

## **Form ADV Part 2A: Firm Brochure**

Delta Capital Partners Management LLC  
353 N Clark Street, Suite 1700  
Chicago, Illinois 60654  
(312) 414-0859  
[www.deltacph.com](http://www.deltacph.com)

March 29, 2024

This brochure provides information about the qualifications and business practices of Delta Capital Partners Management LLC (“Delta”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Drew Kelly, at (312) 414-0859.

Delta is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Delta is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

This Item of the brochure will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. Delta filed its most recent annual update to this brochure on March 17, 2023. No material changes have been made since that filing.

## Item 3: Table of Contents

Item 2: Material Changes .....	2
Item 3: Table of Contents .....	2
Item 4: Advisory Business.....	2
Item 5: Fees and Compensation .....	3
Item 6: Performance Based Fees and Side-by-Side Management.....	5
Item 7: Types of Clients .....	5
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9: Disciplinary Information.....	12
Item 10: Other Financial Industry Activities and Affiliations.....	13
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading....	13
Item 12: Brokerage Practices.....	13
Item 13: Review of Accounts .....	15
Item 14: Client Referrals and Other Compensation .....	15
Item 15: Custody .....	15
Item 16: Investment Discretion .....	16
Item 17: Voting Client Securities .....	16
Item 18: Financial Information.....	16

## Item 4: Advisory Business

Delta is an investment management firm organized as a limited liability company under the laws of the State of Delaware and has been in business since 2019. The direct principal beneficial owners of Delta are Thor Capital Partners LLC, which is in turn owned by Christopher DeLise, Bluto Investment Manager Splitter LP, and Cornell Partners Limited, which is in turn owned by Peter Cornell.

Delta serves as an investment manager and provides discretionary advisory services to various private investment funds (“Funds”), that primarily make commercial litigation finance investments.

Investment advice is provided directly to the Funds and not individually to any of their respective investors (“Investors”). Delta invests the assets of each Fund in accordance with the terms of their governing documents (the “Governing Fund Documents”). All material terms are generally established at the time of the formation of a Fund. Delta does not tailor its advisory services to the individual needs of any Fund’s Investors and such Investors may not impose investment restrictions on the Funds. However, for one current Fund, its Investor is required to elect to participate in each

contemplated investment that Delta identifies. This arrangement is discussed in greater detail in Item 12 below.

As of December 31, 2023, Delta managed \$85 million in regulatory assets under management on a discretionary basis.

## **Item 5: Fees and Compensation**

The Governing Fund Documents set forth in detail each Fund's fee structure. Delta receives compensation from a combination of management fees and carried interest allocations - the latter of which is typically paid to an affiliate serving as general partner to the Fund in question. A Fund may enter into separate agreements, commonly referred to as "side letters", or other similar agreements, with a particular Investor, which could establish rights under or supplement the terms of the applicable Governing Fund Documents in a manner that grants the Investor more favorable terms with respect to management fees and/or carried interest allocations.

Management fees are typically paid quarterly in advance directly by each Investor, either by way of drawdowns from unfunded capital commitments or by deductions from distributable capital. Carried interest allocations are made at such time that a Fund makes a distribution that permits the allocation in question.

In addition to management fees and carried interest, Funds will pay, or reimburse Delta and/or the applicable general partner, the following expenses:

- Legal and other expenses: incurred in connection with the planning, formation, organization, documentation, funding, marketing and start-up of a Fund and its general partner; and in connection with the subscription by Investors for Fund interests (including, without limitation, fund-raising, communication, marketing, travel (including, without limitation, transportation, accommodation and meal expenses), printing, legal, administrative and filing fees and expenses and accounting fees and expenses), but not including any placement fees.
- Any taxes, fees, duties or other governmental charges or costs imposed on a Fund and any fees and expenses for the preparation and filing of any governmental or regulatory reports relating to a Fund or any investment or proposed investment.
- Commitment fees and other fees and expenses incurred in connection therewith and principal and interest payable under, any indebtedness, credit facility or other credit arrangement of a Fund, any investment, or any alternative investment vehicle (to the extent not reimbursed by any third party or alternative investment vehicle).
- Accounting fees, third party fees, fees and expenses of consultants, advisors, third party administrators and custodians, attorneys' fees and any expenses related to any of the foregoing.
- Due diligence fees and expenses, financing fees and expenses and all other costs and expenses related to the identification, evaluation, acquisition, holding, monitoring, valuation and disposition of investments (whether or not the transaction is consummated) (including out-of-pocket travel expenses, broken deal fees and expenses, legal and accounting

expenses, consulting expenses and any banking, brokerage, registration, qualification, finders' and similar fees or commissions).

- All out-of-pocket fees and expenses incurred by a Fund, its general partner, or any other person or affiliate in connection with any conference or meeting of Investors and any Fund advisory committee (including services, food, lodging, transportation and entertainment provided at or in connection with any such meetings).
- Premiums and fees, costs and expenses associated with D&O/GPL liability or other insurance coverage.
- Any expenses associated with compliance with applicable laws, rules and regulations regarding registered investment advisers incurred by Delta and its respective affiliates.
- The costs and expenses of any litigation, audit, examination, investigation, indemnification or governmental proceeding involving a Fund or any Fund investment or proposed Fund investment and the amount of any judgments, settlements, indemnification or other amounts paid in connection therewith.
- Any expenses associated with a Fund's reporting, financial statements, tax returns, tax forms (including, without limitation, Schedule K-1s) and tax and financial reporting, as well as fees, costs and expenses incurred in connection with any communications or inquiries with Investors (including with respect to reporting, capital calls and distributions), compliance with side letters or the amendment or supplement of any documentation relating to a Fund and Investors.
- Fees, costs and expenses incurred in connection with dissolving, liquidating, winding-up and terminating a Fund.
- Any expenses associated with compliance with applicable laws, rules and regulations by a Fund or in respect of a Fund's investments.
- Any expenses associated with the operation and actions of a Fund's advisory committee.
- Expenses incurred in connection with the establishment of any alternative investment vehicle (to the extent not reimbursed by such alternative investment vehicle).
- Operations specialist costs (as further explained below) to the extent not otherwise paid or reimbursed by a third party.

In addition to management fees and carried interest, Delta, a Fund general partner, and their personnel or affiliates may also receive various fees from the claimant of a litigation finance investment (or other third party), in connection with the purchase, monitoring, support and resolution of such investments ("Corporate Service Fees"). If received, such Corporate Service Fees (but not associated expenses) will typically be offset against applicable management fees to the extent they exceed any cap specified in the applicable Governing Fund Documents.

In addition to compensation payable by Delta, certain Delta personnel may also receive additional remuneration from a Fund, the claimant of a litigation finance investment or an alternative investment vehicle for providing operations specialist services, to the extent that Delta selects such personnel to provide such services in lieu of a third party. Operations specialist services include: assisting with the sourcing, structuring, closing, monitoring and disposition of investments; establishing best practices; identifying and remediating claim management issues; serving as a consultant to a claimant and/or its legal counsel; or otherwise applying a particular area of expertise

to an investment. Unless otherwise approved by an applicable Fund's advisory committee, all operations specialist costs will be treated as Corporate Service Fees.

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

As described above, Delta or its affiliates receive performance-based compensation in the form of carried interest allocations, which calculation is based on the profits generated from the realization or disposition of Fund assets. The fact that a portion of Delta's compensation is directly computed on the basis of profits generated by the realization or disposition of Fund assets may create an incentive for Delta to make investments on behalf of a Fund that are riskier or more speculative than would be the case in the absence of such compensation. Further, to the extent Funds differ in their calculation of carried interest it may create an incentive for Delta to favor one Fund over another.

Delta will manage each Fund within the parameters of each Fund's Governing Fund Documents and has also adopted policies to address the allocation of investments (as discussed in more detail in Item 12 below).

## **Item 7: Types of Clients**

Delta provides management and advisory services only to those Funds that it establishes.

The minimum commitment for an Investor in a Fund is outlined in the Governing Fund Documents of the Fund in question.

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

Delta Capital primarily makes commercial litigation finance investments, including: financing individual litigation and arbitration proceedings; purchasing claims and judgments; providing portfolio facilities to professional services firms; providing asset recovery financing; and funding collateral recovery and related litigation.

The following is a discussion of certain risks involved in carrying out Delta's investment strategies and does not represent a full accounting of all risk factors for its Funds. Investors should review the applicable Governing Fund Documents to understand the principal risks and potential conflicts of interest associated with an investment in a given Fund. An investment in any Fund involves a high degree of risk of loss.

- No Assurance of Investment Return. A Fund's investment portfolio will focus primarily, but not exclusively, on providing non-recourse financing to fund commercial litigation or arbitration proceedings; enforcement of judgments and awards; and recovery of assets and loan collateral, as well as to provide more creative funding solutions involving legal claims,

judgments and awards, such as purchasing or lending against claims, judgments and awards, and providing portfolio facilities to leading professional service firms. Further, unlike traditional financing where performance is driven by the borrower's payment of interest and repayment of principal, a Fund's financing arrangements will be dependent, in many cases to a significant degree, upon the borrower's (or the borrower's client's) recovery on the underlying claim.

Therefore, operating results in a specified period will be difficult to predict. While investments in such types of financings offer the opportunity for capital appreciation, and the possibility for outsized returns when compared to more traditional financing models, such investments also involve a high degree of business and financial risk. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. There is no assurance that a Fund will be able to invest its capital with attractive terms or generate returns for its Investors. The past investment performance of Delta is not necessarily indicative of a Fund's future results. While Delta intends for each Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted return will be achieved.

- Ethical, Legal, Regulatory, Governmental, and Related Restrictions. There are legal and professional ethics reasons why there have been limited investment opportunities in the area of claims purchase or litigation financing in the U.S., and elsewhere, in the past. These include prohibitions on purchasing claims from plaintiffs (known as maintenance, and a form of maintenance, called champerty), restrictions on assignment of certain kinds of claims, and ethical restrictions on participating in a lawyer's contingent fee interests (including ethical rules against sharing fees with lawyers and non-lawyers). The various laws and professional regulations addressing litigation financing generally, including, without limitation, prohibitions against champerty, maintenance, and barratry at the state level and regulations with respect to legal ethics, are complex and subject to constant change and uncertainty. A number of states in the U.S. and other jurisdictions will not, for legal and professional ethics reasons, permit a Fund to make investments in litigation and arbitration cases either directly or indirectly and accordingly a Fund will not be able to make such investments in these jurisdictions, thereby limiting the number of potential investments it can make.

In addition to such limitations, additional limitations, requirements, or restrictions may be placed on litigation financing arrangements, whether by statute, regulation, court (including district or circuit) rule, or by other means. For example, and without limitation, legislation has been proposed in the U.S. Congress that could require disclosure of litigation financing arrangements or relationships in certain types of legal actions in the U.S. federal courts, and similar or more expansive legislation, regulation, or rules (including legislation, regulation, or rules requiring more detailed disclosure of the parties in interest to a litigation financing arrangement in any case), could be approved or adopted in the future.

Delta intends to analyze the aforementioned issues as appropriate on an on-going basis and intends to seek outside legal counsel in order to evaluate and monitor these issues. However,

in many jurisdictions, the relevant issues may not have been considered by the courts or addressed directly by statute and/or may be subject to change, so obtaining definitive legal advice may not be possible. Where possible and in its discretion, Delta may obtain legal opinions in those jurisdictions where it wishes to make investments, the expense of which will be borne by a Fund. In many jurisdictions investment in and syndication of rights to the proceeds of legal claims is a novel concept that has not been considered by the courts nor addressed by statute. In certain jurisdictions, such as California, while no binding court decisions specifically disapprove of the practice, a court may still decline to enforce such arrangements if, for example, there is an indication that a non-party to a claim is in any way controlling the prosecution of that lawsuit, or if it appears that a non-lawyer is unlawfully engaged in the practice of law, or if the arrangement otherwise offends the public policy of the jurisdiction.

For each of its investments, a Fund intends to rely on lawyers which it believes have suitable expertise to provide correct and accurate interpretation of the laws and ethics of the relevant jurisdiction as they apply to the investment in question. However, in the event that such interpretations are incorrect or subject to qualifications a Fund's investments could be open to challenge or subsequently reduced in value or extinguished.

Changes in regulations, laws or ethical, court or other rules in jurisdictions where these restrictions currently do not apply could further reduce or limit opportunities for a Fund to make investments as envisaged or could result in the diminution or extinction of the value of investments already made by a Fund in such jurisdictions.

- A Fund's Business Model Depends Upon Referral Relationships. A Fund's investment strategy means that it will rely on Delta's networking ability to maintain active contacts and communications with legal professionals, other professionals and business and financial parties in order to provide it with investment opportunities. If Delta fails to maintain relationships and contacts with key legal professionals and others, or Delta fails to establish strong referral relationships with other sources of investment opportunities, a Fund may not be able to achieve its investment objectives. The relationships and contacts of Delta are not obliged to provide a Fund with investment opportunities and therefore there is no assurance that such relationships and contacts will lead to the origination of opportunities and potential investments.
- Perceptions of Lawyers and Advisors. The participation of licensed lawyers involved in investments contemplated by Delta is fundamental to implementation of the investment strategy of a Fund. Although Delta will, before making an investment, likely obtain a reasoned, written legal opinion from an independent appropriately qualified lawyer to the effect that (with customary exceptions) the proposed investment will not give rise to professional ethical restriction on "fee splitting" between lawyers and non-lawyers (or "fee sharing" between lawyers) or a violation of other legal prohibitions (such as champerty or maintenance), a number of professional ethics rules and legal restrictions are conceptual in nature and their application is difficult to predict. There is therefore no certainty that a court of law or a professional legal ethics regulator authority in the U.S. or its equivalent in jurisdictions outside of the U.S. will agree with the opinions of Delta or its external experts

if the issue is challenged. If such lawyers perceive either that the contemplated transactions are not legal or ethical under applicable laws or professional ethics rules, whether correctly or not, or that there is a risk that defendants, regulators or lawyers may challenge or raise defenses based on the existence of a Fund's investment, there may be a diminished market for some of the investment transactions proposed by Delta.

- Valuation of Claims. The valuation of any investment involves inherent uncertainty. The value of an investment determined in accordance with Delta's valuation policy may differ materially from the value that could have been realized for a variety of reasons, including the timing and the illiquid nature of the investments. Uncertainties as to the valuation of investments could have an impact on the financial reports and net asset value of a Fund if the judgment of Delta regarding the appropriate valuation should prove to be incorrect.

In making valuation determinations, Delta may be deemed subject to a conflict of interest as the valuation of such assets and liabilities may affect its compensation.

- Claim Selection. A Fund's ability to provide returns to Investors and achieve its investment objective is substantially dependent on whether or not the claims in which a Fund becomes involved with will be successful or will pay the returns targeted by Delta or pay those returns in the anticipated time. Assessing the values, strengths and weaknesses of a claim is complex and the outcome is not certain, including the legal liability of the defendant, the amount of damages assessed by the trier of fact, the ability of the defendant and the defendant's insurance company to pay a settlement or judgment, the abilities of the plaintiff's counsel, the assessment of fault and causation, the legal nature of the claim and the amount of monetary damages ultimately awarded. It is also possible that a claimant may abandon or otherwise compromise its claims. Such an event may prevent a Fund from realizing expected returns or cause a Fund to sustain a complete loss. The uncertainties of litigation may result in a judgment for amounts less than anticipated, a settlement for amounts lower than predicted, or failure to reach a settlement. Such unfavorable outcomes could reduce the profitability of a Fund's investments and ultimately cause losses. Should cases, claims, defenses, or disputes in which a Fund invests prove to be unsuccessful or produce returns below those expected by Delta, the value of any investments in a Fund could be materially adversely affected.
- Evaluation and Disclosure of Claims and Claim Performance. Details of claims that a Fund has or is pursuing or intends to pursue, typically cannot and will not be disclosed on a named or detailed basis to Investors because of confidentiality and other restrictions including professional codes of ethics. In particular, any sharing with the Investors of confidential information protected by attorney-client privilege or by attorney work-product doctrine could waive all protection of that information. Such waiver could severely damage the value of the underlying claim by giving the opponent access to sensitive information. Any agreement to share with Investors any information and evidence related to the case could preclude the plaintiff from entering into confidentiality agreements with co-plaintiffs in the same matter. Such sharing could also make discovery from the adverse party problematical as most discovery is covered by court-issued protective orders that ensure the confidentiality of all parties. A breach of a protective order could subject a party to serious sanctions that



would impact the value of the underlying claim. To this extent, Investors will therefore not have an opportunity to evaluate for themselves such claims and therefore Investors will be dependent upon the judgment and ability of Delta and the Managing Principals in investing and managing the assets of a Fund.

- Recovery Collection Risks. Part of the case selection process for investment involves an assessment by Delta of the ability of the defendant to pay a judgment or award if the case is successful. If the defendant is unable to pay or the plaintiff or defendant seeks to challenge the validity of the judgment or award on legal or professional ethics grounds, a Fund may encounter difficulties in recovery.

A Fund is exposed to credit risk in various investment structures. In general, a Fund assumes the risk of nonperformance by the counterparty to its agreement, and the credit risk and default risk of the ultimate payor. Upon becoming contractually entitled to proceeds, depending on the structure of the particular investment, a Fund could be a creditor of, or otherwise subject to credit risk from, a claimant, a defendant, both, or other parties. Moreover, a Fund may be indirectly subject to credit risk to the extent a defendant does not pay a claimant immediately, notwithstanding successful adjudication of a claim in the claimant's favor. If a counterparty or ultimate payor defaults on its obligation to pay any contractual amounts, including, without limitation, by virtue of the bankruptcy or insolvency of such counterparty or ultimate payor, a Fund could suffer losses of some or all of its investment. Part of the case selection process for investment involves an assessment by a Fund of the ability of a defendant to pay a judgment or award if the case is successful. If the defendant is unable to pay or the claimant or defendant challenges the judgment or award, a Fund may encounter difficulties in recovery. A Fund may lack recourse against the counterparties or ultimate payors of cash flows, and no certainty can be provided that a bankruptcy or other court process will afford a Fund the ability to recoup any of its investment or potential investment return. Further, given the nature of litigation recoveries, a Fund cannot control the ultimate timing and amount recovered, and Delta may not be able to predict the timing and/or amount of any payments.

- Terminated or Rejected Settlements. Some investments will pertain to litigation in which a settlement agreement or some form of agreement in principle between parties exists. However, in some circumstances, these settlements, whether finalized or under a memorandum of understanding, will require court approval or procedural steps beyond a Fund's control. If parties to an agreement or agreement in principle, or the relevant jurisdictional authorities, terminate or reject a settlement, a Fund could suffer losses in its investments.
- Reliance on Lawyers. A Fund is particularly reliant on lawyers to litigate claims and defenses with due skill and care. If they are not able to do this, or do not do this for other reasons, it is likely to have a material adverse effect on the value of a Fund's investment. While Delta will analyze and evaluate the experience and track records of the lawyers involved in any investment (who may or may not be selected by a Fund), there is no guarantee that the outcome of a case will be in line with the lawyers' assessment of the case or in line with the expected skill and care from the lawyers.

In the case of direct investments, Delta and a Fund will often have limited or no rights to control or influence the management, prosecution or settlement of a case. In the case of indirect investments through law firms, neither a Fund nor Delta will have any rights to control the prosecution, disposition or settlement of the particular case. This is because such control could be seen to interfere with the attorney-client relationship between the plaintiff and the litigating attorney and may result in a court voiding a Fund's investment for reasons of public policy, or may result in a determination that a Fund's investment is unenforceable against the plaintiff.

- Maintenance of License to Practice Law. For certain types of investment transactions to law firms, one or more of the senior managers of Delta or Investment Manager (or in the case of other law firms, one or more of the partners of those firms) may need to maintain a license to practice law in either the jurisdiction in which the case is being heard or another jurisdiction. There is a risk that, if the senior managers of Delta (or all partners in a law firm with which Delta has a loan relationship) lose or do not maintain their licenses to practice law or such senior managers (or such other law firm partners) do not have a license to practice law in the relevant jurisdiction where a potential investment arises, certain investment opportunities may not be pursued, or certain existing investments may need to be liquidated, perhaps at a loss.
- Professional Negligence of Law Firms. Delta intends to require law firms with which a Fund enters into funding relationships to be required to maintain professional negligence insurance of a minimum standard. However, such insurance typically will not cover liability for acts or omissions that do not constitute professional negligence under the terms of the applicable policy. Moreover, if the advice given by a law firm in connection with a co-counsel investment is found to be negligent, such insurance coverage might not be sufficient to cover the relevant firm's loss. This may adversely affect the law firm's ability to continue its respective operations, including its active participation in existing investments or co-counsel arrangements. As a result, professional negligence insurance will not protect a Fund's investments from all such contingencies, and certain investments by a Fund may need to be liquidated, perhaps at a loss.
- Realization on Collateral in the Event of Default. Transaction documents between a Fund and a law firm may not provide further recourse to the law firm or its partners beyond the value of the limited collateral provided under those documents, if any, and there is not expected be recourse against the partners or owners of other law firms who borrow money from a Fund under similar arrangements. In the event of a default under such documents, the termination of such investment for other reasons, the death or incapacitation of the senior management of Delta, or the loss of their licenses to practice law, there may be professional ethical, legal and other limitations on the ability of a Fund to realize the security provided to a Fund under the collateral documents. As a consequence, in such circumstances a Fund may not be able to recover all or any part of its investments with any such law firms (as the case may be).

- Legal Professional Duties. Where a Fund participates in a claim but does not wholly own or control it, a Fund will not be the client of the law firm representing the owner of the claim. Accordingly, that law firm may be required to act in accordance with its client's wishes rather than those of a Fund or may be subject to an overriding duty to the courts.
- Liability for Costs or Damages. In the event that an investment is made in a claim pending in a jurisdiction with a "loser pays system" (such as the UK), a Fund could be liable for the defendant's cost and fees in the relevant case if a Fund owns the claim. Even though Delta is likely to seek to purchase insurance against this event, there can be no assurance that such insurance will be available on a commercially acceptable basis, or at all, or if purchased, will be adequate to cover costs assessed, which could result in a loss to a Fund. In the United States, costs are sometimes awarded against a loser in litigation; therefore, similar losses based on adverse costs awards could also result from investments there. There are also laws in the United States and elsewhere that create liability for plaintiffs who are determined by a court to have brought litigation that is frivolous or groundless. Although Delta intends to avoid investments in frivolous or groundless cases, a Fund could be subject to losses if such a claim were determined by a court of competent jurisdiction to have been brought or supported by Delta.
- Enforceability of Investment Contract Provisions. The contracts which Delta proposes to use to document investments in claims will be tailored to meet requirements and legal restrictions of the jurisdictions in which the claims are purchased and/or in which the claims are pending. However, Delta intends to include standard clauses in those contracts wherever possible. For example, Delta intends to subject disputes between a U.S. claimant and a Fund under most or all investment documents to binding arbitration under the laws of New York or Illinois and in forums such as AAA or ICSID; provided, however, that there is no guarantee that any particular agreement will ultimately contain such provisions after negotiation, particularly including (but not limited to) agreements with non-U.S. claims and/or claimants. Delta's investment documents will be drafted and reviewed by qualified lawyers, but it is not possible to guarantee that their terms will be given the meaning and effect intended by Delta if subject to a dispute before a court of competent jurisdiction or a relevant tribunal.

In particular, a court (including that of a relevant U.S. state in which an investment is made) may decline to enforce the arbitration clauses for a variety of reasons and such a court or any relevant arbitration tribunal may, in certain circumstances, in fact determine that it is appropriate to apply the laws of a jurisdiction (including that of the relevant U.S. state in which the investment is being made) other than those provided for in the documentation. In addition, where an award is rendered by any court or relevant arbitration tribunal under the terms of the investment documents, the courts of any jurisdiction in which enforcement of that award or judgment is attempted may decline to enforce it for a number of reasons including, for example, public policy concerns.

If a court were to ignore or invalidate a material provision of Delta's investment documents, such as the mandatory arbitration provisions, or were to refuse to enforce an award or judgment rendered pursuant to those provisions, a Fund may not be able to recover its

investment or may incur unanticipated cost in recovering its investment and a share of returns from the claim. This could have a material adverse effect on a Fund's net asset value and its profitability.

- The Competition Among Private Investment Partnerships and Litigation Financing Investments is Significant. The private investment fund industry generally, and the litigation financing industry specifically, employ a variety of investment strategies and techniques, some of which are very risky, and are extremely competitive. The market for litigation financing investment opportunities is quickly becoming more competitive. The activity of identifying, completing, and realizing attractive litigation financing investments is competitive, and involves a high degree of uncertainty. A Fund will be competing for investments with other investment partnerships and debt investors, as well as companies, individuals, financial institutions, and other institutional investors and credit vehicles. Other firms and institutions are seeking to capitalize on the perceived opportunities with vehicles, partnerships and other products that are expected to compete with a Fund for investments. Additional partnerships with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that a Fund will be able to locate, complete, and exit litigation financing investments that satisfy a Fund's objectives or that it will be able to fully invest all capital commitments.
- Fraud by Claimholders May Negatively Affect the Valuation of Fund Investments. Instances of fraud and other deceptive practices committed by holders of claims in which a Fund invests may undermine Delta's due diligence efforts with respect to such claims, and if such fraud is discovered, negatively affect the valuation of a Fund's investments.
- Fund Investments May Be Based on Uncertain Projections. Delta may determine the suitability of investments based in part on the basis of estimates of the likelihood of successfully obtaining a judgment or settlement of a claim, the size of any such judgment or settlement and the expected cost of financing a claim. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or investor's evaluation of the adviser or the integrity of the adviser's management.

No Delta management person has been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

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

Delta is affiliated with the Funds that it organizes and sponsors and the general partners to such Funds. Further, it is currently contemplated that Delta will organize and sponsor subsequent Funds in the future. Delta does not believe that these affiliations create a material conflict of interest with Funds or Investors. However, please see Item 12 below for a description of how Delta allocates investment opportunities among existing Funds and how it plans to allocate investment opportunities should it serve as investment adviser to subsequent Funds.

In addition to subsequent Funds, Delta may form co-investment vehicles to invest alongside existing Funds in certain investments. With respect to certain co-investments, and to the extent agreed upon by co-investors, Delta or an affiliate may earn management fees and carried interest allocations that will not reduce the compensation paid to Delta by the co-investing Funds. Please see Item 12 below for a description of how Delta will allocate any co-investment opportunities that may arise.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Delta has adopted a written Code of Ethics (the “Code”) that is applicable to all employees and their business activities within and outside of Delta. Among other things, the Code requires Delta and its employees to act in each Funds’ best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on certain types of personal securities transactions. A copy of Delta’s Code is available upon request.

Delta and certain employees or affiliates (collectively “Related Persons”) will generally have an investment in the Funds. As a result, Related Persons will participate in Fund transactions. Please see Item 12 below for a description of how Delta allocates investment opportunities among its Funds.

## **Item 12: Brokerage Practices**

Delta primarily makes commercial litigation finance investments which do not require the use of brokerage. Certain Governing Fund Documents do permit the purchase of publicly traded securities as a hedge against litigation finance investments, but to date, no such investments have been made. However, Delta may and has agreed to pay fees to certain intermediaries that refer specific investments to Delta. Such fees are agreed on a case by case basis and will either be paid at deal closings, and/or if a fee is contingent upon the success of the investment, out of the realized proceeds of such a successful investment. Delta determines the reasonableness of such fees in the course of negotiating them.

Delta currently manages assets for three Funds. Two of these Funds, Delta Capital Partners Fund I (Cayman) LP, and Delta Capital Partners Fund I (U.S.) LP (collectively “Partners Fund I”) pursue

the same investment strategy and invest on a pari passu basis. The third Fund, Delta JV I LLC, (“Delta JV”), has a similar investment mandate to Partners Fund I, but only invested alongside Partners Fund I, to the extent and in the amount that Delta JV’s Investor elected to do so. Delta JV is no longer making new investments.

Both Partners Fund I and Delta JV are closed-end funds with finite investment periods and/or capacity. Although it is currently contemplated that Delta will launch successors to Partners Fund I and Delta JV, Delta does not intend to begin investing the assets of such successor Funds, until it has finished making investments for the applicable predecessor Funds. In the event that a successor to Delta JV is established at a time when Delta is still actively investing for Partners Fund I (or vice versa), Delta will determine a fair and reasonable method for allocating investments between the actively investing Funds at the applicable time.

As discussed in Item 10 above, Delta may from time-to-time encounter co-investment opportunities. This will typically be the case if the size of an investment opportunity would cause the investment to exceed concentration limits specified in the relevant Partners Fund I (or successor thereof) Governing Fund Documents. Should this be the case, Delta will offer such co-investment opportunities at its discretion, considering, among other things, the proposed co-investor’s ability to execute and fund a transaction quickly, strategic benefits that may arise from being associated with a co-investor, value that such co-investor or its representatives may add to the investment, the amount of capital that such co-investor has or may commit to the funds and whether the co-investor has expressed an interest in co-investments.

Each participating Fund or co-investor will typically pay its proportionate share of the total transaction costs and other transaction or investment specific expenses and pay or receive its proportionate share of the total cost or investment proceeds. Please see Item 5 above for a description of such expenses.

In general, neither Delta JV, any successor thereof, nor co-investors will bear expenses that Partners Fund I, or any successor thereof may bear, unless such expenses are attributable to an investment (or investment vehicle) in which Delta JV, any successor or such co-investors have invested. Further, expenses associated with investigation and due diligence of potential investment opportunities that are ultimately not made (i.e., “broken deal fees and expenses”) shall only be allocated to: any successor to Delta JV if incurred after and subject to the terms of its Investor’s election to participate; and any committed discretionary co-investment vehicle if the general partner of such co-investment vehicle has made a determination during its consideration of the proposed investment that, subject to such due diligence and the ultimate funding needs with respect to such investment, such co-investment vehicle will participate in such investment opportunity. In all cases, neither any successor to Delta JV’s nor a co-investment vehicle’s share of such broken deal fees and expenses shall exceed their proportionate share of such broken deal fees and expenses based on capital proposed to be invested in such investment.

## **Item 13: Review of Accounts**

All investments are carefully reviewed and approved by Delta's Investment Committee. The investments are reviewed on a regular basis and investment personnel meet periodically to discuss investment ideas, claim developments and other issues related to current portfolio holdings and potential investment opportunities.

Delta provides each Investor with the following reports in accordance with the terms of the applicable Governing Fund Documents: (i) audited annual financial statements; (ii) unaudited quarterly financial statements; (iii) annual tax information necessary to complete any applicable U.S. tax returns; and (iv) quarterly portfolio updates which address, new investments, summaries of material transactions or events, summaries of all capital contributions and distributions, and amounts of any non-offset operations specialist costs borne by the applicable Fund. Delta also holds annual meetings with Fund Investors.

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

Delta periodically engages third party placement agents to introduce prospective Investors to the Funds. The fees and expenses of a third-party placement agent may initially be paid by a Fund but will ultimately be borne by Delta or such Fund's general partner.

As previously noted, Delta, Fund general partners or their personnel and affiliates may receive various fees from the claimant of a litigation finance investment, alternative investment vehicle, or other third party, in connection with the purchase, monitoring, support and resolution of such investments and/or for providing operations specialist services. Please see Item 5 above for more information in this regard.

## **Item 15: Custody**

Delta has access to client funds since affiliates serve as general partners of its Funds. Investors will not receive statements from any custodians. Instead, the Funds are subject to an annual audit conducted in accordance with U.S. Generally Accepted Auditing Standards by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles and distributed within 90 days of the Fund's fiscal year end to each Fund Investor.

## **Item 16: Investment Discretion**

In accordance with the terms and conditions of the applicable Governing Fund Documents, Delta has discretionary authority to determine the investments and the amounts to be bought or sold on behalf of Partners Fund I and the investments to be sold on behalf of Delta JV.

## **Item 17: Voting Client Securities**

Although any proxies will be Fund assets, Delta's policy is to not vote such proxies on the basis that if it purchases a publicly traded security for a Fund, it will only ever be for hedging purposes. Thus, whether it votes the proxy or not will not be material to a Fund's best interests.

## **Item 18: Financial Information**

A balance sheet is not required to be provided as Delta (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients, and (iii) has not been subject to any bankruptcy proceeding during the past 10 years.