third party valuations; (xiv) unreimbursed costs and expenses incurred in connection with certain transfers of Investor interests, and (xv) technology and software expenses incurred in connection with the establishment and maintenance of diligence, reporting, structuring, custody, valuation and monitoring tools and security of Fund operations.

The Organizational Expenses and Partnership Expenses listed above may vary from Fund to Fund, as set forth in each Fund's Governing Documents.

Transaction Fees and Management Fee Offsets

Brightwood, including its affiliates and subsidiaries, may be entitled to certain fees in connection with the origination, syndication, and servicing of investments held by the Funds. Such fees may include, without limitation, loan origination fees, advisory fees, closing fees, placement fees, commitment fees, breakup fees, litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors' fees and other similar fees ("Transaction Fees"). The Funds typically receive the benefit of such Transactions Fees as a discount on the purchase price of the loan in an amount equal to 100% of the relevant Transaction Fees or as an offset against their respective Management Fees in an amount equal to 100% of the relevant Transaction Fees, as described in the Governing Documents for each Fund.

Affiliated Collateralized Loan Obligation Fees

Certain Funds may invest in the CLO Funds, provided that the purchase is consistent with the investment objectives, guidelines, and restrictions set forth in the Governing Documents for each such Fund. As described in the "Advisory Fees" section of Item 5 of this Brochure, SPV Advisors is entitled to Collateral Management Fees in connection with services provided to the CLO Funds. When a Fund invests in a CLO Fund, SPV Advisors will typically waive applicable Collateral Management Fees (or BCA will adjust applicable Management Fees) such that the total advisory fees borne by such Fund does not exceed the amount that would have been paid absent such an investment. Note, however, that SPV Advisors will generally charge Collateral Management Fees to a Fund if the CLO Fund in which it invests is formed for the purpose of financing investments for such Fund (i.e., where a Leveraged Fund utilizes a CLO Fund instead of an SPV in connection with the financing of investments). In addition, SPV Advisors will charge Collateral Management Fees to third party investors in the Brightwood CLOs.

Refund of Prepaid Fees at Termination of Advisory Agreement

As discussed above, the SBIC Funds are charged Management Fees quarterly in advance and reconciled at quarter end. Upon the final liquidation of an SBIC Fund, Management Fees paid in advance but not earned will be refunded to the SBIC Fund.

Compensation for the Sale of Securities

Brightwood does not receive compensation for the sale of securities or other investment products.

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

Brightwood does not receive performance-based fees in its capacity as investment adviser. However, the Chief Executive Officer and certain other supervised and associated persons of Brightwood are also members of the General Partners of the Private Funds. The General Partner for each Private Fund is entitled to receive a percentage (generally ranging up to 20%) of the Private Fund's net profits as "carried interest." The General Partners earn carried interest after the Investors receive a return of their investment plus a specified preferred return (generally ranging up to 8%). In addition, an affiliate of Brightwood is entitled to receive carried interest, subject to a preferred return, in connection with the management of the Sub-Advised Fund. The methodology by which carried interest is earned and charged is set forth in the Governing Documents for each Fund. Note that Brightwood does not earn carried interest in connection with the management of the CLO Funds or the BDC.

The potential to earn carried interest may create an incentive for the General Partner and/or Brightwood to make or acquire investments on the Fund's behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. Furthermore, in evaluating investments and other management strategies, the opportunity to earn carried interest based on the Fund's returns may lead the General Partner or Brightwood to place undue emphasis on maximizing returns at the expense of other factors, such as preservation of capital, in order to achieve higher carried interest. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the Investors.

Many of the assets in which the Funds invest do not have readily observable market values. As such, the fair value of the Funds' assets is determined by Brightwood. If the fair value that Brightwood assigns to the Funds' investments is materially higher than the values that are ultimately realized upon the sale of such investments, the value of the portfolio investments could be affected. Because Brightwood's compensation is based, in part, on valuations of assets and performance, there is an incentive to assign valuations that are higher than could be, or ultimately are, realized upon sale.

Brightwood manages Funds that pay carried interest alongside Funds that do not pay carried interest. In addition, Brightwood manages Funds that pay carried interest at different rates and/or pursuant to different calculation methodologies. As a result, the potential to earn carried interest may create an incentive to provide preferential treatment to Funds that pay carried interest or to Funds that pay carried interest on terms more favorable to Brightwood in the allocation of investment opportunities.

To mitigate potential conflicts of interest associated with carried interest, Brightwood maintains robust governance and valuation processes that are applied to all investments. In addition, Brightwood maintains an investment allocation policy that is designed to ensure that all Funds are treated equitably, irrespective of the amount of carried interest that the Fund pays to its General Partner or other Brightwood affiliate. Please refer to Item 8 of this Brochure for additional information related to Brightwood's governance and valuation processes.

With respect to the allocation of investments, Brightwood's policy is to allocate investment opportunities among the Funds in a manner that is fair and equitable over time, taking into consideration each Fund's investment objectives, strategy, risk tolerance, and guidelines. To that end, Brightwood maintains an Allocation of Investment Opportunities Policy that outlines the process by which investment opportunities are allocated among the Funds and, where applicable, between the Funds and co-investors. The proper method of allocating investment opportunities can be complex and requires careful evaluation and application. A number of factors generally may be considered when multiple Funds are capable of purchasing or selling a particular security or other investment product based on their respective investment objectives, including, without limitation, the amount of available capital, each Fund's investment mandate,

the impact that any such transaction may have on an existing portfolio's diversification, risk and volatility characteristics, existing investments, liquidity, contractual commitments or regulatory obligations, and other similar considerations.

Item 7 – Types of Clients

Brightwood provides advisory services to the Funds on a discretionary and non-discretionary basis. Investors include commercial banks, trusts, pension plans, foundations, endowments, family offices, private funds, and high net worth individuals. Generally, each Investor must be an “accredited investor,” as defined in Regulation D under the Securities Act of 1933, as amended, and a “qualified purchaser,” as defined in the Investment Company Act of 1940, as amended (the “1940 Act”). Certain employees of the Advisor who qualify as “knowledgeable employees” in accordance with Rule 3c-5 under the 1940 Act may also be permitted to invest directly or indirectly in the Funds.

Each Fund’s minimum investment amount is stated in the Fund’s Governing Documents. Note that the minimum investment amount for any Investor may be reduced or waived at the discretion of the relevant General Partner.

Item 8 – Methods of Analysis and Investment Strategies

Methods of Analysis and Investment Strategies

Brightwood has established teams of investment professionals and risk management professionals who are responsible for sourcing new investment opportunities, investment selection, and monitoring ongoing performance of the Funds and investments. The Funds invest primarily in secured loans of middle market companies organized and located in the United States. Brightwood tailors its investment advice accordingly.

Brightwood performs extensive due diligence before making an investment decision on behalf of the Funds. The due diligence process may include, without limitation:

- financial analysis (which may include 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 relevant third parties (e.g., customers, suppliers, etc.) to identify and confirm key attributes of the companies' management teams, such as team cohesiveness, viability and consistency of the business strategy, prior experience, and ability to deliver successful outcomes; and
- 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 investment decisions require approval by the Investment Committee for each Fund. The members of the Investment Committee may vary by Fund but typically consist of Brightwood's Chief Executive Officer and senior members of Brightwood's Risk and Investments teams. After an investment is made, Brightwood will engage in active portfolio monitoring, including verifying adherence to business strategy, tracking performance and general oversight.

The Funds' assets are valued quarterly in accordance with the Financial Accounting Standard Board's Accounting Standards Codification ("ASC") 820-10 for fair valuation. Brightwood's Chief Credit Officer is responsible for overseeing the maintenance of work papers necessary to support initial and quarterly valuations of the Funds' investments. Valuations for each asset are generally performed by one of four independent, third party valuation agents utilized by the Advisor and confirmed by Brightwood's internal valuation team. The valuation for each asset is then determined by Brightwood's Valuation Committee.

Material Risks for Client Investment Strategies

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 objectives will be realized, (ii) the Funds' investment strategies will prove successful, or (iii) Investors will not lose all or a portion of their investment in the Funds. In addition, there may be occasions when the Advisor and/or its affiliates encounter potential conflicts of interest in connection with one or more of the Funds. Accordingly, prospective investors and their respective financial, tax and legal advisors, should carefully review the below listed risk factors, as well as the risk factors detailed in the Governing Documents for the relevant Fund(s), before making an

investment in any Fund. Please note that the following is not meant to be an exhaustive list of potential risks associated with investing in the Funds and certain risks may not apply to all Funds.

1. Investment in the Funds involves certain general risks, including those related to general economic conditions.
2. All investments risk the loss of capital. No guarantee or representation can be made that the Funds will achieve their objective, will achieve gains for its Investors, 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 prospect of the Funds. None of these conditions is within the control of the General Partner or Brightwood.
3. 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 that are ultimately not consummated, including expenses relating to due diligence, transportation, legal expenses and the fees of other third party advisers.
4. In addition, although a Fund may make investments during the marketing period, due to the time necessary to identify, evaluate, structure, negotiate and close suitable investments in middle market companies, the Advisor can make no assurances that it will be able to invest substantially all of the capital commitments received by a Fund within the Investment Period.
5. The Funds will be dependent upon the Advisor's Investment Team for its future success. The success of the Funds depends upon diligence, skill and network of business contacts of the Advisor's Investment Team and, in particular, Mr. Selassie. The Advisor'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 Mr. Selassie and the other members of the Investment Team upon which the Advisor relies will continue to be associated with the Advisor throughout the life of the Funds. The Funds will depend on the experience, diligence, skill and network of business contacts of Mr. Selassie and the other members of the Investment Team of the Advisor. Mr. Selassie, together with the other members of the Investment Team of the Advisor or any investment professionals that the Advisor 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 Advisor's Investment Team. If the Advisor'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 Advisor may not be able to grow the Funds' investment portfolio. In addition, individuals with whom the Advisor'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.

6. Investors may not receive distributions, or the Funds' distributions may not grow over time. Cash flow may not be sufficient to make distributions to the Investors, 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 Investors. Moreover, Investors may be allocated taxable income although they have not received any distributions. Any return on investment to the Investors will depend upon successful investments that are made at the discretion of the Advisor.
7. 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.
8. 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.
9. 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.

10. 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.
11. 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.
12. 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.

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 date payments are due in respect of the senior secured loans held by the Funds.

13. 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.
14. 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.

15. The Funds may hold non-controlling interests in its investments. The Advisor 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 Advisor will seek appropriate creditor and shareholder rights to help protect the Funds' interests.
16. 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.
17. 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.
18. 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.
19. 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.
20. 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.

21. 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.
22. 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.
23. 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 undercapitalization 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.
24. 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 Advisor's Investment Team to obtain adequate information to

evaluate the potential returns from investing in these companies. If the Advisor is unable to uncover all material information about these companies, the Advisor 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 Advisor 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.

25. The Funds' investments may be concentrated in a limited number of investments. The Advisor will generally seek to maintain a diversified portfolio, but may invest a percentage (amount varies depending on the investment parameters of the particular Fund) of the aggregate capital commitments of the Funds in any single issuer. Accordingly, although the Advisor 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 in each Fund's Governing Documents. If the Funds are unable to sell, assign or otherwise syndicate out loan or bond position held (including through a Special Purpose Vehicle) that are greater than the Funds' target positions, the Funds will be forced to hold the excess interests in such investments for an indeterminate period of time. This could result in the Funds' investments being over-concentrated in certain investments. 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.
26. 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.

27. 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.
28. 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.
29. A default by a substantial number of Investors or by one or more Investors 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 Investors 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 Investor to timely fund its capital commitment may result in its interests in the Funds being forfeited or interest charges being assessed. Failure of Investors to contribute their capital commitments could also cause the Funds to be unable to realize its investment objectives.
30. If contributions made by non-defaulting Investors 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 Investors or by one or more Investors 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 Investors.
31. 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. Investors whose capital commitments have been pledged may be called upon to fund their entire capital commitment to repay indebtedness, and the failure of other Investors to honor their capital commitments may result in a Investor'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 Investors of more than its pro rata share of the indebtedness required to be repaid by the Funds, the other Investors in the Funds may not have sufficient credit or assets to appropriately reimburse the funding Investors 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 Investor with regard to such Investor'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.

32. Through the use of leverage, the Funds may be able to enhance the returns to its Investors; 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 Investors if the Funds meet their investment objectives, returns to Investors 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 seeks to invest.
33. 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.
34. 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.

35. 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.
36. 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.
37. 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 Advisor 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.

38. 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.
39. The Advisor 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 Advisor 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' Investors.
40. The Funds are dependent on the Advisor for its future success. The Investors 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 Advisor. The Funds' ability to achieve its investment objective will depend on the Advisor's ability to manage the Funds and to grow the Funds' investments and earnings. This will depend, in turn, on the Advisor'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 Advisor'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 Advisor's Investment Team will have substantial responsibilities in connection with the management of other investment funds, accounts and investment vehicles. The personnel of the Advisor 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.
41. The Advisor may not have access to all relevant information when selecting the Funds' investments. The Advisor selects investments for the Funds in part on the basis of information made directly available to the Advisor by such issuers, or through sources other than the issuers. Although the Advisor evaluates all such information and data and seeks independent corroboration when the Advisor considers it appropriate and when it is reasonably available, the Advisor 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.
42. Limitations exist on the liability of the General Partner, Advisor and Advisory Committee

members. The Governing Documents and the Funds' Investment Advisory Agreement will limit the circumstances under which the General Partner, the Advisor and the Advisory Committee members can be held liable to the Funds. As a result, Investors may have a more limited right of action in certain cases than they would in the absence of such provisions.

43. Certain Funds will be required to indemnify the General Partner, the 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 Governing Documents for such Funds. These losses and damages may be material and may have an adverse effect on the returns to the Investors. The indemnification obligation of the Funds would be payable from the assets of the Funds, including the unfunded capital commitments of the Investors and any amount that was distributed or returned to the Investors less than two years prior to such time and up to 25% of the amount of distributions previously received by the Investors. If the assets of the Funds are insufficient, the General Partner may recall certain distributions previously made to the Investors. Additionally, each Investor will also be required to indemnify the Funds and each Brightwood Indemnified Person against taxes attributable to such Investor.
44. Investment decisions may be undertaken on an expedited basis. Investment analyses and decisions by the Advisor 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 Advisor at the time of making an investment decision may be limited. Therefore, no assurance can be given that the Advisor will have knowledge of all circumstances that may adversely affect an investment. In addition, the Advisor 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.
45. 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.
46. Possession of material non-public information, may limit the Advisor's investment discretion. The Investment Team of the Investment Advisor, including members of the Advisor'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.

47. Prepayments of debt investments by the Funds' portfolio companies could adversely impact the Funds' results of operations and ability to make Investor distributions. The Advisor expects that the Funds' investments will generally allow for repayment at any time subject to certain penalties. When this occurs, the Advisor 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.
48. 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.
49. 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 Advisor and will be final and conclusive with respect to all Investors. Substantially all of the Funds' investments are expected to be in loans that do not have readily ascertainable market prices. The participation of the Advisor in the Funds' valuation process could result in a conflict of interest.
50. Some of the Funds' investments may be disposed of before it is most advantageous. The Funds expect to make investments that 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.

51. 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.
52. Investors may be required to repay certain distributions. The capital contributed by any Investor is susceptible to risk of loss as a result of any liability of the Funds. Investors 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, Investors may be required to reimburse the Funds for amounts that are required to be withheld by the Funds for tax purposes.
53. 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.
54. 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.
55. Investors' interests in the Funds may be diluted from Subsequent Closings. Investors that are admitted or increase their capital commitment at Subsequent Closings will participate in existing investments of the Funds, diluting the interest of existing Investors therein. Although such Investors 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.
56. A Fund's investment returns may differ from those of 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 Advisor. As a result, the returns realized by the Funds may differ significantly from those of one or more of the parallel Funds.
57. 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 Investors, and vice versa, and such differences may be substantial.

58. The Funds and the General Partner may enter into side letters with other Investors. 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 Investors 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 Advisor 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 Investors.
59. Certain confidentiality requirements will apply to each Investor. 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), Investors 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 Investor, the General Partner will have the right to keep confidential from Investors 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.
60. Investors' 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 Investor will be required to bear the economic risk of its investment for an indefinite period of time.
61. 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 an Investor's 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.
62. Investment in the Funds involves certain tax risks. An investment in the Funds involves complex tax considerations and risks, including, among others, that (i) an Investor 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) an Investor 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) an Investor that is, or has any beneficial owners that are, a U.S. tax-exempt investor(s) will realize unrelated business taxable income (UBTI), (v) an Investor 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) an Investor will be required to file for extensions for the completion of such Investor'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 an Investor will be liable for additional taxes and could be required to file amended tax returns. Each prospective investor should consult its own adviser as to the advisability and specific U.S. federal, state, local and non-U.S. tax consequences of an investment in the Funds.

63. The Investors of the Private Funds are not afforded the protections of regulatory oversight under the Investment Company Act. The Private Funds are not required to, nor do they intend to register as an investment company under the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (collectively, the "Investment Company Act") and, accordingly, Investors in Private Funds are not afforded the protections of the Investment Company Act (which, among other things, requires registered investment companies to have at least 40% disinterested directors, requires securities held in custody at all times to be segregated and marked to clearly identify the owner of such securities, and regulates the relationship between the adviser and the investment company). The Advisor is a registered investment adviser under the Advisers Act.
64. There can be no assurance that enhanced governmental scrutiny and/or increased regulation of the alternative asset management industry will not have an adverse impact on the Funds' activities. There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the alternative asset management industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute their investment strategy or achieve their investment objectives. The combination of such scrutiny of alternative asset managers and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent the Funds' efforts to structure, consummate and/or exit investments. As a result, the Funds may invest in fewer transactions or incur greater expenses or delays in completing and/or exiting investments than it otherwise would have. Additionally, the United States Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing, could adversely affect the ability of the Chief Executive Officer, employees or other individuals associated with the Funds or the General Partners who were, or may in the future be, granted direct or indirect interests in the General Partners entitling such persons to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from the Fund and the General Partners, which could make it more difficult for the General Partners and its affiliates to incentivize, attract and retain individuals to perform services

for the Funds. These same issues may also apply to officers, directors and employees of the Funds' portfolio companies if such persons receive a profits interest in such companies.

65. The Funds may be subject to restrictions on their ability to vote or take other actions with respect to certain portfolio companies and/or investments. As a result of voting agreements or other arrangements relating to certain issuers and the investments held by the Funds, the Funds may be subject to restrictions on their ability to vote or take other actions with respect to certain companies and/or investments. In such situations, the Funds' General Partner may not be able to vote or take other actions with respect to its investments in the manner that it otherwise would believe to be in the best interests of the Funds.
66. The Funds will rely significantly on the management teams of their portfolio companies. The day-to-day operations of each portfolio company in which the Funds will invest will be the responsibility of the relevant portfolio company's management team, which is expected to include representatives of other financial investors with whom the Funds are not affiliated and whose interests may at times conflict with the interests of the Funds. Although the General Partners of the Funds will be responsible for monitoring the performance of each investment and generally intends to invest in companies operated by strong management, the Funds will rely significantly on the management teams and board of directors of portfolio companies in which it invests. There can be no assurance that the existing management team of any portfolio company, or any successor thereto, will be able to operate the portfolio company in accordance with the Funds' objectives or expectations. Similar considerations apply where the Funds invest through joint ventures, "club" deals and other arrangements in which third-parties and third-party management teams have material control rights.
67. Portfolio company projections are only estimates of future results. Projected operating and financial results of a portfolio company in which the Funds make an investment normally will be based primarily on financial projections prepared by such portfolio company's management. In all cases, projections are only estimates of future results that are based upon information received from the portfolio company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.
68. A climate of economic, social and political uncertainty may reduce the availability of potential investment opportunities for the Funds. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Funds and their portfolio companies to execute their respective strategies and generate sufficient cash flow to service their debt. This may slow the rate of future investments and result in longer holding periods for investments.
69. The Funds may be subject to litigation from time to time. In the ordinary course of its business,

the Funds may be subject to litigation from time to time. This risk may be greater where the Funds exercise control or significant influence over a portfolio company's direction. The expense of defending against claims against the Funds by third parties and paying any amounts pursuant to settlements or judgments would be borne by the Funds and would reduce net assets and could require the Funds' Investors to return distributed capital and earnings to the Funds. The General Partners of the Funds, the Advisor, and their affiliates, including each of their respective directors, officers, members, stockholders and controlling persons, and their employees, agents and any other person who serves at the request of a General Partner or the Advisor on behalf of the Funds will be indemnified by the Funds in connection with such litigation, subject to certain conditions. The outcome of such proceedings may materially adversely affect the value of the Funds and may continue without resolution for long periods of time. Any litigation may also consume substantial amounts of the General Partners', the Advisor's, the Chief Executive Officer's and other key Fund personnel's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

70. The General Partner of each Fund may establish an advisory committee for the respective Fund and any Parallel Funds (the "Advisory Committee") composed of Investor and Parallel Fund Investor representatives selected by the General Partner (all of whom will be unaffiliated with the General Partner). None of the Advisory Committee members shall owe any fiduciary duties to the Funds, the General Partners, or any other Investor. The General Partners of the Funds will retain ultimate responsibility for all decisions relating to the operation and management of the Funds. In addition, representatives of the Advisory Committee may have various business and other relationships with Brightwood and its partners, employees and affiliates. These relationships may influence their decisions as members of the Advisory Committee.
71. There can be no assurance that confidential information will not be disclosed either publicly or to regulators for purposes of complying with regulations or policies. Certain Investors may be subject to U.S. state public records or similar freedom of information laws, which may compel public disclosure of confidential information regarding the Funds, their investments and their respective investors. There can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which the Funds, the General Partners, the Advisor, their respective affiliates, portfolio companies or service providers to any of them may be or become subject.
72. Investors may have conflicting investment, tax, and other interests with respect to their direct or indirect investments in the Fund, including conflicts relating to the structuring of investments and dispositions. Conflicts may also arise in connection with decisions made by the General Partners regarding an investment that may be more beneficial to one Investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partners generally will consider the investment and tax objectives of the Funds as a whole, not the investment, tax, or other objectives of any Investor individually. In addition, the fact that the General Partners' carried interest is based on a percentage of net profits may create an incentive for the General Partners to cause the Funds to make riskier or more speculative investments than otherwise would be the case.
73. Certain tax information exchange regimes may require the General Partners to collect and share with applicable taxing authorities information concerning Investors. The United States, pursuant to the Foreign Account Tax Compliance Act ("FATCA"), has entered into numerous

intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the Organization for Economic Co-operation and Development (the “OECD”) has been actively working towards exchange of information on a global scale and has published a global Common Reporting Standard (the “CRS”) for exchange of information pursuant to which many countries have now signed multilateral agreements. One or more of these information exchange regimes are likely to apply to the Funds and/or any alternative investment vehicle, and may require the General Partners to collect and share with applicable taxing authorities information concerning Investors (including identifying information and amounts of certain income allocable or distributable to them). A Investor’s failure to provide such information may result in expulsion from the Fund and/or any alternative investment vehicle.

74. The General Partners intend to structure the Funds’ investments in a manner that is intended to achieve the Funds’ investment objectives. There can be no assurance, however, that the structure of any investment will be tax efficient for any particular Investor or that any particular tax result will be achieved. In addition, tax reporting requirements may be imposed on investors under the laws of the jurisdictions in which Investors are liable for taxation or in which the Funds make portfolio investments. Prospective investors should consult their own professional advisers with respect to the tax consequences to them of an investment, directly or indirectly, in the Funds under the laws of the jurisdiction in which they are liable for taxation.
75. Bankruptcy law and process in non-U.S. jurisdictions may differ substantially from that in the United States. Investment in the debt of financially distressed companies domiciled in non-U.S. jurisdictions involves additional risks. Bankruptcy law and process in non-U.S. jurisdictions may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims.
76. There may be instances in which a Fund does not have financial maintenance covenants in loan documentation with respect to investments. Although Brightwood generally expects the loan documentation of most of the investments to include both incurrence and maintenance-based covenants, there may be instances in which the investments do not have maintenance financial covenants (“Covenant-Lite Loans”) in the related loan documentation. An investment in a Covenant-Lite Loan may potentially hinder the ability to re-price credit risk associated with a portfolio company’s performance and reduce the creditors’ ability to restructure a non-performing loan and mitigate potential loss. As a result, a Fund’s exposure to losses may be increased, which could result in an adverse impact on the Fund’s return to the Investors.
78. There can be no assurance that a Fund’s attempts to obtain structural, covenant and other contractual protections with respect to the terms of its investments will achieve their desired effect. The Fund will generally seek to obtain structural, covenant and other contractual protections with respect to the terms of its investments as determined appropriate under the circumstances. There can be no assurance that such attempts to provide downside protection with respect to its investments will achieve their desired effect and potential investors should regard an investment in the Fund as being speculative and having a high degree of risk. Of paramount concern in investments in loans is the possibility of material misrepresentation or omission on the part of the company. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or enterprise value of the companies or may adversely affect the ability of the Fund to perfect or effectuate a lien on any collateral securing the loan. The Fund

will rely upon the accuracy and completeness of representations made by companies to the extent reasonable when it makes its investment decisions, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

79. A Fund may be required to invest cash to convert warrants and hold underlying securities, which may subsequently lose some or all of their value. The Fund may receive warrants, and in certain circumstances prior to exit, may be required to exercise such warrants in order to hold the underlying securities. The Fund would seek to negotiate “cashless” exercise for all warrants that it receives, whereby no investment will be required to convert; however, on occasions it may not be possible to negotiate such “cashless” exercise, and the Fund may be required to invest cash to convert warrants and hold underlying securities, which may subsequently lose some or all of their value.
80. The General Partners of the Funds may use hedging techniques where available and appropriate. The General Partners may (but are not obligated to) endeavor to manage the Funds’ currency, interest rate or other exposures, using hedging techniques where available and appropriate. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may not work, or mitigate risks, as intended and may reduce the overall returns of the Funds or cause losses. Price movements of forwards, futures, derivative contracts and other instruments in which the Funds’ assets may be invested can be highly volatile and 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. It should be noted that (1) the Advisor may determine not to hedge against, or may not anticipate, certain risks, (2) the portfolio will always be exposed to certain risks that cannot be hedged, such as certain credit risks (relating both to particular investments and counterparties) and (3) there may be differences between the valuation of hedging instruments held by the Funds and the related illiquid investment in respect of which the hedging instrument was acquired. In addition, the Funds may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter (“OTC”) contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject the Funds to the risk of a counterparty’s inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Funds to additional liquidity risks if such contracts cannot be adequately settled.
81. The Funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions. Some of the markets in which the Funds may effect transactions are OTC or “interdealer” markets. The participants in such markets typically are not subject to the same credit evaluation and regulatory oversight as are members of “exchange-based” markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such OTC transactions. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer

maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. The Advisor is not restricted from dealing with any particular counterparty or from concentrating any or all of the Funds' derivative transactions, if any, with one counterparty. Moreover, the Advisor has no formal credit function which evaluates the creditworthiness of the Funds' counterparties. The ability of the Funds to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds. In addition, the counterparties with which the Funds effects transactions may, from time to time, cease making markets or quoting prices in certain of the instruments. In such instances, the Funds may be unable to enter into a desired transaction in currencies, or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange-traded instruments, forward, spot and option contracts and swaps on currencies do not provide a trader with the right to offset its obligations through an equal and opposite transaction. For this reason, in entering into forward, spot or options contracts or swaps, the Funds may be required, and must be able, to perform their obligations under the contract.

82. Additional fees and expenses may be charged to a Fund in connection with investments in CLOs. Subject to the limitations set forth in relevant Fund's organizational documents, certain Funds may invest in collateralized loan obligation vehicles ("CLOs"). Each of the CLOs in which a Fund may invest generally (i) pays (or requires its Investors to pay) its respective general partner and investment adviser or manager certain fees; and (ii) bears certain costs and expenses. Those fees, expenses and costs are in addition to those of the relevant Fund described in the Fund Documents. Such fees and expenses are expected to reduce the actual returns to Investors. Fees and expenses of each Fund and the CLOs in which each Fund invests will generally be paid regardless of whether the Fund or the CLOs produce positive investment returns.
83. The Funds may be subject to margin calls. In general, the anticipated use of borrowings, repurchase transactions and derivative transactions results in certain additional risks to a Fund. For example, should the securities pledged to lenders and counterparties to secure a Fund's borrowings and derivative transactions decline in value, a Fund could be subject to a "margin call," pursuant to which the Fund must either deposit additional funds or securities, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A decline in value of a derivative transaction also could result in a margin call that the Fund must meet. In the event of a sudden drop in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.
84. A Fund may incur contingent liabilities in connection with the disposition of its investments. In connection with the disposition of an investment, the Fund may be required to make representations typical of those made in connection with the sale of any such asset, which may include representations in relation to the business and financial affairs of a portfolio company. A Fund may also be required to indemnify the purchasers of such an investment to the extent that any such representation turns out to be inaccurate or with respect to other matters. These arrangements may result in contingent liabilities, which, if not satisfied out of the Fund's assets, may ultimately be required to be funded by the Investors making contributions to the Fund out of previous distributions received from the Fund.
85. A Fund may from time to time make investments with funding obligations that may arise in the future. For example, the Fund may commit to, or acquire an interest in, a revolving credit facility or delayed draw term loan that has not yet been fully drawn at the time the investment was made.

If the company subsequently draws down on the facility, the Fund would be obligated to fund the amounts previously committed.

86. A Fund may be subject to equitable subordination claims. Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of an issuer to the detriment of other creditors of such issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control an issuer to the detriment of other creditors of such issuer, 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”). Due to the nature of the debt obligations, the Fund may be subject to claims from creditors of an obligor that debt obligations of such obligor, which are held by the issuer should be equitably subordinated.
87. A Fund may invest in loans that have limited mandatory amortization requirements. While these loans may obligate a portfolio company to repay the loan out of asset sale proceeds or with annual excess cash flow, repayment requirements may be subject to substantial carve outs that would allow a portfolio company to retain such asset sale proceeds or cash flow, thereby extending the expected weighted average life of the investment. In addition, a low level of amortization of any debt over the life of the investment may increase the risk that an issuer will not be able to repay or refinance the loans held by the Fund when it matures.
88. Investment in business development companies (“BDCs”) involves certain risks. Subject to the limitations set forth in the Investment Company Act or as otherwise permitted by applicable law, regulation, or SEC staff guidance, the Funds may acquire shares in BDCs, including BDCs managed and/or advised by Brightwood (“Affiliated BDCs”). Investment in BDCs involves certain risks, including without limitation: (i) shares of BDCs frequently trade at a discount to their net asset value and (ii) exposure of the Partnership to the risks associated with the business and operations of BDCs. To the extent applicable, pursuant to the restrictions imposed by the Investment Company Act, an Affiliated BDC may not invest in negotiated transactions with other Brightwood Entities, including the Funds, without having received exemptive relief from the SEC for such “affiliated transactions”. Although Brightwood will waive or otherwise offset the Funds’ portion of any management fees and incentive compensation required to be paid by the shareholders of an Affiliated BDC, the Funds will bear their ratable share of any Affiliated BDC’s other investment-related fees, expenses and costs, including (a) operational, research, underwriting, legal and compliance expenses and costs, (b) investment and extraordinary expenses and (c) administration fees and ongoing operating expenses, including overhead and rent. At the same time, the Funds will continue to bear their own fees and expenses.
89. Brightwood may face a conflict of interest in respect of investments held by a Fund in Affiliated BDCs. Brightwood anticipates that the Fund may indirectly hold investments in one or more Affiliated BDCs through a vehicle formed for the purpose of acquiring the shares of any such Affiliated BDCs. Although Brightwood will waive or otherwise offset the Fund’s portion of any management fees and incentive compensation required to be paid by the shareholders of an Affiliated BDC, the Fund will bear its ratable share of such Affiliated BDC’s BDC Expenses. The Fund’s General Partner faces potential conflicts of interest when determining to purchase shares of an Affiliated BDC on behalf of the Fund. For example, the General Partner may be incentivized to structure investments indirectly through an Affiliated BDC, rather than directly through the Fund, due to its receipt of management fees and incentive allocation or due to

economies of scale or other indirect benefits Brightwood may receive from managing and/or advising such Affiliated BDC. In addition, to the extent participation in specific investment opportunities may be appropriate at times for the Fund, an Affiliated BDC, and/or another Brightwood Entity, conflicts may arise in determining the amount of the investment, if any, to be allocated among such entities and the respective terms thereof. Brightwood may have an incentive to favor the account for which it receives the highest compensation. While Brightwood will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to the Partnership and other Brightwood Entities under the circumstances and considering relevant factors, there can be no assurance that the Fund's actual allocation of an investment opportunity, if any, or the terms on which such allocation is made, will be as favorable as they would be if the conflicts of interest to which Brightwood may be subject, discussed in this paragraph, did not exist. For an additional description of Brightwood's allocation procedures, please see Brightwood's allocation policy.

90. A Fund's acquisition of certain loan origination investments from another Fund or a subsidiary thereof may create a conflict of interest. From time to time a Fund or a subsidiary thereof will offer to sell or assign loan origination investments to another Fund, and consequently, a number of conflicts of interest exist as a result of transfers of assets between two affiliated accounts managed by the General Partner. As described in the Funds' Governing Documents, any sale or assignment of loan origination investments by a Fund or a subsidiary thereof to the another Fund will generally be subject to a holding or "seasoning" period that is determined based on the facts and circumstances of each loan origination investment as well as (i) approval by an independent representative appointed by the Fund's General Partner and (ii) a supporting third party valuation. Notwithstanding such third party valuation, it may be difficult or impossible to accurately measure the appropriate value of such loan origination investments and there can be no assurance that the terms upon which the Fund acquires such loan origination investments will reflect a value that will be as favorable as that which could be obtained in a sale or assignment from an unrelated third party.

In seeking to achieve its investment objective, the Advisor will cause one or more of the Funds that it manages to invest directly or indirectly through a financing subsidiary, whose Investors will be one or more of Funds and any parallel Funds. The Funds may indirectly incur leverage as a result of the financing subsidiary utilizing credit or otherwise leveraging investments. The costs of the financing subsidiary's incurrence of such indebtedness will be borne indirectly by Investors of the Fund that owns the financing subsidiary, which may reduce returns to Investors of the Fund. To the extent the financing subsidiary is unable to service its debt obligations (including, without limitation, any fees, expenses and costs in connection with incurring indebtedness for borrowed money) and defaults on payments to lenders, the financing subsidiary's use of leverage could have the effect of increasing the Fund's losses.

As described in Item 4 and Item 5 of this Brochure, certain Funds and third parties may invest in the CLO Funds. Such investors should be aware that there are additional risk factors related to investments in collateralized loan obligations ("CLOs") that differ from other Private Funds and therefore prospective investors should carefully review the risk factors detailed in the relevant Governing Documents prior to making an investment in a CLO Fund. Below is a non-exhaustive list of general risk factors related to investments in CLOs.

- Loans that are held directly by a Fund could later be contributed or sold to a CLO in connection with a securitization. Once held by a CLO, the underlying loan is no longer a direct investment and the risk-return profile is altered. In general, rather than holding interests in underlying loans, securitization results in the Fund holding junior interests in CLOs, with the CLO having legal title

to the underlying loans.

- The Funds will generally hold highly subordinated CLO securities. These highly subordinated CLO junior interests or “equity,” which occupy a first-loss position, are typically in the form of subordinated notes, income notes, membership interests, common stock, preference shares or another type of residual interest issued by the relevant CLO issuer or financing counterparty. In addition, a Fund could also make investments in certain other classes of secured notes of such CLOs. These investments subject a client to further risks, including, but not limited to, credit risk, liquidity risk, interest rate and other market risk, operational risk, structural risk, sponsor risk and other legal risk.
- The ability of the Brightwood CLOs to make payments on the notes will be affected by conditions in the market for, and performance of, the corporate loan market as well as global economic conditions. In addition, the business, financial condition or results of operations of the obligors on the collateral obligations may be adversely affected by a worsening of economic and business conditions. These economic, business and financial conditions may be particularly impacted by the intention of the Financial Conduct Authority in the United Kingdom (the “FCA”) to cease sustaining LIBOR from the end of 2021. To the extent that economic and business conditions deteriorate, non-performing assets are likely to increase, and the value and collectability of the collateral obligations is likely to decrease. A decrease in market value of the collateral obligations also would adversely affect the sale proceeds that could be obtained upon the sale of the collateral obligations and could ultimately affect the ability of the issuer to pay in full or redeem the notes.
- There are significant risks for a CLO issuer as an investor in collateral obligations and CLO investors as investors in the notes as a result of current economic conditions. These risks include, among others, (i) the likelihood that the issuer will find it more difficult to sell any of the collateral obligations in the secondary market in the circumstances in which the issuer is permitted or otherwise required to sell the collateral obligations described herein, thus rendering it more difficult to dispose of such collateral obligations, (ii) the possibility that, on or after the closing date, the price at which collateral obligations can be sold by the issuer will have deteriorated from their effective purchase price, (iii) the illiquidity of the notes, as there is currently little (and from time to time may be no) secondary trading in securities issued in connection with middle market collateral loan obligation transactions, (iv) asymmetric movement in interest rates, including, potentially, an increase in the rate at which the secured notes bear interest relative to the spreads on the collateral obligations and (v) the possibility of a recession or other economic downturn affecting obligors. These risks may affect the returns on the secured notes to investors and the ability of investors to realize their investment in the secured notes prior to their stated maturity, if at all.
- The issuer of any CLO securities will typically be highly leveraged, which will increase risks to investors, particularly to investors in more subordinated classes of such securities. A CLO issuer’s portfolio investments will possess inherent risks, including, among other things, credit, prepayment, liquidity and interest rate risk, the financial condition of the underlying obligors, general economic conditions, market price volatility, the condition of certain financial markets, political events and developments or trends in any particular industry. Most of a CLO issuer’s portfolio investments will be rated below investment grade. Below investment grade investments are particularly susceptible to these risks. Insolvency, lender liability and equitable subordination considerations with respect to the CLO issuer’s portfolio investments could adversely affect the issuer’s rights with respect to its portfolio investments.

- A CLO issuer's performance will depend, in part, on the portfolio manager's performance with respect to the purchase and sale of the issuer's portfolio investments. A portion of such portfolio investments may amortize or prepay. The reinvestment period may terminate early. The issuer may not be able to reinvest available funds in appropriate portfolio investments, and the longer the period before investment or reinvestment of its funds in portfolio investments, the greater the adverse impact may be on interest collections and distributions by the issuer. Illiquidity and market value volatility of the issuer's portfolio investments and its own investment restrictions may restrict its ability to dispose of investments in a timely fashion and for a fair price.
- The imposition of unanticipated withholding taxes on a CLO issuer's assets or tax on its net income (as a result of changes in law or other causes) could materially impair the issuer's ability to make payments in respect of the securities. Holders of CLO securities may be subject to withholding on payments from those CLO securities or forced transfer of those CLO securities for failure to provide the related CLO issuer with certain tax information.
- Ratings assigned to CLO securities only address credit risk and are not a guarantee of quality. In addition, rating agencies may change their published criteria relating to CLO securities or leveraged loans, resulting in a reduction of their ratings of the CLO securities.
- U.S. Risk Retention Rules generally require one of the "sponsors" of asset-backed securities or a "majority-owned affiliate" thereof to retain not less than 5% of the credit risk of the assets collateralizing asset-backed securities. On April 5, 2018, the District Court for the District of Columbia ("DC District Court") issued a court order that the U.S. Risk Retention Rules are vacated insofar as they apply to collateral managers of open-market collateralized loan obligations (the "District Court Order"). Accordingly, CLO managers of "open-market CLOs" (described in the ruling as CLOs where assets are acquired from "arms-length negotiations and trading on an open market") will no longer be required to comply with the U.S. Risk Retention Rules. The Brightwood CLOs are not expected to qualify as "open-market CLOs" due primarily to the fact that some or all of the collateral obligations acquired by the Brightwood CLOs are expected to be assets originated by the "sponsor" or an affiliate thereof (or held for the account of the "sponsor" or such affiliate) and subsequently transferred to the Brightwood CLOs (other than assets that are originated directly in the name of the Brightwood CLOs). Therefore, the U.S. Risk Retention Rules will apply to the "sponsor" of the Brightwood CLOs, regardless of the District Court Order. The application of the U.S. Risk Retention requirements to middle market CLOs, such as the Brightwood CLOS, is uncertain and subject to interpretation. In addition, There are a number of future uncertainties surrounding the U.S. Risk Retention Rules for collateral managers, including: (i) proposed legislation designed to exclude from U.S. Risk Retention Rules, collateral managers of certain defined "QCLOs" (qualified CLOs), (ii) future directives and interpretations by Governmental Authorities with respect to the U.S. Risk Retention Rules and (iii) whether the U.S. Risk Retention Rules will be modified or repealed. Accordingly, the U.S. regulatory environment in which the Brightwood CLOs intend to operate is highly uncertain.
- Potential investors should be aware of the risk retention and due diligence requirements in Europe which apply in respect of various specified types of EEA-regulated institutional investors defined in Regulation (EU) 2017/2402 (the "Securitisation Regulation") (the "Affected Investors"). Among other things, the Securitisation Regulation restricts Affected Investors from investing in securitizations unless such investors have verified that: (a)(i) the originator, sponsor or original lender has agreed that it will retain, on an ongoing basis, a material net economic interest of not less than 5% in the securitization determined in accordance with Article 6 of the Securitisation

Regulation, (ii) the risk retention is disclosed to Affected Investors in accordance with the Securitisation Regulation and (iii) the originator or original lender grants all the credits giving rise to the underlying exposures on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes; and (b) such Affected Investor is able to demonstrate that it has undertaken certain due diligence with respect to various matters, including the risk characteristics of its investment position and the underlying assets, and that procedures are established for such activities to be monitored on an on-going basis. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those Affected Investors subject to regulatory capital requirements, the imposition of a punitive capital charge in respect of the Secured Notes acquired by the relevant Affected Investor. If a regulator determines that the transaction does not comply or is no longer in compliance with any Securitisation Regulation, an Affected Investor may be subject to regulatory penalties and, in the case that such investor is subject to regulatory capital requirements, a punitive capital charge may be applied with respect to the Secured Notes held by it. In addition, Affected Investors may be less likely to purchase any of the Secured Notes, which may have a negative impact on the ability of investors in the Secured Notes to resell their Secured Notes in the secondary market or on the price realized for such Secured Notes.

- On March 15, 2019, the Japanese Financial Services Agency published a rule (the “JFSA Securitization Regulation”) concerning the regulatory capital treatment of securitization transactions for Japanese banks, bank holding companies, certain Japanese credit unions and cooperatives and certain other Japanese financial institutions and their respective affiliates (such investors, “Affected Japanese Investors”). The JFSA Securitization Regulation subjects Affected Japanese Investors to punitive regulatory capital requirements for securitization exposures they purchase after March 31, 2019 unless the applicable investor (i) has conducted satisfactory due diligence on the assets underlying such securitization, including the establishment and utilization of a due diligence system for evaluating securitized products and (ii) has determined that either (a) the underlying assets of the applicable securitization transaction were “not inadequately or inappropriately formed” or (b) the relevant “originator” (as defined in the JFSA Securitization Regulation), its parent or another party “deeply involved in the organization of the securitized product,” retains at least 5% of the securitized exposures. At this time there are several unresolved questions relating to the JFSA Securitization Regulation (for which no official English translation is yet available) and little guidance on many aspects of the rule. Accordingly, the Japanese regulatory environment in which the Brightwood CLOs may operate is highly uncertain.

Item 9 – Disciplinary Information

The Advisor does not have any legal or other disciplinary event to report. This statement applies to Brightwood, its supervised persons, and its affiliates.

Item 10 – Other Financial Industry Activities and Affiliations

Registration as a Broker-Dealer

Neither Brightwood nor any of its principals are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Registration as an FCM, CPO, or CTA

Neither Brightwood nor any of its principals are registered, or have an application pending to register, as a futures commission merchant (FCM), commodity pool operator (CPO), commodity trading advisor (CTA), or an associated person of the foregoing entities.

Other Material Relationships

Affiliated General Partners

The General Partners are affiliates of and under common control with Brightwood. As described in Item 6 of this Brochure, the General Partners may receive carried interest in connection with the services provided to the Funds. The potential to earn carried interest may create an incentive for the General Partner and/or Brightwood to make or acquire investments on the Fund's behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. Furthermore, in evaluating investments and other management strategies, the opportunity to earn carried interest based on the Fund's returns may lead the General Partner or Brightwood to place undue emphasis on maximizing returns at the expense of other factors, such as preservation of capital, in order to achieve higher carried interest. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the Investors. The potential to earn carried interest may also create an incentive to favor Funds that pay carried interest in the allocation of investment opportunities. To mitigate potential conflicts of interest associated with carried interest, Brightwood maintains robust governance and valuation processes that are applied to all investments. In addition, Brightwood maintains an investment allocation policy that is designed to ensure that all Funds are treated equitably, irrespective of the amount of carried interest that the Fund pays to its General Partner or other Brightwood affiliate. Please refer to Item 6 of this Brochure for additional information related to Brightwood's investment allocation policy and to Item 8 of this Brochure for additional information related to Brightwood's governance and valuation processes.

Affiliated Syndication Agent, Administrative Agent and Loan Servicer

BLS, a wholly owned subsidiary of Brightwood, serves as the Syndication Agent and/or Administrative Agent / 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 Agent / Collateral Agent is responsible for maintaining the official books and records of the transaction, managing the flow of payments, and maintaining documentation on any collateral involved in securing the transaction. Such services include payment processing, management of transaction closings and settlements, cash reconciliation and liquidity monitoring, and reporting of certain financial and valuation information. Please refer to Item 5 of this Brochure for information related to fees received by BLS in connection with the services described above.

Affiliated Collateral Servicer

As described in Item 5 of this Brochure, SPV Advisors provides managerial and administrative services to SPVs that are each wholly owned subsidiaries of the Leveraged Funds. Each of the SPVs was formed by its parent company for the primary purpose of holding certain of the Leveraged Funds' investments that are pledged as collateral for loans issued by third party lenders. SPV Advisors is entitled to fees for the managerial and administrative services provided to the SPVs. Such fees are charged directly to the relevant SPVs (and consequently are indirect expenses of the Leveraged Funds) and may be waived in whole or in part at the discretion of SPV Advisors. Separately, a pooled investment vehicle that is majority owned by an unaffiliated third party investment manager has engaged SPV Advisors to provide managerial and administrative services in respect of a static portfolio of private loans held by the pooled investment vehicle. SPV Advisors charges the pooled investment vehicle for expenses incurred in connection with the provision of such managerial and administrative services.

Affiliated Loan Origination Business

As described in Item 5 of this Brochure, BCOF and BCOF V originate loans and, in certain cases, purchases loans in the primary or secondary market. Loans originated or purchased by BCOF and BCOF V are subsequently offered by assignment or sale to certain of the Funds and/or unaffiliated third parties, generally after the expiration of a holding period of thirty to ninety days. BCOF and BCOF V receive interest payments on the loans during the holding period and realize any income or loss on loans sold during or after the holding period. BCOF is owned 99.8% by Brightwood Capital Fund IV, LP and 0.2% by BCA. BCOF V is owned 99.8% by Brightwood Capital Fund V, LP and 0.2% by BCA. BCA's ownership interests in BCOF and BCOF V may create an incentive to originate loans in larger amounts than would be appropriate for allocation to the Funds or to hold performing loans in BCOF and/or BCOF V for periods longer than required. To mitigate potential conflicts of interest associated with the loan origination business, BCA maintains robust governance and investment allocation processes that are designed to ensure appropriate origination amounts and timely allocation to the Funds and/or third parties.

Relationships with Other Investment Advisers

Brightwood does not recommend, select or maintain relationships with other investment advisers on behalf of the Private Funds or the BDC. As described in Item 4 of this Brochure, Brightwood serves as sub-adviser to a Luxembourg reserved alternative investment fund (i.e., the Sub-Advised Fund) that was organized by an unaffiliated, third party AIFM. Note that Brightwood did not recommend or select the AIFM for the Sub-Advised Fund.

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 the Advisors’ access persons, as such term is defined under the Advisers Act, and is designed to ensure that the Advisor meets its fiduciary obligations with respect to the Funds and other regulatory requirements. 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 Funds 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 business-related gifts and entertainment, among other items. The Code emphasizes Brightwood’s philosophy of honesty, integrity and professionalism, setting forth standards of conduct expected of its 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.

Brightwood employees 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 interests of a Fund or otherwise create a regulatory risk. 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.

A copy of the Code is available to any client or prospective client of Brightwood upon request.

Participation or Interest in Client Transactions

The Advisor may, on behalf of the Funds, purchase or sell a security in which an affiliate of the Advisor directly or indirectly has 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 relevant Funds.

Principal and Agency Cross Transactions

It is the Advisor’s policy not to engage in any principal or agency cross transactions for the Funds unless approval is obtained pursuant to the terms of Brightwood’s compliance policies and the Governing Documents of the relevant Funds.

Item 12 – Brokerage Practices

Broker-Dealer Selection

The Advisor typically does not utilize broker-dealers to execute securities transactions. However, in 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 Investors. 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. To that end, 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 based on 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 that is greater than the commission another broker would have received for effecting the same transaction.

Research and Soft Dollar Benefits

Brightwood does not receive research or other soft dollar benefits in connection with client securities transactions.

Brokerage for Client Referrals

Brightwood does not allocate brokerage transactions in exchange for client referrals.

Directed Brokerage

Brightwood does not recommend, request, or require the Funds execute transactions through a specified broker-dealer.

Order Aggregation

To the extent that Brightwood determines the purchase or sale of the same security is in the best interest of more than one Fund, Brightwood may aggregate orders in effort to reduce transaction costs to the extent permitted by applicable law.

Item 13 – Review of Accounts

Performance Review and Monitoring

Brightwood periodically reviews the performance of each Fund on an overall basis and the performance of each portfolio company on an individual basis. Such reviews are designed to ensure that each Fund is managed in accordance with the investment guidelines and objectives specified in the Fund's Governing Documents and that individual investments remain viable for the Fund's portfolio. Each Fund's Investment Committee and Brightwood's Chief Credit Officer are responsible for the supervision and control of the Funds' investment portfolios. The Investment Committee is responsible for overseeing the investment process from the origination of each investment, through asset management, and ultimately the realization of the investment. The members of each Investment Committee may vary by Fund but typically consist of Brightwood's Chief Executive Officer and senior members of Brightwood's Risk and Investments teams. Additional oversight of investments is provided by the Chief Credit Officer, who is responsible for the ongoing monitoring of portfolio investments and reporting the results of such monitoring activities to the Chief Executive Officer.

Nature and Frequency of Reporting

Brightwood provides an annual report to Investors within 120 days after each Fund's fiscal year end. Such annual report includes financial statements that are prepared in accordance with GAAP and audited by an independent accounting firm. The preparation and delivery of the annual report is intended to comply with Rule 206(4)-2 under the Advisers Act. Brightwood also provides Investors with tax information necessary for the completion of income tax returns on an annual basis. In addition to the annual reports, Brightwood provides unaudited financial statements to Investors on a quarterly basis. Further information on the reports provided by the Funds is contained in the Governing Documents.

Item 14 – Client Referrals and Other Compensation

Brightwood does not receive an economic benefit from anyone, other than the Funds, for providing investment advice or other advisory services to the Funds. Neither Brightwood nor any related person directly or indirectly compensates any person who is not a supervised person for advisory client referrals. However, Brightwood may use unaffiliated third-party placement agents for investor referrals.

Item 15 – Custody

Under Rule 206(4)-2 of the Advisers Act (the “Custody Rule”), Brightwood is deemed to have custody of the assets of certain Funds by virtue of its common control with the General Partners. In accordance with the Custody Rule, Brightwood has engaged “qualified custodians” to hold and maintain all cash and certificated securities of the Funds. In addition, Brightwood (i) has engaged an independent public accounting firm that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board to conduct annual audits of each Fund with assets over which Brightwood is deemed to have custody and (ii) distributes audited annual financial statements of such Funds, prepared in accordance with GAAP, to all investors within 120 days after each Fund’s fiscal year end. In addition, upon the final liquidation of any such Fund, Brightwood will obtain a final audit and distribute audited financial statements, prepared in accordance with GAAP, to such Fund’s investors promptly after completion of the audit.

Item 16 – Investment Discretion

The Advisor has discretionary authority to determine, without the specific consent of the Investors or the General Partners, the securities and other investments to be bought or sold, and the amount of securities or other investments to be bought or sold on behalf of any of the Funds (except the Sub-Advised Fund), as provided for in the Governing Documents for each Fund.

Item 17 – Voting Client Securities

The Funds primarily invest in secured loans of middle market companies and therefore generally do not receive shareholder proxies in connection with securities holdings. In the event that a Fund receives a shareholder proxy voting matter, the Fund's General Partner or, in the case of the BDC, the Advisor, retains full discretion to exercise voting authority.

General Partner Discretion

The General Partner may contact the Advisor for guidance with respect to a proxy voting matter. In such cases, the Advisor will 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 will review each proposal submitted for a vote on a case-by-case basis and will 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 Investors.

Advisor Discretion

The Advisor votes proxies relating to the BDC's portfolio securities in the best interest of the BDC's stockholders. The Advisor reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by the BDC. In most cases the Advisor will vote in favor of proposals that the Adviser believes are likely to increase the value of the portfolio equity securities the BDC holds. Although the Advisor generally votes against proposals that may have a negative impact on any of the BDC's portfolio securities, the Advisor may vote for such a proposal if there exists compelling long-term reasons to do so.

Investors may obtain a copy of Brightwood's proxy voting policy upon request by contacting Darilyn Olidge, Esq., Chief Compliance Officer, at 1-646-368-8397 or olidge@brightwoodlp.com.

Item 18 – Financial Information

The Advisor does not require or solicit prepayment of more than \$1,200.00 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 Funds, and it has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisers

This item is not applicable to Brightwood.