



Investment Adviser Brochure
Form ADV Part 2A
Disclosure statement for Clients of and Investors
in Funds Managed by Law Finance Group Inc.

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This brochure provides information about the qualifications and business practices of Law Finance Group Inc. If you have any questions about the contents of this brochure, please contact Law Finance Group Inc. at (212) 446-6767. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Law Finance Group Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov.

Registration as an investment adviser with the SEC does not imply a certain level of skill or training of Law Finance Group Inc. or its personnel.

ADV Item 2 - Material Changes

Item 4 has been amended to reflect discretionary assets under management of approximately \$251,852,618 as of December 31, 2017.

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ADV Item 4 - Advisory Business

Law Finance Group Inc. is a registered adviser with the U.S. Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940 (the “Advisers Act”) and is a Delaware corporation. For purposes of this brochure, the term “Law Finance Group”, “Law Finance”, “Firm”, and “LFG” mean Law Finance Group Inc. along with its affiliated general partners of the Funds (as defined below). The Firm’s investors are generally high-net-worth individuals, family offices, and private funds. Law Finance Group was founded by Alan Zimmerman in 1994.

Law Finance provides investment advisory services on behalf of investment vehicles, which may be structured as fund vehicles (collectively, the “Funds”) in accordance with the limited partnership agreement (or analogous organizational document) and/or contractual side letters with such Fund’s investors (collectively, “Governing Documents”). Investment restrictions for each Fund, if any, are generally established in the Governing Documents of the applicable Fund.

The Firm offers innovative funding solutions for plaintiffs and attorneys. LFG’s investment strategy consists of acquiring, managing, financing and disposing of interests in civil money judgements on appeal (“AppealFinance”), advances on receivables in civil litigation settlements and contracts (“SettlementFinance”), inheritance advances and loans (“EstateFinance”), and cross-collateralized combinations of these and other similar law related assets (“PortfolioFinance”). In addition, the Firm also participates in “Strategic Funding Opportunities”, which are contract or other legal rights and receivables relating to specialty, law related investments and finance opportunities.

Assets Under Management

As of December 31, 2017, LFG manages approximately \$251,852,618 of Fund assets, all of which is managed on a discretionary basis. Such amount is preliminary and unaudited.

ADV Item 5 - Fees and Compensation

As compensation for investment advisory services rendered to Funds, LFG typically receives a management fee (each, a “Management Fee”) for each such Fund. The precise amount of, and the manner and calculation of, the Management Fee may differ from one Fund to another, as set forth in such Fund’s Governing Documents received by each investor prior to investment. The Management Fee is typically calculated as a percentage of the total capital commitments of the investors during the investment period and thereafter as a percentage of unresolved investments.

Management Fees are payable monthly in advance, and are either called from investors, or withheld from distributions to investors.

The Firm is also entitled to a performance fee (“Carried Interest Distributions”) based on cumulative net profits from investments. Carried Interest Distributions, if applicable, are withheld from distributions to investors.

Other Fees of the Adviser and its Affiliates

In addition to the Management Fee and Carried Interest Distributions, certain Funds charge other additional fees as further described below (collectively, these other fees are referred to as “Additional Fees”).

Administrative Fee. The Firm receives, with respect to certain Funds, a provision of administrative fees which cover fees for the administration of the Funds.

Investor Premium. The Firm receives with respect to certain Funds a certain percentage of funds advanced to borrowers. In one particular Fund, the calculation of the Investor Premium excludes origination, due diligence and closing costs but, for the vast majority of the Funds, these costs are included for the purposes of calculating the Investor Premium.

Initial Fee. With respect to certain Funds, the Firm is entitled to receive a one-time, non-recoupable fee based on a percentage of the total amount advanced by an affiliate of the Firm to the lawyer or plaintiff relating to a law transaction.

Servicing Fee. The Firm receives, with respect to certain Funds, fees relating to the managing and servicing of each Fund’s transactions. The fees for such servicing are included in the Management Fee and the Initial Fee.

The Firm may charge additional fees with respect to a Fund and investors are strongly encouraged to refer to the respective Fund’s Governing Documents for details of such fee arrangements.

Expenses

To the extent provided in the Governing Documents of the Funds, LFG is responsible for paying certain ordinary overhead and administrative expenses, including salaries of its personnel, rent and equipment expenses. In addition to the Management Fees, and the Carried Interest Distributions, the following is a list of expenses typically borne by the Funds (and indirectly by the investors in the Funds). This list is not intended to be exhaustive; prospective investors are advised to review the applicable Governing Documents for a more extensive description of the expenses associated with an investment in a Fund.

- Legal, audit, accounting, fund administration fees;
- Expenses incurred with respect to distributions, communication and other clerical work relating to current investors in the Funds;
- Expenses of limited partner advisory committee meetings; and
- Any other expenses, including investment expenses, related to the business of the Funds.

Item 6 - Performance-Based Fees and Side-by-Side Management

The Firm is entitled to receive Carried Interest Distributions under certain circumstances, which are based on cumulative net profits from investments as specified in each Fund's Governing Documents.

The Carried Interest Distributions may create an incentive for the Firm to recommend to the Funds investments that are riskier or more speculative than those that would be made under a different fee arrangement. However, the Firm is committed to acting at all times in the best interests of the Funds. To this end, the Firm has implemented internal controls to address the potential conflicts associated with performance based fees, as more fully described in each Fund's Governing Documents.

ADV Item 7 - Types of Clients

The Firm currently provides investment advisory services to the Funds. Investment advice is provided directly to the Fund and not individually to investors in the Fund. The Fund's investors are limited to individuals and entities that meet certain suitability criteria including "accredited investors", "qualified clients" and "qualified purchasers".

The minimum requirement to make an investment in a Fund is generally \$250,000. LFG has the option to waive these minimum requirements in its sole discretion. LFG may in the future offer funds with a different minimum investment requirement.

ADV Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Analysis

Law Finance Group identifies and evaluates investments in which the Funds invest. The transaction processes for all related deals, developed over Law Finance Group's 20 year history, entails a disciplined and structured underwriting process which applies the Firm's experience in selecting opportunities, transaction structuring and pricing strategies and mitigating risks.

Methods of Analysis and Investment Strategies

The types of investments made by Law Finance Group involve a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in a Fund must be prepared to bear the risk of loss of the value of their investments. **Prior to making a commitment to invest in a Fund, prospective investors should carefully review the applicable Governing Document of such Fund and consult their own financial, legal and tax advisers.** There are material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds. Such risks include but are not limited to, the following:

No Operating History. Certain of the Funds offered by the Firm may be newly organized entities and have no operating history. Thus, investors cannot rely on past performance of other Funds offered by the Adviser.

Past Performance Not Indicative of Future Results. The past performance of the investments which the Firm's principals and/or investment professionals make is not necessarily indicative of future results. There can be no assurance that the Fund will generate investment returns commensurate with past performance.

Risk of Loss. An investment in the Funds will be highly speculative, and there can be no assurance that the Fund's investment objectives will be achieved. Investors must be prepared to bear the risk of a total loss of their investment. No assurances can be given that a strategy employed by the Funds will be successful.

Reliance on the Firm. Decisions with respect to the management of the Funds will be made by the Firm. The Firm will have the exclusive responsibility for the Funds' activities, and other than as expressly set forth in the Funds' Governing Documents, investors will not be able to make investment or other decisions in the management of the Funds. The success of the Funds will depend on the ability of the Firm to identify and consummate suitable investments and to dispose of investments for a profit. The loss of services of one or more of the Firm's investment professionals could have an adverse impact on a Fund's ability to realize its investment objectives. There can be no assurance that each of the Firm's investment professionals will continue to be affiliated with the Funds through their anticipated terms.

Reliance on Principals. The loss of any of the principals of the Firm would have a significant adverse impact on the business of the Funds and their financial performance. No assurances can be given that any principal will continue to be affiliated with the Funds throughout their term. Notwithstanding any prior experience that the principals may have in making investments of the type expected to be made by the Funds, any such experience necessarily was obtained under different market conditions and with different technologies at the forefront of development. There can be no assurance that the principals will be able to duplicate prior levels of success.

Investment Risk. All investments risk the loss of capital. No guarantee or representation is made that the Firm's investment program does not involve, without limitation, risks associated with limited diversification and concentration, investments in speculative assets, default risks, systems risks, and other risks inherent in the Firm's activities. Similarly, the Firm's investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally.

Nature of the Firm's Investments. An investment in the Funds requires a long-term commitment with no certainty of the magnitude or timing of returns, if any, during the term of such Fund. While the Firm intends to make investments that have anticipated returns commensurate with the risks undertaken, there can be no assurance that the targeted returns will be attained or cash flow projections will be met. Furthermore, permitted investments of the Funds are highly illiquid. Accordingly, there can be no assurance that any of the Funds will be able to realize value on its investments in a timely manner. Losses on unsuccessful investments may be realized before any gains on successful investments are realized.

Risks Associated with the Funds' Investments. To varying degrees, all transactions involve risks relating to adverse court rulings, the potential amendment or revision of settlement

documents including the downward adjustment of awarded damages, fees and costs, all of which present risk to investors of loss of capital. Such adverse results may or may not be caused by intervening changes in law while litigation is pending. In addition, all transactions not supported by a bond, sufficient estate proceeds, or a deep-pocketed defendant present risks of reduced or non-payment upon otherwise successful litigation. There also exists the risk of diversion of payment on otherwise successfully resolved litigation. Finally, a lawyer or plaintiff may become insolvent or dispute the amount owed, thereby causing delays, additional costs, and the risk of a reduced or zero recovery.

Availability of Investments. The identification of investments suitable for a Fund is difficult and involves significant uncertainty. There can be no guarantee that LFG will identify such investment opportunities or that committed capital will be fully invested. Even if such investments are identified, there can be no assurance that they will not decline in value considerably while held by the Funds.

Lack of Diversification. The Firm's investment strategy is focused on investing in a narrow category of assets. The aggregate return on the investments may be adversely affected by the unfavorable performance of a particular investment category and will be at a greater risk to overall changes in the economy than if the Firm's investments were less concentrated in a particular investment category.

Start-Up Period. A newly formed Fund will encounter a start-up period during which it will incur certain risks relating to the investment of its assets and may commence operations at an unfavorable time. Moreover, the start-up period also represents additional risks (i) because of lack of diversification as compared to a fully committed portfolio and (ii) the normal balance of positions may be temporarily disrupted. Furthermore, the Firm may employ different strategies for moving to a fully committed portfolio. These strategies will be based in part on market judgment. No assurance can be given that these strategies will be successful.

Illiquid and Long-Term Investments. Many investments of the Funds take several years from the date of the initial investment to reach a state of maturity when realization can be achieved. It is anticipated that there will not be a public market for any of the Firm's investments and none is expected to develop.

Cybersecurity Risks. The Firm's information and technology systems may be vulnerable to damage or interruption from computer viruses, ransomware, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although LFG has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, LFG may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in LFG's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Funds and investors. Such a failure has the potential to harm the Firm's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial

performance. Additionally, any failure of the Firm's information, technology or security systems could have an adverse impact on its ability to manage the Funds.

ADV Item 9 - Disciplinary Information

There have been no legal or disciplinary events to disclose within the last ten years that are material to an investor's or prospective investor's evaluation of LFG's advisory business or integrity of management.

ADV Item 10 - Other Financial Industry Activities and Affiliations

Neither the Firm, nor any of its affiliates or management personnel are registered, or have an application pending to register, as:

- a broker-dealer or a registered representative of a broker-dealer; or
- a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

As described in Item 4, the Firm sponsors and advises the Funds. Affiliated entities serve as general partners to the Funds. Conflicts of interest may arise from time to time in allocating time, services, or other resources among Funds, including the investment activities of the Funds. Investments identified by the Firm that are within the investment strategy and objectives of the Funds will be offered to those Funds. For additional information about the Funds, including their general partners, refer to our Form ADV, Part 1A, Schedule D, Section 7.B.(1) (Private Fund Reporting) available at: www.adviserinfo.sec.gov.

If any matter arises that the Firm determines in its good faith judgment constitutes an actual conflict of interest, the Firm will take such actions as it determines in good faith may be necessary or appropriate to ameliorate the conflict (and upon taking such actions the Firm will be relieved of any liability for such conflict to the fullest extent permitted by law and will be deemed to have satisfied applicable fiduciary duties related thereto to the fullest extent permitted by law). These actions include, by way of example and without limitation, (i) disclosing the conflict to the investors (including, without limitation, in drawdown notices, distribution notices, quarterly letters or other communications); (ii) implementing certain policies and procedures reasonably designed to ameliorate such conflict of interest; (iii) presenting a conflict of interest to the limited partner advisory committee, as expressly provided for in the respective Governing Documents; (iv) disposing of the investment or security giving rise to the conflict of interest; (v) appointing an independent fiduciary to act with respect to the matter giving rise to the conflict of interest; or (vi) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the respective limited partner advisory committee, regarding the conflict of interest and either obtaining a waiver or consent from the respective limited partner advisory committee of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the respective limited partner advisory committee, with respect to such conflict of interest. There can be no assurance that the Firm will identify or resolve all conflicts of interest in a manner that is favorable to each Fund. By acquiring an interest in a Fund, each investor will be deemed to

have acknowledged and consented to the existence or resolution of any such actual, apparent or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

ADV Item 11 - Code of Ethics, Participation or Interests in Client Transactions and Personal Trading

Pursuant to Rule 204A-1 under the Advisers Act, Law Finance Group adopted a Code of Ethics (referred to in this brochure as the “Code”). Law Finance Group has adopted institutional compliance policies and procedures consistent with the requirements of the Advisers Act. The Code is applicable to all Law Finance Group employees and governs each employee’s activities and conduct on behalf of Firm, as well as certain personal activities and conduct and conflicts of interest. As provided in the Code, the Firm’s employees are required to comply with applicable provisions of federal securities laws and make prompt reports of any actual or suspected violations of such laws and/or the Code by LFG and/or its employees. The Code is intended to ensure that LFG maintains the highest ethical standards in the conduct of the Firm’s business, to ensure that the interests of the Funds and the investors therein are always recognized, respected and given precedence over those of employees, and to ensure that LFG conducts business with integrity and in compliance with all applicable laws. The Code includes policies regarding conflicts of interest, confidential information, gifts and entertainment, political contributions and employee conduct.

In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading of LFG’s employees. The Code prohibits employees from engaging in personal trading in the securities of issuers on the Firm’s restricted list. The Chief Compliance Officer monitors personal trading of the Firm’s employees.

Copies of the Code are available to investors upon request.

Generally, except as permitted in the Funds’ Governing Documents, LFG does not participate in Fund transactions.

ADV Item 12 - Brokerage Practices

LFG has full discretion over the types of investments to be made by the Funds subject to each of the Funds’ Governing Documents. LFG generally does not make recommendations for investments by the Funds in public securities as most investments are in funding solutions for plaintiffs and attorneys. Accordingly, LFG does not frequently select or recommend broker-dealers for Fund transactions. In the rare instance that a broker-dealer is selected or recommended, LFG employs a due diligence process to ensure that any such transaction is executed in the best interest of the Fund taking into account certain factors such as a broker’s execution capability and trading expertise in addition to pricing. If, in the future, the Firm does utilize broker-dealers for transactions, this section will be updated accordingly.

ADV Item 13 - Review of Accounts

Monitoring of accounts. The investment portfolios of each Fund are generally private, illiquid and long-term in nature, and accordingly LFG’s review of them is not directed toward a short-term

decision to dispose of securities. However, the Firm closely monitors the portfolio investments of the Funds and generally maintains an ongoing oversight position in such portfolio investments.

Review triggers. LFG's investment professionals regularly supervise and monitor the activities of the Funds.

Reports to Clients. The Firm provides written reports on a periodic basis in accordance with the applicable Governing Documents and other written agreements with its investors. Such reports generally provide, typically on an annual basis, audited information with respect to portfolio holdings, performance and transactions. Additionally, investors generally receive, typically on a quarterly basis, written unaudited account performance reports.

ADV Item 14 - Client Referrals and Other Compensation

- **Third party compensation.** LFG does not receive economic benefits as a result of investment advice or advisory services provided by LFG to the Funds, other than from the Funds and their investors.
- **Compensation for Client referrals.** Neither LFG nor any of its related persons compensates any person who is not a supervised person for referrals to the Funds.

Additionally, in certain cases, the Firm compensates third parties for referrals made with respect to certain portfolio investments.

ADV Item 15 - Custody

With respect to the management of investments for the Funds, LFG or the general partners have, or may be deemed to have, custody of certain monies or securities of the Funds. Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), imposes specific conditions on LFG as a registered investment adviser with respect to those securities and other assets that fall under the purview of the Custody Rule and are held by the Funds. LFG adheres to the applicable requirements of the Custody Rule with respect to the Fund for which it or an affiliate serves as general partner. All Funds' securities and other assets that fall under the purview of the Custody Rule are held in the applicable Fund's name or by LFG or its affiliates as agent or trustee for the Funds with a qualified custodian, to the extent required by the Custody Rule. In addition, LFG delivers to all investors (or other beneficial owners) in each of the Funds an audited financial statement, with a written opinion of an independent public accountant, in accordance with generally accepted accounting principles, on an annual basis and within 120 days of each Fund's fiscal year end.

ADV Item 16 - Investment Discretion

LFG exclusively manages the business of the Funds and has discretionary investment authority to manage the making of new investments by the Funds and the management of the existing investments held by the Funds. Generally, this discretionary authority is provided for in each Fund's Governing Documents and is subject to the terms and limitations set forth therein. Please refer to Item 4 of this brochure for information regarding LFG's advisory business.

ADV Item 17 - Voting Client Securities

Item 17 is not applicable to LFG.

ADV Item 18 - Financial Information

LFG does not believe it has any financial condition that would impair its ability to meet contractual commitments to the Funds, and has not been the subject of a bankruptcy proceeding.