

## **Disclosure Brochure**

**March 21, 2019**

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This brochure provides information about the qualifications and business practices of Axcent Private Capital, LLC (hereinafter “Axcent”). If you have any questions about the contents of this brochure, please contact us at (303) 391-6000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Axcent is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Axcent is an SEC registered investment adviser. Registration does not imply any level of skill or training.

**Item 2. Material Changes**

Since our annual update Brochure of March 30, 2018, we have implemented the following material changes:

BR Ventures no longer has a 5% profit interest in Natural Products (“NP”). References to this profit interest and the conflicts of interest it posed were removed in various sections throughout the Brochure.

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#### **Item 4. Advisory Business**

Axcent Private Capital, LLC (Axcent”) was formed in October of 2016 to provide discretionary investment advice to private investment vehicles (“Fund Clients”). Each Fund Client is typically formed to invest in a single private fund investment or in fund investments of a similar style or strategy (“Fund Investment”). Axcent is owned and controlled by Brian Rorick and Michael Beermann. Our Chief Compliance Officer is Andrew Armstrong.

Mr. Rorick and Mr. Beermann are principals and financial advisors with Axcent’s advisory affiliate Aveo Capital Partners, LLC (“ACP”), a SEC registered investment adviser based in Greenwood Village, Colorado. As an affiliate of ACP, Mr. Rorick and Mr. Beermann formed Axcent so that their respective investment advisory clients, who are each accredited investors, qualified clients, and/or qualified purchasers, will have opportunities to collectively invest in private investments at substantially lower individual investment minimums. Axcent also provides a degree of due diligence and investment monitoring with respect to the Fund Investments.

All investors who choose to invest in a Fund Client do so on a non-discretionary basis and are required to execute a subscription agreement to purchase an interest in a Fund Client such as the Axcent Litigation Finance Fund, LP described below. Each Fund Client will have separate offering documents which include a private placement memorandum (“PPM”) and agreement of limited partnership (or operating agreement, “LPA”) and subscription agreement.

Axcent will have discretionary authority to make Fund Investments. Each Fund Investment will have its own offering documents and we will provide copies of each Fund Investment PPM and LPA to investors. Investors are strongly encouraged to review both Fund Client and Investment Fund PPMs which contain detailed descriptions of each investment’s strategy and risk associated with investing in such.

Axcent’s current Fund Clients include the Axcent Litigation Finance Fund, LP, which was organized to invest substantially all its assets in Longford Capital Fund II, LP, a Delaware limited partnership formed on March 28, 2016 (the “Longford Fund”). BRHT Management, LLC, a Colorado limited liability company formed on October 31, 2016, serves as the general partner (the “General Partner”) of the Axcent Litigation Finance Fund, LP. Longford Investment Group II, LLC (the “Fund GP”) serves as the general partner of the Longford Fund. We encourage all investors to carefully review the private placement memorandum of the Longford Fund prior to investing in the Axcent Litigation Finance Fund, LP.

Another of Axcent’s Fund clients is the Axcent Greenhouse Fund I, LLC (“Greenhouse Fund”). GH Fund I Management, LLC is the manager of the Greenhouse Fund and is also owned by Mr. Rorick and Mr. Beermann. The Greenhouse Fund will invest substantially all of its assets into seven different private loans issued by Natural Produce, LLC and/or its affiliated entities (“NP”) which will comprise the Greenhouse Fund assets. Loans made by the Greenhouse Fund to NP will be used to retire

existing debt and/or provide working capital to fund the construction of six new greenhouses. The greenhouses will significantly expand NP's operations allowing it to further capitalize on the growing local all-natural and organic produce market. Existing greenhouses are, and the new greenhouses will be, located on the Rock family property, a 300-acre farm near Brighton, CO, subject to available water.

Axcent is currently evaluation additional Client Fund opportunities. As of December 31, 2018, Axcent had \$12,300,704 in regulatory assets under management in two accounts.

THE INVESTMENTS IN ANY FUND CLIENT OR FUND INVESTMENT ARE SUITABLE ONLY FOR SOPHISTICATED INVESTORS FOR WHICH AN INVESTMENT IN SUCH DOES NOT CONSTITUTE A COMPLETE INVESTMENT PROGRAM AND THAT FULLY UNDERSTAND AND ARE WILLING TO ASSUME THE RISKS INVOLVED IN THE FUND CLIENT OR FUND INVESTMENT'S SPECIALIZED INVESTMENT PROGRAM. INVESTMENT IN A FUND CLIENT OR FUND INVESTMENT ENTAILS SIGNIFICANT INVESTMENT AND OTHER RISKS, INCLUDING POSSIBLE ADVERSE TAX EFFECTS. PLEASE REFER TO "CERTAIN RISK FACTORS," "POTENTIAL CONFLICTS OF INTEREST" AND "FEDERAL TAX MATTERS" SET FORTH IN THE FUND CLIENT AND EACH FUND INVESTMENT'S PPM. INVESTORS SHOULD INVEST ONLY IF THEY HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS AND LACK OF LIQUIDITY THAT ARE CHARACTERISTIC OF INVESTMENTS SUCH AS THE INVESTMENT. THE INTRESTS IN EACH FUND CLIENT OR FUND INVESTMENT ARE SUBJECT TO INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF THE AMOUNT INVESTED.

## **Item 5. Fees and Compensation**

### **Management Fees**

GH Fund I Management, LLC receives a management fee (the "Management Fee") equal to 1.5% of the Greenhouse Fund's aggregate unreturned Capital Contributions. The Management Fee is calculated, prorated, and paid at the end of each calendar month regardless of the Greenhouse Fund's performance or whether there will be any cash available for distribution to the Members after payment of the Management Fee. For purposes of compliance with SEC rules and regulations, Management fees are deemed received by Axcent as an advisory fee pursuant to an investment advisory agreement.

The Axcent Litigation Finance Fund, LP does not charge a Management Fee. As such certain expenses are charged directly to the Axcent Litigation Finance Fund, LP, including compliance services which are provided through Dinsmore Compliance Services, LLC. All fees charged for CCO and compliance consulting services will be paid by the Axcent Litigation Finance Fund, LP pro-rata to LPs. We feel this is reasonable since Axcent does not charge management fees to the Axcent Litigation Finance Fund, LP.

### Fund Expenses:

Each Client Fund will pay any and all expenses related to its own organization and operations (“Fund Expenses”). For example, Fund Expenses typically include: organizational expenses, Management Fees, accounting fees and audit expenses; administrative fees; tax preparation expenses and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the Fund; legal expenses (including, without limitation, the costs of on-going legal advice and services, blue sky filings, as well as extraordinary legal expenses, such as those related to litigation or regulatory investigations or proceedings); costs of printing and mailing reports and notices; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers and personnel of the General Partner/Manager, and all costs and expenses related to or incurred in connection with the General Partner’s compliance obligations under applicable federal and/or state securities and investment adviser laws arising out of its relationship to the Partnership; and other similar expenses related to the Partnership or Fund, as the General Partner/Manager determines in its sole discretion. *Please review each Client Fund’s Offering Documents for a complete discussion of Partnership/Fund fees and expenses.*

As a limited partner in the Longford Fund, the Axcent Litigation Fund will also be responsible for its pro rata share of the Longford Fund’s operating expenses, investment related expenses, organizational expenses, the management fee payable to the Fund GP and all other liabilities and reserve of the Longford Fund as further described in the Longford Fund’s PPM.

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

As set forth in Section 4.1 of the Axcent Litigation Fund’s LPA, the General Partner is entitled to a ten percent (10%) Carried Interest Distribution. Carried Interest Distributions are generally considered a “performance fee.” This means that Axcent (through the General Partner) shares in the income distributions of the Axcent Litigation Fund after applying the “distribution waterfall” set forth in the LPA. For example, when the Axcent Litigation Fund receives distributions from the Longford Fund, and applying any interest earned on cash or other investments (if any) the General Partner will generally pay fees and expenses of the Axcent Litigation Fund, then return capital contributions pro rata to Investors on all realized investments, then apply pro rata realized loss catch-up to Investors, then pay a ten percent (10%) preferred return to investors, and finally split the remaining available capital between Investors (90%) and the General Partner (10%).

The Greenhouse Fund does not have a Carried Interest Distribution or performance-based fee.

Each Fund Client will have a unique distribution waterfall. We do not engage in side-by-side investment management.

## **Item 7. Types of Clients**

Axcent provides discretionary investment advisory services to each Client Fund's general partner/manager of pooled investment vehicles operating as limited partnerships (or limited liability companies) exempt from registration as an investment company pursuant to Section 3(C)(1) or 3(c)(7) of the Investment Company Act. Client Fund investors are accredited investors, qualified clients, and/or qualified purchasers. Client Fund investors may also be knowledgeable employees of Axcent.

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

The Axcent Litigation Fund's will investment substantially all its assets in the Longford Fund. Through its investment in the Longford Fund, the primary objective of the Axcent Litigation Fund is to generate superior investment returns with little or no correlation to economic activity or the performance of traditional asset classes. The Longford Fund is a private investment company that has been organized to make investments involving high-value legal claims that the Fund GP believes have a strong likelihood of success.

The Longford Fund intends to primarily invest in business-to-business disputes (e.g., breach of contract, fraud, breach of fiduciary duty, partnership disputes, joint venture disputes), antitrust and trade regulation claims (e.g., competition claims, opt-out cases, anti-dumping actions, Section 337 claims), intellectual property claims (e.g., patent infringement, trademark infringement, copyright infringement, theft of trade secrets), insurance coverage disputes, qui tam/whistleblower actions and a variety of others. The Longford Fund will seek opportunities to invest in portfolios of cases possessed by companies or managed by leading law firms. Such claims could arise in the context of litigation in state and federal courts, in bankruptcy and liquidation proceedings, before domestic and international arbitration and regulatory panels and elsewhere. The Longford Fund will consider investments primarily in the United States and will also consider investments in Australia, New Zealand, the United Kingdom, other parts of Europe, and Asia. The Longford Fund will consider investments involving claims at all stages of the litigation process, including during the initial dispute or pre-filing phase; before, during and after the completion of discovery and dispositive motions; through the pre-trial and trial process; and during appeal. The Longford Fund will consider investments in a multitude of industries and market sectors in numerous jurisdictions.

The Axcent Litigation Fund does not intend to utilize leverage. The Longford Fund does intent to utilize leverage with the aggregate principal amount of borrowings by the Longford Fund for the purposes of leveraging the Longford Fund's investments (including any guarantees provided by the Longford Fund) will not exceed 50% of the Longford Fund's aggregate capital commitments (determined as of the time such borrowing is incurred).

The Greenhouse Fund's strategy is to, directly or through special purpose vehicles ("*SPVs*"), acquire private debt through seven private debt offerings issued by NP. Such debt will follow certain established guidelines:

- Each of the seven debt offerings will be utilized by NP for separate projects: the first offering of \$2,000,000 will be utilized to pay down NP's existing debt and/or provide NP with working capital (the "***First Debt Offering***"), and the remaining six offerings of \$980,000 will be used to fund and provide working capital for six separate Greenhouses, subject to sufficient Capital Commitments.
- Each debt offering shall be subject to a three (3) year pre-payment penalty provision that would require interest to be paid in full as if each debt offering were outstanding for the full 3-year term
- For each debt offering, all outstanding principal and interest shall be fully repaid by the end of the seventh year, starting from the time of the Initial Closing.
- All outstanding principal associated with each private debt offering would accrue monthly at an interest rate of 17% per year.
- Interest payments for each private debt offering would be due at the end of the twelfth (12<sup>th</sup>) month, starting from the first draw on each debt offering, and due every subsequent twelfth (12<sup>th</sup>) month until the debt offering is paid in full including outstanding interest and principal.
- The debt of the First Debt Offering will be fully secured, in first position lien status, by the assets and cash flow of NP. The debt of the remaining six offerings will be fully secured by the assets and cash flow of the respective Greenhouses, however any other lien holders of the other greenhouses will have priority over the Fund in the event of default of those greenhouses.
- The Fund will have complete access to the quarterly accounting records, quarterly reports, bank account statements and any other financial reports that may be generated for each entity receiving a Loan from the Fund through the debt offering, subject to the provisions found in the respective offering memoranda.

#### Certain Risk Factors and Conflicts of Interest

An investment in the any private fund, including Axcent Litigation Fund and the Greenhouse Fund (collectively "Private Funds") is highly speculative and involves a high degree of risk. An investment in the Private Funds is suitable only for sophisticated investors who fully understand and can bear the risks of an investment in the Private Funds. No guarantee or representation is made that the Private Funds will achieve its investment objective or that Limited Partners will receive a return of their capital. The following discusses certain risks and potential conflicts of interest. However, this list is not, and is not intended to be, an exhaustive list or a comprehensive description of the types of risks that any investor in the Partnership may encounter, and other risks and conflicts not discussed below may arise about the management and operation of the Private Funds.

A detailed and comprehensive discussion of risks related to an investment in any Axcent Private Fund is set forth in each respective fund's PPM and we strongly encourage Investors to review each PPM and ask questions.

For the Axcent Litigation Fund, specific risks include (among other risks):



- We will be investing substantially all Axcent Litigation Fund's assets in the Longford Fund, and the Longford Fund's goal of identifying and evaluating investment opportunities, monitoring such investments and realizing a significant return for you is difficult;
- The Longford Fund intends to employ up to 50% leverage to make its portfolio investments. Leverage increases risk of loss in any investment;
- We are a newly formed entity with no history of past performance in private investments. Our success is highly dependent on Mr. Rorick and Mr. Beermann as owners of the firm. There are also significant potential operational and cybersecurity risks associated with operating a private fund advisory and asset management company.
- We are also active in managing other entities, including ACP and our individual financial advisory practice. This may limit the time we can spend on Axcent and its management. Our CCO is outside CCO and legal counsel to multiple other advisory firms as well.
- Although we conduct due diligence on our Client Funds and their managers, we may not have the expertise or experience to fully mitigate manager or strategy risk. We do not have any direct control over the Fund GP. Limited Partners (you as investors) also have no management control over Axcent or Longford and are not represented by independent legal counsel.
- Investments in private funds are expected to be illiquid and involve a high degree of business and financial risk that could result in substantial losses, and you may not be able to withdraw your investment in a timely fashion.
- The service providers retained to provide services such as tax, audit, accounting, legal, compliance, and investment management may fail in their duties and create risk for the firm and Investors.
- There may be significant and unexpected tax consequences with respect to an investment in the Private Funds.
- Statements made regarding private investments often involve forward looking statements, projections and opinions. Actual results may vary significantly from such projections.
- We or our portfolio investments may fail to comply with applicable regulatory requirements, and regulation of private fund managers and funds is typically less rigorous than with other types of advisers.
- The General Partner and/or Fund GP may enter side letters which provide favorable treatment to certain limited partners.
- This above is not an exhaustive list of risks.

For the Greenhouse Fund, specific risks include (among other risks):

- While the Fund and NP have a common interest in the success of NP and the Greenhouses, a debtor to the Fund, presents a material conflict of interest of which all Investors should be aware. The Principals understand they have a duty to act in the best interest of the Greenhouse Fund and enforce the provision of any debt instruments to the fullest extent of the law, even if such are not in their own self interest.

- The Fund is lending substantially all of its capital to NP. This concentration of investment exposes the Fund to greater risk than would be the case if it spread its capital across a diverse set of assets.
- NP will issue the Loans to the Fund to fund its operations and/or build the Greenhouses, which are subject to the risk of default. At the time of their acquisition or thereafter, the Loans may be nonperforming for a wide variety of reasons. Such nonperforming Loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of such Loan, and/or the necessity of purchasing senior loans to protect the Fund's interest in its investment. The Loans may become uncollectible or subject to a reduced return due to any voluntary or involuntary bankruptcy, insolvency, or similar proceeding affecting NP.
- In certain circumstances, the Fund may lose priority of its liens to mechanic or materialmen's liens, by reason of NP's wrongful acts or the priority allowed to certain tax liens. It is possible that the total amount recovered by the Fund upon default may be less than the total amount of the Loans, with resultant losses to the Fund.
- The Fund may be required to rely totally on its interest in the Greenhouses for repayment of the Loans. The value of any Greenhouse may be affected by general or local economic conditions, neighborhood values, interest rates, value of NP's equity, or solidity of NP's personal guarantee, if any, and other factors which are beyond the Fund's or the Manager's control.
- There is no guarantee that the Fund will be able to recover any or all of the Loan amounts should NP default under any of the Loans. You should not invest in the Fund on the basis of the guaranty, security agreement, and cross-collateralization of the Loans alone. Other risks related to agriculture and the building and operation of greenhouses including availability of water, regulatory risk, construction risks and liabilities, etc.

For a complete discussion of our investment strategies and risks, we strongly encourage investors to review the Fund's Private Placement Memorandum. Currently, no side letters, providing favorable investment terms to certain Investors, have been executed by the General Partner or Manager, including with respect to affiliates of Axcent.

#### **Item 9. Disciplinary Information**

Axcent is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Axcent does not have any required disclosures to this Item.

#### **Item 10. Other Financial Industry Activities and Affiliations**

Mr. Rorick and Mr. Beermann are principals and financial advisors with Axcent's advisory affiliate Aveo Capital Partners, LLC ("ACP"), an SEC registered investment adviser based in Greenwood Village, Colorado. Through ACP, Mr. Rorick and Mr. Beermann formed Axcent so that their respective investment advisory clients, who are each accredited investors, qualified clients, and/or qualified

purchasers, will have opportunities to collectively invest in private investments at substantially lower individual investment minimums. ACP is in turn affiliated and under common control with Blue Sky Asset Management, LLC (“BSAM”), an SEC registered investment adviser based in Greenwood Village, Colorado. Mr. Rorick and Mr. Beermann have ownership interests in ACP, but do not have an ownership interest in BSAM.

BRHT Management, LLC, a Colorado limited liability company formed on October 31, 2016, serves as the general partner (the “General Partner”) of the Axcent Litigation Finance Fund, LP. BRHT Management, LLC is owned by Mr. Rorick, Mr. Beermann and RIA Holdings, LLC (which is owned by Sean Henderson and Michael Thompson.) Mr. Henderson and Mr. Thompson are also owners and financial advisors of ACP.

GF Fund Management I, LLC, a Colorado limited liability company formed on May 22, 2017, serves as the manager (the “Manager”) of the Axcent Greenhouse Fund I, LLC (“Greenhouse Fund”). GF Fund Management I, LLC is owned by Mr. Rorick and Mr. Beermann. This conflict of interest is mitigated by GH Fund I Management, LLC’s obligation to act in the best interest of Greenhouse Fund investors, and fully enforce the loan terms.

Mr. Rorick, Mr. Beermann, Mr. Henderson and Mr. Thompson are each registered representatives of Stephen A. Kohn and Associates, Ltd. (“Kohn”), a FINRA Member Broker Dealer. Kohn is not affiliated with Axcent or ACP/BSAM. None of our advisory affiliates listed above earn sales commissions for an investors investment in a Client Fund. Mr. Rorick, Mr. Beermann, Mr. Henderson and Mr. Thompson are also insurance agents with Aveo Group, LLC, an affiliated insurance company through which the advisory affiliates offer insurance products to advisory clients.

#### **Item 11. Code of Ethics and Principal Interest in Client Transactions**

Axcent and persons associated with Axcent (“Associated Persons”) are permitted to invest in Client Funds or directly in any limited offering or other security owned by a Client Fund. Since Axcent does not invest in or purchase publicly offered securities, there is very little risk regarding the monitoring of publicly traded securities owned and traded by Associated Persons. Any such investments must be approved by the CCO.

Axcent has adopted a code of ethics that sets forth the standards of conduct expected of its Associated Persons and requires compliance with applicable securities laws (“Code of Ethics”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Axcent or any of its Associated Persons. The Code of Ethics also requires that certain of Axcent’s personnel (called “Access Persons”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. We also have provisions in our Code of Ethics to monitor conflicts of interest such as gifts and entertainment

monitoring and approvals, prohibitions on insider trading, and monitoring of political contributions. Clients, investors and prospective investors may contact Axcent to request a copy of its *Code of Ethics*.

Principals of Axcent the general partners or managers may also invest alongside Investors as an investor in a Client Fund. Although such Principals may do so on favorable terms as set forth in an executed side letter with the General Partner or Manager, neither the General Partner or Manager currently have provided favorable investment terms to such Principals who pay the same management and performance fees as other Investors.

Axcent expects to manage multiple Funds in the future, but we anticipate that the investments in which each Fund invests will be dissimilar and will not compete. Axcent believes that any investment of Axcent and their affiliates in a Fund, as well as the principals' interest in the carried interest or performance fee of such Fund, operate to align, to a significant degree, the interests of Axcent with the interests of a Fund's Limited Partners or Members. However, we recognize that this alignment is limited to some degree because the principals have, or expect to have, similar economic interests in any future Funds, including the right to receive management fees and carried interest or performance fees relating to such interests. The Funds, and any other investments that the principals may control, may compete with one another or the investments acquired by a Fund.

Axcent and its affiliates may be entitled to receive consulting, advisory, underwriting, syndication and other similar fees in connection with the purchase, monitoring or disposition of investments in respect of investments of the Funds or related services.

The existence of the right of a General Partner or Manager to receive carried interest or performance fees in respect of investments of a Fund may create an incentive for such General Partner or Manager to make riskier or more speculative investments on behalf of such Fund than would be the case in the absence of this arrangement or to allocate an investment to a Fund that Axcent believes has a better potential to generate carried interest for a General Partner or Manager. We do not allocate investments based on our perceived ability to earn carried interest or performance fees, and we believe that any commitment of capital to a Fund by a General Partner or Manager and its affiliates generally mitigates the incentive to make riskier or more speculative investments. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property as determined by the General Partner or Manager in accordance with procedures set forth in the Partnership Agreement or Operating Agreement. An independent appraisal generally will not be required and is not expected to be obtained. In certain limited circumstances, the amount of carried interest will be calculated based on the fair market value of in-kind distributions, even though a n Investor may have elected to receive a distribution of cash in lieu thereof.

## **Item 12. Brokerage Practices**

Axcent and the General Partners specialize in managing portfolios of private pooled investment vehicles. Axcent's investment advice is limited to advising on such types of investments. As such, Axcent does not have traditional brokerage relationships with broker/dealers who execute trades of publicly available securities.

Axcent has relationships with qualified custodians such as Schwab Institutional and TD Ameritrade to hold custody of Investor's interest in the Client Funds. Such custodians may charge a custodian fee for this service and are required to send periodic statements to each client with a custodial agreement.

## **Item 13. Review of Accounts**

Axcent currently acts as investment adviser to the Client Funds. Axcent and the General Partners or Managers continuously monitor all Client Fund investments for adherence to each respective Client Funds' investment objectives, policy and restrictions.

## **Item 14. Client Referrals and Other Compensation**

Axcent does not accept client referrals since the only clients of Axcent are the Client Funds. Axcent does not pay finders to solicit investments in the Client Funds.

As principals and/or financial advisors of ACP, Mr. Rorick, Mr. Beermann, Mr. Henderson, Mr. Thompson. ("ACP Advisors") receive additional compensation as financial advisors/investment adviser representatives of ACP. To the extent a financial advisory client of the ACP Advisors invests in a Client Fund, such clients will not be charged investment advisory fees by ACP for the amount of capital invested in such Client Fund.

Mr. Rorick, Mr. Beermann, Mr. Henderson and Mr. Thompson are each a registered representative of Stephen A. Kohn and Associates, Ltd. ("Kohn"), a FINRA Member Broker Dealer. As registered representatives of Kohn, they receive sales commissions for the sale of securities products unrelated to Axcent. Partnership interests in Client Funds are not offered through Kohn and there are no commission or fees paid to any advisory affiliate of Axcent through Kohn.

Mr. Rorick, Mr. Beermann, Mr. Henderson and Mr. Thompson may own an interest in additional general partner entities formed for managing additional Client Funds and will receive their respective share of management fees and/or carried interest distributions related to their ownership interest in such entities.

**Item 15. Custody**

Axcent is deemed to have custody of Client Fund assets and securities. Each Client Fund will engage an independent national CPA firm to audit the Fund and complete audited financial statements within 120 days of fiscal year-end (or 180 days to the extent the fund qualifies as a fund of funds). Copies of the audited financial statement reports are sent to each Client Fund Investor.

All investments in the Client Funds are privately offered securities. As such, Axcent is not required to hold limited partnership interests or securities with a qualified custodian or generate an internal control report. Axcent does not employ a gatekeeper to monitor Client Fund distributions. Such distributions are managed by the Client Fund's unaffiliated administrator.

Axcent has relationships with qualified custodians such as Schwab Institutional and TD Ameritrade to hold custody of Investors' interest in the Client Funds. Such custodians may charge a custodian fee for this service and are required to send periodic statements to each client with a custodial agreement. Not all Client Fund Investors hold their interest at a custodian.

**Item 16. Investment Discretion**

Axcent has discretionary authority to trade securities or investments held by the Client Funds through its affiliated General Partner of each respective Client Fund. The General Partner or Manager of each respective Client Fund will execute the Investment Advisory Agreement delegating discretionary investment advisory authority to Axcent. Limited Partners or Members of each Client Fund (Investors) make their respective investment on a non-discretionary basis by executing a subscription agreement.

**Item 17. Voting Client Securities**

Axcent does not vote client securities, because the securities in which the Client Funds invest are privately held debt securities.

**Item 18. Financial Information**

Axcent does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Axcent is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Axcent has no disclosures pursuant to this Item.