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## Part 2A of Form ADV: Firm Brochure

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# Material Changes

This is the first published firm brochure.

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# Advisory Business

## Description of Business

### Background on the Manager and Business Strategy

Access Capital Investment Group, LLC (also referred to herein as “ACIG”) was formed in 2007 to assist credit unions and other middle market financial institutions with buying and selling loan portfolios. ACIG also provides portfolio management services to financial institutions, finance companies, and dealerships for their prime, non-prime, and special auto finance portfolios.

Beginning in early 2008, ACIG created and has since managed AC AUTOPAY LLC, a Delaware limited liability company (the “Company” or “AC AUTOPAY”). AC AUTOPAY is organized as a “series limited liability company,” meaning that it may create separate series under Delaware law where each series is functionally separate from the company and each other series. Each series has its own members, manager and business and the liabilities of one particular series are those of that series only and not of AC AUTOPAY or of any other series. Series may be considered separate “cells” within a limited liability company, separate from the company and each of the other series. Since formation, AC AUTOPAY has created no fewer than 21 separate series, each with its own privately funded portfolio of receivables purchased from financial institutions, automobile dealers and finance companies. Since inception, and taking into account all series, ACIG acting as manager of series of AC AUTOPAY has successfully raised and deployed capital to acquire receivables with a face amount of approximately \$150 million and currently manages portfolios with an outstanding balance of approximately \$70 million.

To augment AC AUTOPAY’s operations, it established an in-house loan servicing capability which is a full service receivables servicing, collections and payment processing company. The Manager believes that this facility provides to each of the series the flexibility to be more effective and efficient in meeting the specific needs of each portfolio than would be a third party servicing company.

Based on ACIG’s experience, its management believes that it has the capability to accurately evaluate expected portfolio performance, cash flow and yield. Utilizing its historic portfolio data, management of ACIG also believes it is able to project default rates, loss severities and frequencies on potential portfolio acquisition opportunities as well as portfolios that are currently being managed.

### Principals

The principals of ACIG, Jeffrey Hutcheson and Seth Meyer, have spent a combined 25 years in the business of underwriting portfolios of receivables and servicing and managing portfolios. Members of ACIG staff have interfaced with various government agencies that oversee and direct the nation’s financial institutions. This experience has benefitted ACIG and AC AUTOPAY with regard to its activities in consulting with clients on how to make their lending programs sound not only financially, but also from a regulatory perspective.

The principals of ACIG also have extensive experience in creating and facilitating portfolio sales and reporting platforms. The principals of ACIG have been responsible for the management of

an organization generating more than \$50 million of portfolio sales per month. Using an online reporting engine created by Messrs. Hutcheson and Meyer, the firm accurately reported portfolio performance to more than 200 financial institutions throughout the country.

### **Advisory Services Offered**

ACIG offers asset procurement, analysis, acquisition, and portfolio management services for accredited investors, family offices, private funds, and investment organizations that are interested in investing in asset-backed investments such as automobile receivables.

### **Tailored Services**

ACIG does not offer specific portfolio management solutions for an individual client. Investors do, however, have several options (classes) of subscription available. See the ACAP Private Placement Memorandum for details.

### **Wrap Accounts and Wrap Fee Programs**

ACIG does not participate in wrap fee programs nor does ACIG charge a flat fee for management. Fees are explained in detail in a subsequent section of this document as well as in ACAP's Private Placement Memorandum.

## **Fees and Compensation**

### **Overview of Management Compensation**

The Series will pay the Manager an administrative fee for the management functions performed by it equal to 5% of the amounts collected on the receivables as payments are received. The Series will pay the Manager an acquisition fee equal to 2.5% of the cost of receivables acquired by the Series (or of a loan made by the Series secured by the receivables) to compensate it for its services in connection with the identification, due diligence and acquisition of receivables (or use of the receivables as collateral for a loan). The Series will also reimburse the Manager for its out-of-pocket expenses in connection with the acquisition of receivables (or the making of a loan secured by receivables). The Manager is entitled to distributions from the Series after the Investors have received distributions equal to their capital contributions, which depend on the class of Units issued to Investors.

Please see ACAP's current Private Placement Memorandum for additional detail on Management Compensation as well as available Subscription Classes.

### **Method for Billing and Collecting Management Compensation**

In all cases, Clients are not invoiced directly. Other than the acquisition fee that is paid out of invested dollars, the fees and expense reimbursements are limited to the cash collected by the individual Series. If collections are not enough to cover such fees and reimbursements, the Client will not be held responsible.

### **Acquisition Fee**

The acquisition fee of 2.5% is paid at the time invested dollars are used to acquire the assets. The fee is invoiced to the Series and paid by the Series prior to distribution. Clients are not invoiced directly.

### **Out of Pocket Expenses**

Out of pocket expenses are reimbursed out of dollars collected by the Series. The Manager will invoice the Series for such reimbursement and the amount is deducted from available distributions.

### **Management Fee**

The management fee is calculated on the capital available to Series after other fees and expenses have been paid. The fee is invoiced to the Series and paid by the Series prior to distribution.

### **Performance Fee**

The performance fee is paid only if certain investor-return thresholds are met. The performance fee will vary depending on the subscription class selected by the individual investor.

### **Other Fees or Expenses**

The Manager may also be reimbursed for, but not limited to, expenses associated with the tax preparation, audit, wind-down, and or dissolution of a Series.

### **Fees Paid in Advance**

Clients are not required to pay fees in advance.

### **Compensation for the Sale of Securities**

The Manager does not, nor does any of its supervised persons, receive any compensation for the sale of investment products of any kind to our clients.

### **Investor's Option**

In all cases, investors have the option to invest, or not invest, in a particular Series. Each investment will be accompanied by a signed subscription document (either in writing or electronic). Investments in each Series are self-liquidating. Clients are not required to invest capital made available from prior Series into a current or future Series.

## **Performance-Based Fees and Side by Side Management**

In all cases, ACIG may be able to earn a Performance Fee in the event certain investor-return thresholds are met. The investor-return threshold will depend on the subscription class selected by the investor. Any individual client's investment cannot be managed differently than another, as each investor receives distribution on a pari passu basis that is the result of how the Series performs as a whole.

# **Types of Clients, Suitability, and Minimum Investments**

## **Client Type General Overview**

ACIG works with the following types of clients:

- Individuals
  - Cash accounts
  - IRAs
  - Trusts
  - Pensions
- Investment Companies
- Private Funds

## **Suitability Standards**

INVESTMENT IN THE UNITS INVOLVES A HIGH DEGREE OF RISK AND IS SUITABLE ONLY FOR PERSONS OF SUBSTANTIAL FINANCIAL RESOURCES WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENTS.

The Units lack liquidity, as compared with other securities investments, since there is not expected to be any public market for the Units, and the sale and transfer of the Units will be restricted by the Limited Liability Company Agreement and applicable federal and state securities laws. Accordingly, an investment in the Units is suitable only for persons of substantial financial means who have no need for liquidity with respect to this investment.

The Units are being offered pursuant to the exemption provided in Section 4(2) of the Securities Act and Rule 506 promulgated thereunder. Units may be purchased only by subscribers who represent to the Series that they qualify as “accredited investors” pursuant to Regulation D of the Securities Act. An “accredited investor” includes (a) a natural person whose net worth (or the combined net worth of such person and his or her spouse) exceeds \$1,000,000 at the time of the purchase, excluding the value of the primary residence of such person (but calculated by subtracting from the estimated fair market value of such residence the amount of debt secured by such residence, up to its estimated fair market value and by also subtracting the excess of the indebtedness secured by the primary residence at the time of purchase of the investment over the indebtedness outstanding 60 days prior thereto other than as a result of the acquisition of the primary residence); (b) a natural person who had income in excess of \$200,000 or joint income with that person’s spouse in excess of \$300,000 in each of the two most recent years and reasonably expects to have income at that level in the current year; (c) any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000; (d) an employee benefit plan within the meaning of the Employee Retirement Income, Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000, or if a self directed plan, with investment decisions made solely by persons who are accredited investors; (e) a trust with total assets in

excess of \$5,000,000 not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; and (f) an entity in which all of the equity owners are accredited investors.

We have the discretion to reject any subscription, in whole or in part, for any Units. The acceptance of a subscription for Units does not constitute a determination by us that an investment in the Units is suitable for a prospective investor.

### **Minimum Investment**

ACIG requires an initial \$50,000 investment. Rollover investments (investments made using capital made available from prior Series distributions) are not subject to the minimum.

## **Methods of Analysis, Investment Strategies, and Risk of Loss**

### **Operations**

AC AUTOPAY, through its various series and its manager, ACIG, is engaged in purchasing receivables and portfolios of receivables from banks, credit unions, dealers and dealer finance companies and servicing and collecting the receivables. It may also make loans secured by a portfolio of receivables. In that case, it may or may not also service the receivables that serve as collateral for the loan.

When selecting receivables for purchase (or as collateral for a loan), ACIG seeks to construct a portfolio consisting of receivables that meet its criteria based on its experience and historical statistical compilations. Its primary selection process involves (1) assembling a broad cross section of receivables, without adverse selection, or (2) acquisition of non-prime, sub-prime or dealer financed receivables that have been “seasoned” (i.e., for which there have been regular payments for 4 to 6 months).

ACIG has developed numerous contacts among those institutions that from time to time seek to sell both individual receivables and portfolios of receivables and among various dealerships that finance their own receivables. Each portfolio is examined in a process that involves ACIG’s proprietary underwriting, due diligence, and verification methods. When a portfolio is selected (or assembled), a contract for its purchase is entered into between the series and the seller. That contract contains representations and warranties designed to help protect the buyer, but all of the provisions are a matter of negotiation which is influenced by a variety of factors that can change from time to time. Receivables may also be purchased singly with or without seasoning.

Unlike most companies purchasing portfolios of receivables that only purchase performing accounts, the Manager has the flexibility to evaluate, price and purchase all accounts in a portfolio, regardless of status. AC AUTOPAY, through its series, purchases portfolios from credit unions, banks, finance companies and dealerships in most states.



## **Loan Servicing**

AC AUTOPAY, which is separate from any series, will service the loan portfolio for the Series and it services the loan portfolios for other series of AC AUTOPAY. AC AUTOPAY handles the loan servicing process which includes borrower contact through U.S. mail, telephone and other means where appropriate; billing; payment processing; insurance claims processing; flexible reporting of loan and portfolio status and flexible reporting frequency. The servicing platform has been developed and customized to service AC AUTOPAY's various portfolios.

## **Competition**

With respect to acquisition of portfolios, the Series will compete with other purchasers and lenders that have substantially greater financial resources. The Manager will seek to find individual receivables and portfolios that can be purchased for at or near the amount of funds raised. In some cases, the portfolios of receivables in the target range may not be of interest to larger purchasers thereby facilitating a purchase by us. Management believes that the in-house servicing available to the Series provides an advantage to the Series in that the portfolio can be closely monitored and issues can be more easily identified and dealt with by the Manager.

## **Risk Factors**

An investment in Units involves a number of significant risks. You should consider carefully the following information about these risks, together with the other information contained in this Memorandum, before investing in Units. If any of the following risk events actually occur, the business, our results of operations and financial condition could likely suffer, and Investors could lose part or all of their investment. While the Company has formed a number of other series which have been successfully operated by the Manager, it is difficult to predict the results to Investors, as this Series has been recently formed and has no operating history and Investors are acquiring an interest, through the Series, only in the receivables purchased by it.

### **Risks Associated with Collection of receivables**

Each Receivable is a motor vehicle retail purchase contract or similar instrument that includes an obligation on the part of the purchaser to pay, over time, the principal amount plus interest. For the Series to earn a profit, it must receive payments on its receivables (or on loans it makes that are secured by receivables) that exceed the purchase price of the receivables (or the amount loaned), costs of collection and management fees and expenses. The collectability of any Receivable depends upon a number of factors including, but not limited to, the willingness and ability of the obligor to pay, the condition and resale value of the motor vehicle securing the Receivable (which can in turn depend on the used car market in general) which may have to be repossessed, and the existence and coverage one or more insurance policies that may be available to partially protect the holder's financial interest in the event of a default on the Receivable. The ability of the Series to achieve a satisfactory economic result to Investors also depends on the existence of a valid retail installment contract, a perfected interest in the collateral and the absence of valid defenses to the enforcement of the Receivable. While the Manager believes that certain predictions can be made on a statistical basis with respect to the profitability of the receivables, fluctuations can occur in any set of receivables and if a particular set has a disproportionate number of receivables that cannot be collected in a profitable

manner, Investors may experience diminished returns or a loss. Collection risks include the following:

***Credit Risk***

In general, successful collection of receivables depends upon the servicer's ability to maintain or establish contact with the borrower, the borrower's financial condition and the provision of various methods for payment. Collection of the receivables is primarily dependent upon the creditworthiness of the borrowers for payment of interest and principal and also depends on the value of the collateral in cases where the borrower defaults. In the event of bankruptcy of the borrower or collection of a deficiency balance, a legal process must be followed that will generally entail significant expense and result in a failure to collect the entire balance.

Most of the receivables purchased by AC AUTOPAY through its series have been "sub prime" receivables originated from purchasers of motor vehicles who have impaired credit. The Series is expected to purchase at least a substantial portion of receivables that are of a sub-prime nature. The Manager believes that it can purchase receivables of this nature and collect them profitably on an aggregate basis. Sub-prime receivables are characterized by higher interest rates and less favorable terms (from the borrower's perspective) in order to compensate for higher credit risk of collection. The Manager has experience in the pricing and collection of sub-prime receivables and believes that its experience can translate favorably to this Series. Nevertheless, collection of the receivables in a profitable manner cannot be assured.

***Risk of Legal Compliance in the Formation of the receivables***

Collection of receivables depends in part upon their being valid and enforceable. Generally, this requires that the receivables were formed in compliance with various state and federal laws including, but not limited to, usury laws, retail installment sales acts, consumer lending laws, the Uniform Commercial Code, the Truth in Lending Act, the Equal Credit Opportunity Act, and the Fair Credit Reporting Act, so-called "lemon laws" and anti-fraud laws. Various state-specific protections exist for purchasers of motor vehicles such as California's Rees Levering Act and other laws. While the Series will seek to acquire only those receivables that it believes have been originated in full compliance with all federal, state and local laws, it is not possible to prevent consumers, acting either singly or in groups, from asserting that receivables were formed without compliance with all applicable laws. If such a claim is made, the Series may incur costs in defending the claim and collecting the Receivable, and in some cases, it may not be possible to collect the Receivable in whole or in part. In particularly serious cases of noncompliance, claims may be made against the holder of the Receivable that could lead to a class action for damages or other legal remedies. The Series will seek to mitigate this risk when practicable by, among other things, requiring appropriate representations and warranties from the seller and in appropriate cases by purchasing portfolios of "seasoned" receivables.

***Risk of Consumer Legal Action or Claims in the Collection of the receivables***

Collection of receivables is regulated by federal and state law. Contact of consumers by mail and phone is generally required at a minimum once per month for each debtor in the portfolio. While the Manager and the Series seek to ensure that all applicable laws are complied with in connection with the servicing of the receivables, events can occur that could expose the Series

to claims, including consumer class actions, that could impair collection activities or result in claims against the Series which could diminish returns to the Investors or cause a loss on the investment.

### ***Risks of Fluctuation in Value of the Collateral***

Collateral for the receivables consists of motor vehicles whose value can fluctuate. If the market value for used motor vehicles declines significantly, the recovery experienced by the Series on receivables in default may be lower, all with the result that Investors may experience lower returns or a loss on their investment.

### ***Timing Risk***

The amount of time it may take to collect any particular Receivable is uncertain because collection of receivables may depend on a repossession, settlement of one or more possible insurance policies that cover all or a part of a loss or resolution of a litigation matter. When it takes longer to collect receivables, the present value of the ultimate recovery will be lower.

### **Purchase Price Risk and Competition**

The Series will attempt to purchase receivables at an attractive price, but there is no assurance that the receivables can be collected at a profit after costs of collection. Competition by other purchasers may increase the price that must be paid to acquire receivables. The availability of receivables can fluctuate over time, and the Series may purchase receivables at a time when it is necessary to pay a higher price as compared with historic purchases by other series.

The business of the Series is highly competitive. In seeking to purchase receivables, the Manager will be competing with certain purchasers of receivables and investors with much greater financial resources and experience. As a result, the Manager may need to pay higher prices than would be the case in a non-competitive environment to acquire the receivables, which could translate into a lower return for the Investors.

Competition among private and institutional purchasers of receivables has increased in recent years and is likely to further increase as investors seek to acquire receivables and similar assets capable of generating a reasonable return on capital. Many of these competitors have significantly greater assets than us, thereby providing them with substantially greater buying power in bidding for available receivables.

### **This Series Is Newly Formed for the Purpose of Acquiring and Collecting the receivables and Has No Operating History**

Although the Company has formed a number of series that have been successfully operated and liquidated by the Manager, this Series has no history of operations or earnings and has been formed solely to undertake the activities described in this Memorandum. The Manager and its principals have substantial experience in the acquisition, management, servicing and collection of receivables, but there is no assurance that such experience can translate into a profit for the current Series which is newly formed.

### **The Manager Has Limited Operating History**

The Manager has conducted business for approximately five years and the Company has created at least 22 series in addition to the current Series, four of which have completed collection of their receivables and have terminated. Nevertheless, the Manager itself may be subject to many of the risks common to enterprises with limited operating history, including potential under-capitalization, competition by other very substantial companies purchasing receivables, limitations with respect to personnel, financial and other resources. The Series is dependent upon the Manager to obtain suitable receivables and convert them to cash at a profit.

### **Related Party Transactions**

The Manager is entitled to an origination fee equal to 2.5% of the gross amount of receivables acquired by the Series to compensate it for its due diligence efforts required in acquiring the receivables and to reimbursement of its out-of-pocket costs. The Series will pay 5% of all amounts collected on the receivables to the Manager for management of the Series. In the case of Investors electing or participating in the Preferred Plus Class and the Equity Class, the Investors and the Manager are each entitled to a portion of the distributions from the receivables in the Series after the Investors have received back 100% of their capital contributions and, in the case of the Preferred Plus Class, the Investors have received an 8% internal rate of return on their capital contributions. In the case of Investors electing or participating in the Preferred Class, the Manager is entitled to all of the distributions after the Investors have received an 11% internal rate of return on their capital contributions.

The Manager and AC AUTOPAY are entitled to certain fees and compensation. In particular, AC AUTOPAY is entitled to be paid a market rate for servicing the receivables plus reimbursement of its out-of-pocket costs and expenses incurred in the collection of each Receivable. A securities broker or finder (including an affiliate of the Manager) that enters into an agreement with AC AUTOPAY or the Series may be paid a commission 1.0% commission with respect to funds invested in the Series. The Manager is entitled to a 2.5% acquisition fee (based on the cost of receivables purchased) for its efforts and due diligence in connection with the purchase and reimbursement of its out-of-pocket expenses in investigating and effecting the purchase. The Manager is also entitled to a management fee of 5% of amounts collected on the receivables. In order for an investor to earn a profit, the receivables must earn an amount sufficient to recover the cost of the receivables together with all of such fees and costs.

The Series will enter into an agreement for the servicing of the receivables with AC AUTOPAY which is an affiliate of the Manager. Although our Manager believes the anticipated fees to be paid by the Series to AC AUTOPAY for servicing the receivables will be reasonable, customary and competitively priced, there will be no competitive bidding nor will solicitations be made to others for servicing the receivables and similar services.

### ***Servicing Costs Can Affect the Return on a Portfolio of receivables***

The receivables of the Series will be serviced by AC AUTOPAY, an affiliate of the Series, pursuant to a servicing agreement which is available for inspection upon request from AC AUTOPAY. The Manager believes that the cost charged by AC AUTOPAY is competitive with the

cost of a third party servicer. AC AUTOPAY, as servicer, is also entitled to be reimbursed for all out-of-pocket expenditures it incurs which may include costs of repossession, litigation and certain other costs. All of such fees and costs have a negative effect on the ability of the Series to earn a profit.

### ***Limited Source of Cash Flow***

Distributions in respect of the Series are payable solely from the assets of the Series, namely, the receivables held by the Series. Consequently, Investors must rely solely on payments collected from the receivables for payments of distributions from the Series.

### ***Leverage Risk***

The Manager has the power under the Limited Liability Company Agreement to use indebtedness to acquire more receivables than would be possible without borrowing. This “leverage” has the potential to increase the return to Investors when the cost of borrowing is lower than the net return on the receivables as a whole. However, if the net return on the receivables is less than the cost of borrowing, then the use of leverage can reduce the return, or even result in a loss to the Series. The Manager has avoided using leverage in the past, but may make use of it if the Manager believes that the overall return on the receivables can be enhanced. There is no assurance that the use of leverage will be beneficial to Investors and in particular Investors holding Units of the Preferred Class which do not benefit from returns beyond the preferred return to which such Investors are entitled.

Leverage may also have consequences for Investors that are tax exempt such as qualified pension, profit sharing and stock bonus plans, individual retirement accounts. These entities may be subject to the tax on unrelated debt financed income by reason of borrowing to purchase or carry receivables. See ACAP’s current Private Placement Memorandum for additional details.

## **Income Tax Risks**

### ***Income without Cash Distributions***

Investors must report allocations of taxable income to them whether or not a cash distribution is made to them. Accordingly, Investors could be required to report taxable income each year even if no distributions are made to the Investors or distributions are made but are less than the amount of tax required to be paid. Furthermore, to the extent the Manager is allocated taxable income without a corresponding cash distribution, the Manager is entitled to a tax distribution to enable the Manager to pay federal and state income tax on such income. Such tax distributions may delay or reduce the distributions to Investors. However, when distributions of cash are made to Investors (as distinguished from allocations of taxable income), such distributions should not ordinarily be subject to federal income tax. Prospective Investors should consult with their legal counsel, accountants or business advisers as to legal, tax and related matters concerning investment in the Units offered hereby. An investment in Units may involve certain material federal and state tax consequences and the Series cannot provide assurance of any particular income tax treatment with respect to collections on the receivables.

### ***Tax Accounting Risk***

The Series intends to account for each of the receivables for federal income tax purposes by treating principal payments as a recovery of the basis of the Receivable until the basis has been recovered in full and thereafter, will treat principal payments as taxable income. The Internal Revenue Service may require the Series to treat a portion of each principal payment as taxable income before the Series has recovered its basis in the particular Receivable. This could result in lower cash flow to the investors by reason of tax distributions being made to the Manager. The investors may also be required to report taxable income earlier than would otherwise be the case.

### ***Potential Adverse Tax Policy or Judicial Decisions***

Federal or state developments in taxation may adversely impact us or our investments. In particular, Congress and administration periodically propose significant changes to the federal income tax laws that could have an adverse impact on us, Investors or on the Manager.

### ***The Series is Dependent on Current Management***

Certain members of present management of the Manager have substantial experience in the areas of selection, acquisition, servicing, collecting and management of receivables. Should their services become unavailable; the Manager will be required to retain other qualified personnel. There can be no assurance that the Manager will be able to recruit and hire qualified persons upon acceptable terms.

### ***Delaware Series LLC***

AC AUTOPAY does business through multiple series pursuant to the Delaware Limited Liability Company Act, Section 18-215. Series limited liability companies ("Series LLCs") are relatively new legal structures and the legal and state and federal tax treatment of Series LLCs is uncertain in a number of respects. While a number of states have adopted statutes that permit or recognize Series LLCs, most have not and therefore the treatment under state law of the separate series is uncertain (e.g., provided certain requirements are met, under Delaware law, the assets of one series cannot be used to satisfy the liabilities of another series, however this may not necessarily be the case should a legal matter be decided under the laws of another state). Therefore, the assets of one series could be seized to pay the debts or liabilities of another series. AC AUTOPAY intends to treat each of its other series and this Series as separate entities for federal and state income tax purposes. The Internal Revenue Service proposed regulations in September of 2010 in which each series of a Series LLC is considered to be a separate entity for federal income tax purposes, which is consistent with the way AC AUTOPAY intends to treat the Series.

### ***Our Business is Subject to Regulatory Risks***

Our business is subject to a number of consumer protection and other regulatory considerations that may impact our ability to make a profit on our receivables. While we believe that our management team is well qualified to deal with issues that arise in regulatory matters, these factors may negatively impact our ability to collect receivables and derive a profit from a portfolio of receivables.

### **Limited Transferability and Illiquidity of Units**

Purchase of the Units should be considered a long-term investment. Transfer of the Units is subject to significant restrictions. The Units will not be registered under the Securities Act by reason of specific exemptions under the provisions of the Securities Act, which depend in part upon the agreement of the Investors not to transfer their Units except under certain circumstances. Sales or other transfers of the Units may be made only in compliance with the Securities Act, applicable state securities laws and transfer is subject to certain limitations set forth in the Limited Liability Company Agreement. The Units will be “restricted securities” under Rule 144 promulgated under the Securities Act, and AC AUTOPAY will not make information available of such scope and content that the public sale provisions of Rule 144 (even if a trading market existed) would be available. See ACAP’s current Private Placement Memorandum for additional details.

Because of these restrictions and the absence of a public market for the Units, a Member may be unable to liquidate the investment even though one’s personal financial circumstances would dictate such liquidation. Moreover, the Limited Liability Company Agreement prohibits the transfer of a Member’s interest without the consent of our Manager, which may be withheld for any reason. The Units will not be readily acceptable as collateral for loans. Accordingly, Investors should be prepared to hold their Units for an extended period of time. A subscription for Units should therefore be considered only by persons financially able to maintain their investment for an extended period of time and who can afford a loss on the investment.

### **Duties of the Manager**

The Manager will devote only such time and effort to the business of the Series as it determines is necessary. The Manager is charged with the management of a number of other series. Although the Manager believes it has adequate staffing to attend to management of each of the series it is responsible for, the Manager may have conflicts of interest in allocating its time and resources between the business of this Series and that of other series or activities in which it may be involved. The Manager will ordinarily acquire a substantial portion of the receivables for a series shortly after the series has been funded, but it is possible that the Manager may be required to purchase receivables for two or more Series at about the same time. There is no rule or procedure that restricts the Manager’s discretion to determine which receivables being purchased are to be allocated to this Series. Accordingly, receivables allocated to this Series could underperform receivables allocated to other series. The Manager and its affiliates are not prohibited from engaging in activities that are competitive with this Series. See ACAP’s current Private Placement Memorandum for additional details.

### **Limitation on Participation in Management**

The Members will have no right to participate in the management of the Series or otherwise to participate in making decisions that may materially affect the value of their investment other than those described in the Limited Liability Company Agreement. See ACAP’s current Private Placement Memorandum for additional details.

## **Disciplinary Information**

There are no legal or disciplinary events to disclose at this time.

## **Other Financial Industry Activities and Affiliations**

### **Registered Broker Dealer**

The following persons are registered with FINRA as registered representatives:

- Jeffrey Thomas Hutcheson
  - Series 7, 63, 66, and 24
- Curtis Seth Meyer
  - Series 7

### **Advisor and Broker Dealer Relationship**

There is no formal or informal relationship between the activities of ACIG and Affiliated Funding Corp., Inc.

### **Sub-Advisors/ Managers for AC AUTOPAY**

ACIG does not utilize, nor does it plan to utilize in the future, a sub-advisor or sub-manager.

## **Code of Ethics, Participation Interest in Client Transactions and Personal Trading**

### **Code of Ethics and Professional Conduct**

#### **Code of Ethics**

Associated persons of the Company shall:

- Observe high standards of honesty, integrity, and fairness;
- Act in an ethical manner and with reasonable care and diligence in dealings with the public, clients, prospective clients, members, and other associated persons; and
- Continually strive to maintain and improve self-competence.

#### **Professional Conduct**

#### ***Required Knowledge and Compliance***

Associated Persons shall:

- Maintain knowledge of and comply with all policies and rules of the Company;
- Comply with applicable laws, rules, and regulations of FINRA Regulation and of any governmental agency, licensing agency, or professional association governing their professional activities;
- Not knowingly participate in or assist any violation of such laws, rules, or regulations.



***Fair Dealing with Clients and Prospects***

When making investment recommendations, disseminating material changes in prior investment advice, and when taking investment action, associated persons shall act in a manner consistent with their obligation to deal fairly with all clients and prospective clients.

***Independence and Objectivity***

Associated persons shall use reasonable care and judgment to achieve and maintain independence and objectivity in making investment recommendations or taking investment actions.

***Fiduciary Duties***

In relationships with clients, associated persons shall use reasonable care in determining their applicable fiduciary duty and shall comply with such duty as to those persons and interests to whom the duty is owed.

***Prohibition against Misrepresentation***

Associated persons shall not make any statements, orally or in writing, which misrepresent:

- The services that they or the Company are capable of performing for clients;
- Their qualifications or those of the Company;
- Their academic or professional credentials;
- The investment performance that they or the Company has accomplished or can reasonably be expected to achieve.

Although associated persons may discuss the expected performances of any investment with clients or prospective clients, they shall not make, orally or in writing, explicitly or implicitly, any assurances or guarantees regarding the return of any investment except to communicate accurate information regarding the terms of the investment instrument and the issuer's obligations under the instrument.

In communicating, directly or indirectly, individual or firm performance information, associated persons shall make every reasonable effort to assure that such performance information is a fair, accurate and a complete presentation of such performance.

***Disclosure of Conflicts***

Associated persons shall disclose to their clients and prospective clients all matters, including beneficial ownership of securities or other investments that reasonably could be expected to impair their ability to make unbiased and objective recommendations.

***Prohibition against Use of Material Non-public Information***

Associated persons shall not trade while in possession of, nor communicate, material non-public information. If associated persons acquire material non-public information because of a special or confidential relationship, they shall not communicate the information or take investment action based on such information.

If associated persons are not in a special or confidential relationship, they shall not communicate or act on material non-public information if they know, or should have known, that the information was misappropriated or that disclosure would result in a breach of a duty.

***Prohibition against Plagiarism***

Associated persons shall not copy or use material that has been prepared by another without acknowledging and identifying the name of the author, publisher or source of such material.

***Responsibilities of Supervisors***

Associated persons with supervisory responsibility shall exercise reasonable supervision over those subject to their supervision, to prevent any violation of the Company policies or rules and statutes, regulations, or provisions of FINRA Regulation or any governmental agency. In so doing, they are entitled to rely upon reasonable procedures established to detect and prevent violations as long as they have no reasonable basis for believing that these procedures are not followed.

**Interest in Client Transactions**

ACIG does not acquire assets from or provide financing for supervised personnel or any related person.

**Manager's Investment in Series of AC AUTOPAY**

ACIG will invest in Units of the Series of ACAP. A conflict of interest does not occur in this case due to the fact that the classes of Units receive distributions on a pari passu basis (one class of subscription is not senior to another).

**Liquidation of Units**

The Units of the Series of ACAP are self-liquidating and cash is distributed on a pari passu basis. Therefore, the timing of liquidation is the same for all investors within a Series of ACAP.

**Brokerage Practices**

The business of AC AUTOPAY does not require the use of broker-dealers.

**Review of Accounts**

It is not the practice of ACIG to review client accounts or their financial plans.

## **Client Referrals and Other Compensation**

### **Receipt of Third Party Compensation**

ACIG does not receive an economic benefit or compensation from third parties for providing investment advice to our clients.

### **Payment of Finder Fees**

ACIG will enter arrangements whereby non-ACIG-supervised persons may receive compensation for referring clients. The compensation is paid by ACIG (rather than the client or the Series in which the client has invested). The finder fee is based on the amount of investment that is made and maintained throughout all Series. The fee generally equates to 0.50% and 1.0% per annum and is paid quarterly.

## **Custody**

ACIG does maintain custody of client funds or securities.

## **Investment Discretion**

ACIG does not accept discretionary authority to manage securities accounts on behalf of clients.

## **Voting Client Securities**

ACIG does not accept authority to vote client securities.

## **Financial Information**

ACIG does not require prepayment of fees from its clients and does not accept discretionary authority or custody of client funds or securities.