

Armadillo Litigation Funding LLC

Part 2A of Form ADV: Firm Brochure

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Armadillo Litigation Funding LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at (713) 861-7200. 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.

The Adviser is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

The Adviser's application to register as an investment adviser with the SEC was approved on October 30, 2020. Accordingly, pursuant to disclosure rules under the Advisers Act, this is the first annual amendment Brochure compiled by the Adviser to provide new and prospective advisory clients and investors with clearly written, meaningful, current disclosure of its business practices, conflicts of interest, and the background of its advisory personnel. All recipients of this Brochure are encouraged to read it carefully in its entirety.

Since the date of the last version of this Brochure (October 2, 2020), the Adviser accepted one separately-managed account client ("SMA Client"). This Brochure has been updated to reflect this change.

In the future, this section of the Brochure will identify, address, and discuss only the material changes since the last delivery or posting of this Brochure on the SEC's public disclosure website (IAPD) to assist and make clients and investors aware of certain information that has changed since the prior year's Brochure.

The Adviser will further provide clients and investors with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, the Brochure may be requested by contacting Jeff Manley, the Adviser's Chief Compliance Officer at (713) 861-7200.

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Item 4 - Advisory Business

- A. The Adviser, an investment advisory firm located in Houston, Texas, advises private funds on investing in the sphere of litigation finance. The Adviser was formed in 2020 and is a Delaware limited liability company. Nick Johnson is the sole principal owner of the Adviser.
- B. The Adviser provides investment advisory services only to the SMA Client and, prospectively, to pooled investment vehicles operating as private funds (the “Funds”) for sophisticated, qualified investors, including high net worth individuals, retirement plans, trusts, partnerships, corporations, or other businesses (each of the Funds and SMA Client, the “Client” and, collectively, the “Clients”). The governing documents of each Fund may also provide for the establishment of parallel, co-investment or other alternative investment vehicles in certain circumstances (each a “Co-Investment Vehicle”). Fund investors may participate in such vehicles for the purposes of certain investments, and if formed, such vehicles would also become Clients of the Adviser.

The Adviser’s principal investment objective is to seek a 14% - 16% net Client level return from income generated through the provision of direct and indirect financing to (i) U.S. and U.K. plaintiff law firms participating in mass tort, consumer, and commercial litigation and (ii) litigation funding organizations, primarily in the U.K., participating in commercial claims.

The Adviser may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights under, supplementing or altering a Client’s partnership agreement or an investor’s subscription agreement. Such rights or alterations could be regarding economic terms, fee structures, excuse rights, information rights, investment limitations, co-investment rights (including the provision of stated co-invest opportunities or priority allocation rights to, for example, limited partners who have capital commitments in excess of certain thresholds to one or more Clients), or transfer rights, among others. For the most part, any rights established, or any terms altered or supplemented will govern only the investment of the specific investor and not the terms of a Fund as whole. Certain such additional rights but not all rights, terms or conditions may be elected by certain sizeable investors with “most favored nations” rights pursuant to a Fund’s limited partnership agreement.

- C. While each of its Clients generally follows the strategy stated above, the Adviser may tailor the specific advisory services with respect to each Client based on the particular investment objectives and strategies described in the applicable Client’s confidential offering memorandum, if any, and governing documents, including Client’s operating agreement, or the investment management agreement (referred to collectively as “Governing Documents”).

All discussion of the Clients in this Brochure, including but not limited to their investments, the strategies used in managing the Clients, and conflicts of interest faced by the Adviser in connection with the management of the Clients are qualified in their entirety by reference to each Client’s respective Governing Documents.

- D. The Adviser does not participate in wrap fee programs.
- E. As of February 19, 2021, the Adviser manages \$0 in discretionary and \$113,000,000 non-discretionary assets.

Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser is compensated in connection with providing advisory services to its Clients. The Adviser may enter into different fee arrangements on a client-by-client basis. It is critical that all investors refer to the applicable Client's Governing Documents for a complete understanding of how the Adviser and its affiliates are compensated for advisory services. Except for rare circumstances described in the applicable partnership agreement of each Fund or in an investor's side letter, investors generally are not permitted to withdraw or redeem interests in the Funds. The information contained herein is a summary only and is qualified in its entirety by each applicable Client's Governing Documents.

Management Fee. The Adviser receives management fees (the "Management Fee") from the Clients. The SMA Client's management fee is 1.25% per annum of the invested capital amount that has not been yet realized. During a Fund's investment period, the Management Fee is typically 2% per annum of each investor's capital commitment. After a Fund's investment period, the Management Fee is typically 1.5% per annum of each investor's aggregate capital contributions invested in investments that have not yet been realized.

The Management Fee is payable by a Fund to the Adviser or its designee quarterly and in advance, as described in each Fund's respective Governing Documents. The Management Fee will be appropriately prorated for any period that is less than a full calendar quarter.

Carried Interest. Additionally, the general partner of a Fund, or other affiliate of the Adviser such as a special limited partner in case of the SMA Client, (the "General Partner") may be eligible to receive an incentive or performance allocation from the Client based on a percentage of investment proceeds on distributions (the "Carried Interest"). Distributions are split between Clients and the General Partner as set forth in the Client's Governing Documents.

The compensation described above is the Adviser's typical compensation. However, Management Fee and Carried Interest rates may be negotiable. The Adviser has the right to enter into agreements with one or more Fund investors to waive or modify certain terms of the offering of a Fund's interests, or certain rights and obligations of the Fund investors, including compensation, otherwise applicable to such interest(s), in each case without notice to the Fund's other investors.

With respect to Co-Investment Vehicles, any fees received by the Adviser are generally negotiated on a vehicle-by-vehicle basis, but may include commitment-based fees, performance-based fees or allocations, expense reimbursements or other administrative fees similar to those described below relating to the Funds. Any such management or administrative fees received by the Adviser relating to a Co-Investment Vehicle do not offset the management fees paid to the Adviser by the Funds.

Lower fees for comparable services may be available from other sources.

- B. The Adviser neither deducts fees from a Client's assets nor bills a Client directly. Management Fees are payable by the Clients to the Adviser and Carried Interest is distributed by the Clients to the General Partner, in each case on the terms provided for in the Clients' Governing Documents. The Management Fee may be paid from drawdowns from the investors, which will reduce unpaid capital commitments, or out of investment proceeds (which will be treated as if they were distributed to the investors and immediately recontributed by such investors for this purpose).

- C. Each investor will make a capital contribution for its *pro rata* share (based on aggregate capital commitments) of all costs, fees and expenses incurred in connection with organizing, establishing and qualifying a Fund and its General Partner and the marketing and offering of investor interests in such Fund (the “Organizational Expenses”). Each Fund will bear up to \$1.75 million of Organizational Expenses.

In addition, except as otherwise provided in the applicable Governing Documents and to the extent that the Adviser or the General Partner has not elected to pay such expense without an expectation of reimbursement (such expenses, the “GP Expenses”), each Fund will be responsible for all expenses related to the business and operation of such Fund (the “Fund Expenses”), which will generally include the following fees, costs and expenses relating to or arising from:

- Organizational Expenses;
- Management Fees;
- the out-of-pocket expenses incurred in connection with maintaining the existence of the Fund, including, without limitation, franchise taxes and partnership registration and registered agent fees and expenses, and all regulatory and compliance costs (including costs related to Form PF, compliance programs and third-party compliance consultants) of the Fund and its General Partner, including all fees, costs and expenses necessary to register or qualify the Fund or its General Partner (or their respective subsidiaries or affiliates) under any applicable laws, rules or regulations, or to maintain such registrations or qualifications, or to obtain or maintain exemptions thereunder;
- out-of-pocket fees, costs and expenses associated with monitoring compliance with the Fund’s partnership agreement, any side letter agreements (including the distribution and implementation of any applicable elections pursuant to “most-favored-nation” or similar clauses) and any other agreements related to the Fund;
- costs and expenses related to attendance at and/or sponsorship of industry conferences, industry organizations and sourcing events, marketing and advertisements, including, with limitation, marketing events at industry conferences, and asset management software and research and/or market database and/or industry subscriptions or publications and research services attributable to a specific investment (or potential investment);
- all legal, accounting, auditing, administrative, custodian, appraisal, consulting, banking, brokerage, service provider and other similar fees and expenses (including, without limitation, courier fees and expenses related to conference calls), costs, fees and expenses of any administrator of the Fund;
- professional fees (including fees and expenses of any consultants and experts) relating to investments, tax preparation expenses, trustee fees and expenses and expenses of other agents of the Fund;
- fees and out-of-pocket expenses of any service company retained to provide accounting and bookkeeping services to the Fund, prime brokerage expenses, quotation or valuation expenses (including fees and expenses of any third parties engaged to provide valuation services to the Fund) and fees charged by third-party middle- and back-office service providers;

- all taxes (including estimated taxes), duties, fees and other governmental charges levied against the Fund (other than any such taxes, fees or charges levied in respect of or otherwise in connection with any specific Partner(s) or allocated to some or all of the Partners pursuant to the partnership agreement although the Fund or any of its affiliates may pay such amounts pending such amounts being allocated to and/or borne by a Partner) and all related filing fees and tax consulting fees and expenses;
- fees and expense related to the preparation and delivery of Fund financial statements, tax returns, Schedule K-1s (or equivalent) and other tax-related documentation and any fees, costs and expenses incurred or paid with respect to the partnership representative or other designated individual or any person acting in a similar capacity under state, local or other law, and other tax-related documentation and reports and notices to the Fund's limited partners (the "Limited Partners" and, together with the General Partner, the "Partners");
- subject to apportionment among the Partners pursuant to the partnership agreement, all costs and expenses associated with any organization, maintenance and operation of any holding vehicle, alternative investment vehicle, blocker corporation, intermediate entity, alternative participation structure or any other entity or vehicle through or in which investments are made (other than any taxes and other similar expenses incurred by or allocable to a blocker corporation that are treated as blocker corporation expenses);
- travel costs and ancillary expenses (including, without limitation, airfare for business class, first class or the allocable cost for private travel ground transportation, lodging and accommodations, meals, travel agency fees and reasonable business-related entertainment expenses);
- investment expenses (e.g., expenses which the General Partner determines to be related to the investment of the assets of the Fund, whether or not consummated, including, among others, due diligence, collateral valuation services and/or redaction services fees of JLG (as defined below) or another law firm or valuation entity, research expenses, referral fees, origination fees, expenses relating to purchasing and operating risk analytical software for use by the Fund, fees or commissions of any futures commission merchant, brokerage commissions, expenses relating to short sales, expenses related to hedging, clearing and settlement charges, custodial fees and expenses, expenses relating to reorganizations, restructurings and workouts involving investments, costs and charges for equipment or services used in communicating information regarding the Fund's transactions between the General Partner and the Fund's custodian or other agents, bank service fees, interest expenses, borrowing costs and extraordinary expenses);
- fees and expenses of any service company retained to provide loan administration services to the Fund and all debt service obligations, including principal, interest, premium, if any, fees, expenses and other amounts payable in respect of indebtedness of the Fund, including, without limitation, any fees and expenses incurred as a result of the implementation (including negotiation and documentation), utilization and refinancing of any credit facility or other indebtedness;
- all fees, costs and expenses incurred in connection with prospective investments and other transactions that are not consummated, including, without limitation, all due diligence fees, costs and expenses, legal and accounting fees, costs and expenses, fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for such prospective investment or other transaction, deposits or draw-down

payments that are forfeited in connection therewith, and reverse break-up fees or termination fees, expense reimbursement amounts or other amounts payable to third-parties, related to such transaction, or other liabilities or obligations in respect of such unconsummated transactions or investment opportunities, and travel costs and ancillary expenses in connection therewith (including, without limitation, airfare (including business class airfare (or first class where business class is not available)), ground transportation, lodging and accommodations, meals and travel agency fees and reasonable business-related entertainment expenses);

- expenses of the Fund's advisory committee (the "Advisory Committee") incurred in accordance with the partnership agreement and holding meetings thereof, and all costs and expenses of any votes or consents of Partners or the Advisory Committee or any amendments to or waivers of the partnership agreement or any related agreement;
- all costs, fees and expenses of meetings of Limited Partners;
- all expenses incurred in connection with a purchase, sale, assignment, pledge or transfer of an interest or withdrawal or termination of a Limited Partner from the Fund (but only to the extent not payable by the applicable purchaser, Limited Partner, assignee, pledgee or transferee, as the case may be);
- all expenses incurred in the collection of amounts due to the Fund from any person or entity;
- fees, costs and expenses of D&O and/or E&O liability insurance, representation and warranty insurance, dissolution insurance, cyber security insurance, and/or other insurance;
- costs incurred in connection with any claim, litigation, arbitration, mediation, government investigation or dispute in connection with the business of the Fund and the amount of any judgment or settlement paid in connection therewith, or the enforcement of the Fund's rights against any person;
- costs and expenses for indemnification or contribution payable by the Fund to any person (including pursuant to the indemnification obligations described herein);
- all costs and expenses incurred in connection with the reorganization, dissolution, winding up or termination of the Fund; and
- all other costs and expenses of the Fund, the General Partner, the Adviser or any of their affiliates (other than GP Expenses) in connection with the partnership agreement.

The Organizational and Fund Expenses that are borne by each Fund are outlined in the applicable Governing Documents.

- D. The Adviser collects Management Fee quarterly and in advance. The Management Fee obligation of the Fund, and its investors, may only be terminated or modified as provided by the Fund's Governing Documents. The Management Fee is calculated on an annual basis and is pro-rated for

partial periods. In addition, Carried Interest allocations may be subject to clawback obligations as described in the applicable Governing Documents.

- E. Other than as described above, neither the Adviser nor any of its supervised persons receive any compensation from the sale of securities or other investment products.

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

As stated in Item 5 above, the General Partner is entitled to receive performance-based fees or allocations from the Clients, including carried interest allocation on investment proceeds. These payments, to the extent received, are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee-paying clients over other clients in the allocation of investment opportunities. The terms of the performance-based fees may also give the general partners or managers of the Clients an incentive to make decisions regarding the timing and structure of realization transactions that may not be in the best interests of investors.

To address these conflicts of interest, the Adviser has implemented policies and procedures to ensure that all Clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities. Additionally, the Adviser manages each Client in accordance with the investment strategy disclosed in such Client’s Governing Documents to help ensure that investors are aware of the investment strategy and the risks associated with the strategy.

Item 7 - Types of Clients

As described in Item 4, the Adviser provides investment advisory services to a separately managed account client and private funds that are exempt from registration under the Investment Company Act of 1940, as amended. The offering of interests to investors in the Funds are not registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any U.S. state or any other jurisdiction. The offering of the Funds’ interests is made to U.S. persons in accordance with Regulation D promulgated under the Securities Act by the SEC and to non-U.S. persons in accordance with Regulation S promulgated under the Securities Act by the SEC.

Generally, each Fund requires a minimum commitment of \$1 million, but such amount may be waived by the General Partner, subject to applicable legal requirements.

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

- A. The investment objective of the Adviser is to achieve a 14% - 16% net Client level return from income generated through the provision of direct and indirect financing to (i) U.S. and U.K. law firms participating primarily in mass tort, consumer, and commercial litigation, and (ii) litigation funding organizations and claims group, primarily in the U.K., participating in consumer and commercial claims. While the descriptions of the Funds' investment strategies and methods of analysis are relevant to the Co-Investment Vehicles, each Co-Investment Vehicle generally invests in one investment opportunity of the Funds and therefore lacks the potential benefit of diversification and will be particularly exposed to the legal and financial risks associated with that transaction, including the risk of loss.

The Clients will use the direct experience and extensive relationships of the Adviser to identify existing and nascent lending opportunities and foster and grow its extensive borrower relationships. The objective is to blend short term, lower risk opportunities with longer term higher return options to create favorable overall returns for the Clients. The Adviser's team has extensive experience in litigation finance as one of the largest participants in this arena. Loans to funding organizations will be secured by the funding organization's underlying loan portfolio. In addition to the team's prior experience with litigation finance investments in the U.S., certain team members also have direct experience with litigation finance and consumer and commercial legal cases in the U.K., both as a funder and as a firm practicing in the U.K. Furthermore, the team members' backgrounds include experience at leading law firms, and as investment banking and commercial banking professionals. The Adviser believes its team's experience provides the Clients with a significant competitive advantage in both subject matter expertise and sourcing quality lending opportunities which well positions the Adviser to exploit opportunities in these markets for the benefit of the Clients.

The Clients' loans to law firms will be secured by such firms' interests in contingency/conditional fees related to settlement awards from selected dockets (*i.e.*, a group of cases against one defendant or group of defendants) of mass tort, consumer or other similar litigation. In addition, the Clients may acquire existing loans from other originators, brokers, or funders. The Clients' law firm lending activities will primarily focus on mass tort or other similar consumer litigation in the following areas: (i) pharmaceutical, (ii) medical devices, and (iii) other product liability cases. The Clients may also directly or indirectly finance U.S. and U.K. firms pursuing personal injury, administrative and bad faith breach of contract claims (such as first party insurance claims), as well as claims related to idiosyncratic events (*i.e.*, hurricane, fire and oil spill claims) that involve common questions of fact across multiple claimants and may be eligible for centralization into multidistrict litigation. The Clients may also take advantage of certain opportunities in financing other types of commercial litigation, *qui tam* or class action cases and may enter into relationships with national or international firms to provide funding lines for portfolios of the aforementioned cases. In addition, the Clients may also make loans for marketing and case expenses to certain well-established firms with excellent track records. In this scenario, the Clients will be secured against current collateral but will also capture future collateral and case expenses, creating an expanding collateral pool. For these loans, the Clients may charge a multiple on committed or deployed capital to the borrower. The Adviser expects this will allow the Clients to achieve a favorable return on such investments while remaining compliant with applicable laws and regulations.

Law firms involved in mass tort, consumer, and commercial litigation often have significant capital requirements. A firm may incur substantial case-related expenses in advertising, filing fees,

medical records, medical reviews, experts, and other third-party expenses. Cases can take anywhere from a few months to several years to resolve. Because such law firms often accept cases on contingency/conditional fee (*i.e.*, the law firm receives legal fees paid solely from a final judgment or settlement), there is a demand by such firms for capital. In addition, more traditional law firms may also seek funding arrangements for practice segments in these areas. The competitive landscape in the legal lending industry is highly fragmented and composed of relatively few capital providers who have consistently been in the business for many years. The Adviser seeks to take advantage of the experience of its team members in mass tort litigation, commercial lending activities, capital markets, and in litigation finance to identify and close lending opportunities on attractive terms.

The Clients may also provide financing to organizations that purchase or service claims (including private contractual, commercial or administrative claims) at a discount. The Clients' financings may be structured as loans, debt securities, derivatives or such other instruments, as determined by the Adviser in its discretion. The Clients may invest in such other assets in connection with their investment program as the Adviser deems appropriate in its discretion, including for hedging purposes. The Clients may, in the Adviser's discretion, hold cash, cash equivalents, other short-term securities, or investments in money market funds pending investment, in order to fund expenses or other operational needs, or otherwise in the discretion of the Adviser. The Clients may exit an investment at such time and in such manner as is determined by the Adviser, including by holding a loan to maturity or selling an investment in the secondary market.

The Adviser expects interest rate and loan terms to vary from investment to investment based on a number of factors, including loan-to-value ratios, the estimated value of settled cases relative to the loan amount, market forces/competition and other borrower-specific considerations. The Adviser has authority to negotiate such terms as it deems appropriate in its discretion, including the ability to waive certain fees and/or penalties.

Investing in securities involves risk of loss that all Clients and their investors should be prepared to bear.

- B. *Clients and potential investors should be aware that investing in securities involves a high degree of risk. There can be no assurance that the Adviser's investment objectives will be achieved or that an investor will receive a return of its capital. In addition, there will be occasions when the Adviser and its affiliates may encounter potential conflicts of interest in connection with the Clients. The following discussion does not purport to be a complete enumeration or explanation of the risks applicable to the Clients. Clients and potential investors should read the applicable Governing Documents and should consult with their own legal, tax and financial advisors before deciding whether or not to invest.*

Investment Strategy Risk

It is expected that the Clients' investment strategy will result in highly concentrated and illiquid positions. An investment in a Fund or SMA Client is suitable only for an investor that can accept the risks associated therewith, does not need liquidity in its investment and can sustain the total loss of its investment in the Fund or SMA Client. There is no assurance that the Adviser will be able to locate suitable investment opportunities or achieve its investment objective. Investors must be willing to bear the economic risk of an investment in a Fund or SMA Client for an indefinite period of time. Any investor interested in an investment in a Fund or SMA Client should conduct its own investigation and analysis of the product and consult its own professional advisers as to the risks involved in making such an investment.

General Litigation Funding Risks

The risks of litigation debt finance include the potential regulation or limitation of interest rates and other fees advanced in exchange for the investments made by the Clients under applicable law or regulation, a change in statutory or case law which limits or restricts the ability of a Client as a creditor to collect principal and interest at anticipated levels, claimants being unsuccessful in whole or in part in the claims upon which underlie such investments, and the Adviser's continued ability to effectively analyze investments in accordance with applicable investment guidelines.

Concentration Risk

Subject to the investment limitations described herein, the Clients expect to make a limited number of investments, resulting in the risk that the aggregate returns realized by the Clients and Limited Partners may be substantially adversely affected by the unfavorable performance of, or a default in respect of, even one of such investments. On any given investment, loss of all or a portion of the investors' capital is possible. There is no assurance as to the degree of diversification in the Clients' investments. In addition, because a significant portion of investments will be loans made to plaintiff law firms and may be secured by mass tort claims, any changes to law, regulation, the legal environment, the economic environment, industry conditions or otherwise that have an adverse effect on plaintiff law firms or on all or certain mass tort or similar claims could have a material adverse effect on the Clients' entire portfolio.

Competitive Market

The activity of identifying, consummating and realizing investments utilizing the strategies of the Clients is highly competitive and involves a high degree of uncertainty. The Clients will be competing for investments with other established investors and lenders with substantial resources and experience. Many of the Clients' competitors are substantially larger and have more capital and other resources than the Clients. Some of the Clients' current and potential competitors may be able to leverage their existing resources to be able to offer potential borrowers more favorable terms than those offered by the Clients. It is possible that competition for investments may increase, thus reducing the number of investments available to the Clients and adversely affecting the terms upon which investments can be made. The Clients may incur significant expenses in connection with identifying investment opportunities and investigating other potential investments which are ultimately not consummated, including expenses relating to due diligence, transportation, legal expenses and the fees of other third-party advisers. There can be no assurance that the Clients will be able to locate or consummate investments that satisfy their investment objective and strategy, or that the Clients will be able to fully invest their capital.

Moreover, the Adviser in originating investment opportunities will depend in part upon referrals and the successful maintenance of active contacts and communications with legal professionals, other professionals and business and financial parties. If the Adviser fails to maintain, develop or grow its origination networks, the Clients may not be able to achieve their investment objectives. No individuals or entities are obliged to provide the Adviser with investment opportunities and therefore there is no assurance that such relationships and contacts will lead to the origination of investment opportunities.

Restrictions on Transfer and Withdrawal; Lack of Liquidity for Interests

The interests in the Funds have not been, nor will they be, registered or qualified for sale under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction; and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not contemplated that registration of the interests under the Securities Act or other securities laws will ever be effected. There is no public or private market for the interests, and none is expected to develop. In addition, the interests are not transferable and may not be sold, transferred, pledged, mortgaged, charged, assigned, hypothecated, or otherwise encumbered except with the prior written consent of the General Partner (which may be withheld by the General Partner in its discretion), and subject to the terms and conditions of the Partnership Agreement. Limited Partners may not withdraw capital from the Funds. Consequently, Limited Partners may not be able to liquidate their investments prior to the end of the Funds' terms.

Additionally, because there are restrictions on the transferability of the interests, and the interests may not be withdrawn at the option of the Limited Partners, a Limited Partner may be required to bear the economic risk of its investment for an indefinite period of time. There can be no assurances as to when the Funds will (or will be able to) make distributions to Limited Partners. Furthermore, the Funds may distribute securities or other economic interests (which may themselves have limited liquidity) rather than cash to Limited Partners.

Lack of Operating History and Experience; Prior Investment Performance Not Indicative of Future Results

The Funds consist of newly formed entities. Therefore, the Funds have no operating history upon which prospective investors may evaluate their performance or upon which an investor can base its prediction of future success or failure. In addition, although the management team has significant experience in making investments consistent with the Clients' investment strategy, the Adviser itself is a newly formed entity, as is the General Partner, and as such neither has any operating history or prior investment experience. There can be no assurance that a Client will achieve its investment objectives.

Unspecified Use of Proceeds

As of the date of this Brochure, the Funds have not made any investments. Prospective investors will not have an opportunity to evaluate for themselves the relevant economic, financial, and other information regarding the investments to be made by the Funds and, accordingly, will be dependent upon the judgment and ability of the General Partner and the Adviser in investing and managing the capital of the Funds. No assurance can be given that the Funds will be successful in pursuing identified pipeline investments, obtaining suitable investments or that if such investments are made, the objectives of the Funds will be achieved.

Dependence on the Adviser and its Personnel

All decisions with respect to the management of the assets of the Funds will be made exclusively by the Adviser. The Adviser is required to devote only the time and attention to the business of the Clients as the Adviser in its discretion deems necessary or appropriate. Limited Partners have no right to participate in the day-to-day management of the Funds or to make any decisions with respect to the investments to be made by the Funds. The success of the Clients depends in substantial part upon the skill and expertise of the management team and the other individuals

employed to assist them. There can be no assurance that the management team or such other personnel will continue to be members of, employed by or available to the General Partner, the Adviser or one of their respective affiliates. The loss of service to the Clients of one or more members of the management team or such other personnel could have a material adverse effect on the success of the Clients.

Leverage

The Funds may utilize leverage as part of their investment program, including through a subscription facility, as determined by the General Partner in its discretion. The amounts of leverage utilized by the Funds at any time is determined by the General Partner, in its discretion, subject to the limitations described herein, and depends on various considerations including the number of investment opportunities available, the Funds' access to borrowing facilities at attractive rates and terms, and the forecasted volatility of underlying assets, and may vary materially over time, subject to the limitations described in this Brochure. As with any use of leverage, the Funds' use of leverage will tend to increase or decrease the value of the Funds' net assets at a greater rate than if no leverage were employed and may increase the volatility of the Funds' performance and the risk of investment loss.

The Funds will incur expenses in connection with any leverage it utilizes (e.g., interest charges and commitment fees), which expenses could be significant. In addition, the rights of any lenders to receive payments of interest or repayments of principal will generally be senior to those of the Limited Partners, and the terms of any such borrowings may restrict certain activities of the Funds, including their ability to make distributions.

In addition, in connection with any borrowing facility, the Funds may be required to pledge their interests in their investments and other assets to the lender as collateral under such facility and to agree to certain covenants and other restrictions related to their activities. The terms of a borrowing facility may grant the lender the right to approve or deny investments by the Funds. As a result, it is possible that failure by the lender to approve an investment decision could adversely impact the Funds' ability to make investments.

There can be no assurance that the Funds will have sufficient cash flow to meet their debt service obligations. In addition, certain types of financing obtained by the Funds may include margin call or similar mandatory prepayment provisions that allow the financing provider to demand partial or full repayment of the financing if certain events occur, such as a significant reduction in the value of the investments provided by the Funds to secure or otherwise support such financing. If the Funds are unable to meet such a margin call or prepayment obligation, they may forfeit their interest in the collateral securing such financing and/or may be required to liquidate investments at disadvantageous prices in order to raise the funds needed to repay the financing. Moreover, lenders could require the Funds to sell some or all of their investments, or could foreclose on those investments prematurely, causing the Funds to suffer losses.

There can be no assurance that the Funds will be able to obtain indebtedness on terms similar to terms available to competitors, including terms which may be currently available in the market, or that indebtedness will be accessible by the Funds at any time, and to the extent that it is available there can be no assurance that such indebtedness will be on terms favorable to the Funds. The failure by the Funds to obtain indebtedness on favorable terms (or at all) could adversely affect the returns of the Funds.

Currency Risk

Although the functional currency of the Clients will be United States dollars, the Adviser expects that from time to time the Clients will make investments using currencies other than United States dollars including, without limitation, pound sterling. Unless otherwise agreed by the General Partner or the Adviser and a Limited Partner or a Client, all capital contributions to be made will be in United States dollars and all cash distributions will be denominated in United States dollars. There is a risk that exchange rates may significantly change (including changes due to devaluation of pound sterling or revaluation of the United States dollar) and the risk that the U.S. Federal Reserve may impose or modify exchange controls. The Adviser may hedge some of the Clients' currency exposure through forward foreign exchange contracts or through other financial products. While hedging may reduce currency risk, it is not possible to hedge fully or perfectly against currency fluctuations, and the Adviser may also elect to forego hedging. Accordingly, Clients may be exposed to exchange rate risks between the United States dollar and pound sterling (or other non U.S. currency) and the value of a Limited Partner's interest or the value of the investments made by the Clients may fluctuate.

Uncertain Exit Strategies

Due to the illiquid nature of the investments which the Clients expect to make, there can be no assurances as to what, if any, exit strategy will ultimately be available for any given investment. Exit strategies which appear to be viable when an investment is initiated may be precluded when the investment is deemed to be ready for realization due to economic, legal, political or other factors. The larger the transaction, the greater the risk to the Clients' total returns and success if there is uncertainty around the Clients' exit strategy.

Potential for Insufficient Returns

Returns generated by the Clients' investments may be insufficient to compensate the Clients adequately for the business and financial risks that must be assumed. The Clients may lose all or part of their investment in any investment.

Special Risks Associated with Non-U.S. Investments

Subject to the terms of the Governing Documents, the Clients may, either directly or indirectly, invest a portion of their commitments with U.K. borrowers. These investments may involve special risks not typically associated with U.S. borrowers, including (a) economic and political factors; (b) differences among U.S. and foreign practices; (c) currency exchange risks, including the cost of converting investment cash flows from one currency into another; and (d) tax-related issues, including the possibility of withholding taxes, tax filing obligations, and other adverse tax consequences.

Defaults by Partners

If a Limited Partner fails to pay any installment of its capital commitment, the General Partner may, in its discretion, elect to exercise certain remedies as set forth in the Partnership Agreement. In addition, the General Partner may pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount including legal fees, to be paid by the defaulting Limited Partner. There is no requirement that remedies be applied consistently among defaulting Limited Partners, and the General Partner may determine for a variety of reasons to apply different remedies to different defaulting Limited Partners.

If a Limited Partner defaults on its obligation to make required capital contributions or makes a late capital contribution, it may be difficult for the Funds to make up the shortfall from other sources and the Funds' ability to implement their investment strategies and take advantage of investment opportunities as they arise may be impaired as a result. Additionally, Limited Partners may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of their investments. Any default by one or more Limited Partners could have a deleterious effect on a Fund, its assets and the interests of the other Partners.

Investors should be aware that a failure by a Limited Partner to make a capital contribution to the Funds when due may result in adverse consequences to such Limited Partner, including a substantial reduction in its capital account balance.

Exclusion

Under certain limited circumstances as described in the Partnership Agreement, the General Partner may prohibit a Limited Partner from participating in an investment. Exclusion of any Limited Partner's participation in one or more investments would reduce the diversification for both the excluded Limited Partner and the other Limited Partners and could magnify the adverse impact on the Limited Partners of any investment's underperformance.

Public Disclosure Obligations

The Clients may be required to disclose confidential information relating to their investments and their financial results to third parties that may request such information if and to the extent required by federal, state or local law or regulation applicable to the Clients or any of their Limited Partners, including those Limited Partners that are public agencies or governmental bodies. There can be no assurance that such information will not be disclosed either publicly or to regulators, or otherwise. In addition, in order to comply with regulations and policies to which the Funds, the General Partner, the Adviser, the borrowers or service providers (including financial institutions) are or may become subject, or to satisfy regulatory or other requirements in connection with transactions, the Funds, the General Partner or the Adviser may be required to disclose information about the Limited Partners, including their identities. Such disclosure obligations may adversely affect certain Limited Partners, particularly Limited Partners who are not otherwise subject to public disclosure of information relating to the private holdings of funds in which they invest.

Need for Follow-on Investments

Following their initial investment with certain borrowers, the Clients may decide to provide additional funds to such borrower. There is no assurance that the Clients will make follow-on investments or that the Clients will have sufficient funds to make all or any of such investments. Any decision by the Clients not to make follow-on investments or their inability to make such investments may have a substantial negative effect on the litigation in need of such an investment or may result in a lost opportunity for the Clients to increase their participation in a successful case.

Locating and Delay in Making Investments

Initial and/or future investments in litigation financing indebtedness may be delayed or made at a relatively slow rate because, among other things:

- the duration of the due diligence required prior to investing;

- attractive borrowers may not be identified or available due to competition from other investors or other factors; and
- only indebtedness relating to claims in jurisdictions where the Adviser reasonably believes that such arrangements will not breach applicable laws, rules, or regulations will be considered.

It may therefore take a significant amount of time to invest the Clients' capital fully and a significant proportion of capital contributions may not be invested for an extended period. The Adviser cannot predict how long it will take to deploy the Clients' capital, if at all. The Adviser is not obligated to invest or return any capital contributions prior to the end of the applicable investment period.

Accurate Evaluations Affected by Assumptions

In evaluating potential investments for the Clients, a number of assumptions may be made, including assumptions regarding rates of repayment of the loans, the timing of claim settlements, and judgments of the projected outcome of cases and administrative and contractual claims and other payments. The use of different estimates or assumptions could result in different projected returns or produce materially different values for the Clients' assets.

Evaluation and Disclosure of Cases and Case Performance

The Clients' profitability is dependent on the outcome of the cases and claims underlying their investments. However, certain details of actual cases underlying an investment may not be disclosed to the Adviser or the Clients. The information available to the Adviser at the time of an investment decision may be limited, and the Adviser may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, the financial information available to the Adviser may not be accurate or provided based upon accepted accounting methods.

The Adviser will only have access to public filings and non-privileged information pertaining to these cases or claims. Any such sharing 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. Such sharing could also make discovery from the adverse party problematic 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. In some instances, case settlements and case prospects will be confidential and/or subject to attorney-client privilege. Accordingly, the Adviser will not be able to evaluate all relevant information regarding cases underlying the Clients' investments.

Given this limited access to information, there can be no guarantee that cases and claims underlying the investments in which the Clients invest will be successful or will pay the returns the Adviser has targeted. If any of the cases, claims or disputes underlying the investments in which the Clients invest are unsuccessful or produce investment returns below those that the Adviser expected, the value of such investments could be materially adversely affected.

Limited Due Diligence

For various reasons, the Adviser may only be able to conduct a limited due diligence review prior to making investments. The Clients expect to engage Johnson Law Group (“JLG”) or a valuation entity, as determined by the Adviser in its discretion, to perform up-front and ongoing due diligence of plaintiff cases. The availability of information regarding the law firms and case dockets may be limited. In addition, the information that JLG or a valuation entity does review may not be updated or revised and may be based on expectations, estimates and projections that are not current and therefore are not reliable. Further, JLG’s or the applicable valuation entity’s due diligence may be based on assumptions regarding return expectations or outcomes that may be inaccurate. Moreover, no assurance can be provided that JLG or the valuation entity that performs diligence will do a thorough job or will report all of the relevant information to the Adviser. Although JLG or a valuation entity may have access to the written settlement agreements, certain details of settlement agreements underlying an investment may not be disclosed to JLG or such valuation entity. Therefore, the Adviser may not receive the information it needs to make a fully informed investment decision. The Adviser has not, does not intend to and will not have the ability to verify the assumptions on which the information it reviews is based. As a result, there may be items that, had they been discovered by the Adviser, would have resulted in the Adviser negotiating different terms or not making an investment at all.

Although the Adviser will engage JLG or a valuation entity to perform up-front and ongoing due diligence of plaintiff cases and the collateral underlying any investment unrelated to litigation financing, in each case with respect to which the Clients may provide financing, there could be additional material facts, issues or risks facing the investments that neither the Adviser nor JLG or the applicable valuation entity is aware of.

Successor Loans

A successor Fund may make loans to borrowers with existing facilities entered into by the Funds by either making a new loan to the borrower or refinancing a Fund’s loan. Without limiting the foregoing, a successor Fund may refinance the Funds’ loans, make successor loans that are ranked senior or junior to, or *pari passu* with, the Funds’ loans and/or make successor loans that are collateralized with the same pool of collateral as the Funds’ loans. No assurance can be provided that the terms of any successor loan will not vary significantly from the terms of the applicable Fund loan. For example, a successor loan may be subject to a lower interest rate than that of a Fund’s loan. Moreover, the proceeds of a successor loan may be used by a borrower to repay all or a portion of a Fund’s loan. There are conflicts of interest associated with a Fund making a successor loan to a borrower with a Fund’s loan.

Due Diligence and Redacting Costs

The Funds will engage JLG or a valuation entity to provide due diligence, case evaluation and/or document redaction services. In the event that such services are provided by JLG, the fees paid to JLG by the Fund for due diligence services provided in respect of a particular loan will be calculated in the manner set forth in the applicable offering documents. The Adviser believes that, based on the sizes of the loans that the Adviser expects to pursue on behalf of the Funds, such fees will, on average, not exceed approximately 0.5% of the applicable loan amount in respect of loans that are made by a Fund, and approximately 75% of 0.5% (i.e., 0.375%) of the applicable loan amount in respect of loans that are pursued but not consummated by a Fund. Additionally, collateral valuation updates performed by JLG for each update report will be billed to the Funds at such rates as the Adviser determines to be reasonable. Notwithstanding the foregoing, there can be no assurance as

to what the pricing structure or costs of such services will be, and the pricing structure and costs of such services may change from time to time; provided that the Funds will seek the approval of the advisory committee prior to agreeing to any increase in the fee rates applicable to the arrangement between JLG and the Funds that are described in the offering documents. The fees described in this paragraph will be allocated among the Funds on a pro rata basis based on relative net assets at the time such expense is invoiced or on such other basis that the General Partner determines to be equitable. These arrangements with JLG involve certain conflicts of interest. Additional details regarding the fees paid by the Funds to JLG will be provided to investors or prospective investors upon request.

Borrower Risk

The Clients expect to provide financing to law firms and/or other non-law firm borrowers. The Adviser will typically rely on past performance of borrowers, among other factors, as part of its due diligence process. However, prior performance is not an accurate predictor of the likelihood of an investment's repayment. There can be no assurance that the principal amount of a loan made by a Client will be repaid or that the collateral will be sufficient to support the loan. A borrower may be unable to repay a loan as a result of multiple reasons. For example, in the case of a loan to a law firm, such law firm may be unable to repay a loan because of the departure of income-generating partners or associates, the collapse of the borrowing firm, or the failure to earn sufficient legal fees or other income in connection with mass tort or other litigation to repay its obligations to the Client. If borrowers are unable to repay their loans, there can be no assurance that the Adviser will be able to implement its investment strategy, achieve targeted results or avoid losses.

Reliance on Lawyers

The Clients are 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 the Clients' investments. While the Adviser will evaluate the lawyers involved in any investment, 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.

Incurrence of Additional Debt by Borrowers

The Clients will generally not allow a borrower to incur additional debt without the consent of the Clients. In limited circumstances, however, a borrower may incur additional debt after the date an interest in the applicable loan is acquired by the Clients, and the additional debt may impair the ability of the borrower to make payments on his or her loan and the Clients' ability to receive their principal and interest payments. To the extent that such borrower has or incurs other indebtedness and cannot pay all of his or her indebtedness, such borrower may choose to make payments to other creditors, rather than to the Clients. To the extent a borrower incurs other indebtedness that is secured, the ability of the secured creditors to exercise remedies against the assets of such borrower may impair such borrower's ability to repay the Clients' investments. In general, the Clients will not be notified if one of their borrowers incurs additional debt after the date a loan listing is posted or the date the loan is made by the Clients.

Appellate Uncertainty

The Adviser's investment strategy requires an evaluation of the outcome and timing of a claims resolution process. Regardless of the amount of research and other due diligence that may be performed, predicting the outcome of claim resolution and subsequent appellate litigation or other

dispute resolution processes is inherently uncertain and depends on a variety of circumstances that may be unrelated to the legal merits of the substantive claims of the parties, including uncertainty regarding the application of law to particular facts, disputed factual records and testimony, unforeseen procedural issues including likely appeals of claim determinations, uneven quality of advocacy, misapplication of settled law by appeal panels, or settlement dynamics in which the motivations of the parties may be unrelated, in whole or in part, to the merits of the dispute. Pending appeal, the claimant (*i.e.*, a borrower's client) will not be paid (and thus the borrower may not be paid). Even if the claim underlying collateral is ultimately successful, a lengthy appeals process may hinder the borrower's ability to pay the loan and is likely to reduce the Clients' ability to collect. As a result, the Clients' return may be negatively affected.

Policy Announcements

The definitive settlement agreements related to the particular civil lawsuits and similar litigation matters in which applicable borrowers are involved may be lengthy and complex. In connection with certain complex settlement agreements, a claims administrator may be appointed to ensure the orderly disbursement of the applicable settlement funds (each, a "Claims Administrator"). A Claims Administrator may issue policy announcements setting forth his or her interpretation of a settlement agreement. It is possible that a Claims Administrator could issue a policy announcement severely impairing one or many borrower claims underlying a Client's security interest. In addition, it is possible that the level of complexity (and cost) relating to making a successful claim of post-settlement funds will increase if a Claims Administrator issues numerous policy announcements.

Award Collections May Be Less than Finance Value

The award settlements that will secure an investment are generally based on, in the case of loans to law firms, contingency fees generated from settlements or judgments, and in the case of financings to companies engaged in the purchase of administrative and contractual or other claims, income generated from the satisfaction of such claims. There can be no assurance that borrowers will be successful in litigating or settling the applicable cases or claims, generating fee income in respect thereof, or otherwise obtaining favorable outcomes in respect of the claims that serve as collateral for financings, and the income collected in connection therewith could be materially less than estimated by the Adviser, JLG or other valuation entities. The Adviser expects to advance capital with sufficient excess collateral coverage to assure repayment of a loan from a Client; provided, however, that there can be no assurance that the Client will be able to lend at projected collateral coverage levels, or that actual asset collections will be sufficient to cover repayment of the loan.

Furthermore, the underlying cases or, as applicable, the settlement agreements which a Client finances may be unsuccessful, take considerable time (whether because of appeals or otherwise) or result in a distribution of cash, new security or other assets, the value of which may be less than the investment made by the Client. It may not be possible to dispose of or otherwise realize a return on any such security or other asset received for legal or professional ethics reasons. The Clients may incur additional costs in effecting a disposal of or realization on any such security or other assets. Each of these matters could have a material adverse impact on the anticipated value of such investment.

Insufficiency of Funds

The award settlements are dependent on the financial viability of the defendants behind the settlement awards. There can be no assurance that these defendants will have sufficient financial

resources to pay all of the settlement awards that collateralize the underlying assets of the Clients. Bankruptcy or other financial hardship of these defendants may result in asset collections below an amount sufficient to repay the loan and subject the Clients to the possible loss of the entire principal loan amount.

Calculation of Damages

Funds are generally dispersed, if at all, from a settlement by the applicable Claims Administrator. The computation of damages arising under any settlement can become complex. Given the complexity of determining the eligibility of claims and the calculation of damages, a Claims Administrator, as applicable, is expected to exercise significant discretion. Thus, while the Adviser expects to conduct significant due diligence with respect to claims underlying a Client's securities interests in loan collateral, it will be difficult for the Adviser to predict the outcome of a particular claim.

Timing of Awards Payouts and Collections

The timing of finance charges and repayments of principal are contingent upon the receipt of awards for assets financed. Should the timing of award receipts differ from the Adviser's projections, distributions to Clients may occur earlier or later than expected and reduce the Client's internal rate of return. In addition, such differences in timing may negatively impact the Clients' ability to collect from borrowers to whom the Clients provide financing based on the length of the relevant interest accrual period, as interest can compound over time and some such borrowers may not be able to pay off such larger amounts of interest.

Length of Claims Processing Period

There is no definitive timeline for issuance of notices of eligibility by a Claims Administrator generally, or with respect to any particular post-settlement claim. The Adviser estimates that, as settlement agreements are established and, as applicable, Claims Administrators are appointed, the post-settlement claims of borrowers may take up to one or more years to be processed in full, but that a majority will be processed within a much more expedited time frame. However, there is no guarantee that such estimates will be accurate. If the actual processing period is longer than the Adviser expected, the Clients' returns may be negatively impacted.

Default Remedies

A borrower may breach its representations or covenants to a Client or default on its obligations to a Client. In such event, neither the Adviser nor the General Partner shall be under any obligation to enforce or pursue any contractual or legal remedies associated therewith. Failing to enforce or pursue any such remedies could have a material adverse effect on the Clients.

Fraud

The possibility exists that in seeking financing from a Fund, borrowers may fail to provide relevant information to the Fund or make a material misrepresentation or omission of fact. In addition, borrower applicants may misrepresent their intentions regarding loan purpose or other information contained in loan agreements. The Adviser will rely upon the accuracy and completeness of representations made and information provided by borrowers, but cannot guarantee such accuracy or completeness. There is no assurance that the Adviser will detect such fraud, and if undetected, such fraud could adversely affect the Funds' performance. Under certain circumstances, payments

to the Funds may be reclaimed if any such payment or distribution is later determined to have been made with an intent to defraud or prefer creditors.

Servicing Risk

The award collections that secure a loan by a Client are specialized assets that require significant work to collect. There can be no assurance that the Adviser will be able to successfully collect and service the collection process. A failure to collect an award may have a material adverse effect on a Client.

Settlement Agreement Proceeds; Collection Risks

The profitability of certain of the Clients' investments is dependent on the ability of borrowers to collect proceeds from their client(s). Part of the Adviser's selection process involves an assessment of the ability of the opposing party to pay a judgment or award if the underlying case is successful or, as applicable, under a settlement agreement. If the opposing party is unable to pay or seeks to challenge the validity of the investment or settlement agreement on legal or professional ethics grounds, the Clients may encounter difficulties collecting proceeds from such investment and/or the relevant borrower may encounter difficulties collecting proceeds from its client(s) related to such settlement, which may cause the borrower to default on the Clients' loan. In addition, an investment's interest rate could be challenged by a borrower and, if successful, will result in such interest payments being unenforceable or reduced.

Counterparty and Settlement Risk

The Clients have credit risks with regard to certain borrowers and other parties with whom the Clients trade or do business and will bear the risk of settlement or other default. Such risk is different materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In addition, there may be practical or time problems associated with enforcing the Clients' rights to their assets in the case of an insolvency of any such party.

In the event that a Client's interests may no longer be economically or legally aligned with those of a borrower's, the relationship between the Client (as creditor) and a borrower (as debtor) can become contentious and adversarial and, potentially, litigious. It is by no means unusual for attorneys (*i.e.*, borrowers) to use the threat of litigation as a negotiating technique or otherwise avail themselves of the litigation process of which they are inherently familiar. Due in part to such factors, the Adviser and the Clients may in the future be named, as defendants in civil proceedings brought by borrowers. The expense of defending against such claims and paying settlements or judgments will be borne by the Clients, which would reduce any the Funds' net assets.

Lender Registration

Lending is subject to extensive regulation. Despite the Adviser's belief that the Clients' investments are and should be characterized as "business loans", a regulator or court may nonetheless characterize such investments as "consumer loans" or such business loans may be subject to the commercial lending licensing requirements imposed by certain state regulators. If any Client is considered to be engaged in consumer lending or commercial lending without the

appropriate registrations and/or licenses, the Client could become subject to significant regulatory restrictions and potential penalties for noncompliance.

Financing Expenses Unrelated to Collateral

The Adviser expects proceeds of loans issued to borrowers to generally be used to finance or refinance business expenses of the lawsuits or similar litigation matters directly related to the legal cases the proceeds of which are serving as collateral to such loan proceeds. However, borrowers may not be obligated to use loan proceeds exclusively in such a manner. Thus, borrowers may use loan proceeds to finance or refinance general business expenses, including their expenses related to lawsuits or similar litigation matters that are unrelated to the legal cases the proceeds of which are serving as collateral to such loan proceeds. In such instances, because the borrower's use of loan proceeds is not strictly limited to funding its expenses related to the settled cases or other legal cases the proceeds of which are serving as the loan collateral, the borrower could be less incentivized to use its resources to pursue those settled cases, thereby potentially reducing the probability of recovering fees from the matters serving as collateral. The Adviser believes that this risk is tempered by the borrower's general interest in collecting its fees from such settled cases.

Legal Professional Conflicts

The Clients' borrowers have duties to their clients which include independent judgment, client confidentiality and the rules relating to attorney-client privilege. The borrowers to whom the Clients make investments will, with respect to all legal professional representations, owe overriding duties to their clients. Circumstances may exist in which borrowers are required to act in accordance with duties contrary to the objectives of the Clients.

Subordination to Other Loans

The Clients may acquire and/or originate subordinated loans. If a borrower defaults on a subordinated loan or on debt senior to a Client's loan, or in the event of the bankruptcy of a borrower, a subordinated loan held by the Client will be satisfied only after the senior loans are repaid in full. Under the terms of typical subordination agreements, senior creditors may be able to block the acceleration of the subordinated debt or the exercise by holders of subordinated debt of other rights they may have as creditors. Accordingly, the Clients may not be able to take the steps necessary or sufficient to protect, or collect on, their investments in a timely manner or at all.

Changes in Medical Evidence

The award collections that secure a loan from a Client may include legal settlement awards that resulted from damages caused by pharmaceutical and medical device products. Award collections may rely on established and accepted medical opinions, expert testimony and conclusions. If these medical opinions and conclusions subsequently change or the admissibility of expert testimony is overturned, the value of award collections could be reduced, resulting in the possible loss of the entire principal loan amount.

Changes in Statutes/Venues

The award collections that secure a loan from a Client may include legal settlement awards that resulted from damages in product liability cases against pharmaceutical and medical device manufacturers. Awards are typically tied to specific timeframes in which the defendant is deemed liable. These timeframes may be affected by various statutes of limitations in different venues or

may be subject to limitation by judges overseeing the litigation. If the eligibility timeframes for claims are substantially reduced, the value of award collections could be reduced, resulting in the possible loss of the entire principal loan amount.

Changes in Regulation

The Adviser is subject to regulatory requirements currently and may be subject to additional regulatory requirements both in its current areas of investments and any future areas of investments. The Adviser may be under a duty to comply with new rules, regulations, and laws applicable to it. Compliance with these rules, regulations, and laws could create additional cost of services performed by the Adviser and could have a material adverse effect on the investment strategy of, and/or the value of, direct or indirect business or financial interests of, the Clients.

Tort Reform Efforts and Changes in Mass Tort Litigation Rules

An array of interest groups continues to seek to enact tort reform. If enacted, such reform may have a material adverse effect on the Clients, by reducing or limiting the amount of tort awards available for the Clients to finance.

Any changes to law, regulation, the legal environment, the economic environment, industry conditions or otherwise, which impact potential borrowers' ability to bring mass tort claims, could have a material adverse effect on the Clients. For example, plaintiff law firms involved in mass tort litigation often have significant capital requirements as such law firms may incur substantial case-related expenses in advertising, research/medical review, expertise and other third-party expenses. In the event that changes in law and related regulations limit a law firm's ability to advertise in respect of mass tort cases, or place limits on the types of experts that may be retained (and for which law firms incur substantial fees), law firms may require less capital in respect of mass tort litigation, which could adversely affect the Clients' ability to obtain investment opportunities.

Changes in Laws and Regulations Impacting Administrative and Contractual Claims

The collateral that would secure a financing from a Client to organizations engaged in the purchase of administrative and contractual claims include payments in connection with such claims. Such claims are often based on applicable laws and regulations. However, such laws and regulations are often highly contested and may in the future be reversed or revised, which may have a material adverse effect on the Clients, by reducing or limiting the amount of claims available for the Clients to finance. In addition, some claims in respect of which the Clients provide financing may be based on a defendant's own internal policies. Such defendants may have discretion to change such policies, thereby reducing or limiting the number of claims available for the Clients to finance.

Legal and Professional Ethics

The law and professional regulation (including ethics regulation) in the area of acquiring or otherwise taking a financial position or a commercial interest with respect to litigation is complex, and uncertain in certain jurisdictions. Such prohibitions and restrictions are governed by the rules and regulations of the relevant jurisdiction and their scope enforcement varies between jurisdictions.

Due to such legal and professional ethics considerations and constraints, there historically have been a limited number of investment opportunities in the area of claims purchase or alternative law firm lending in certain jurisdictions. These include, *inter alia*:

- restrictions on the assignment of certain kinds of claims;
- restrictions on participating in a lawyer's contingent fee award (including restrictions on fee sharing between a lawyer and non-lawyer);
- restrictions on a non-party to a claim controlling or directing the course of a legal proceeding;
- restrictions on a lawyer's ability to share confidential or privileged information without the client's informed consent; and
- restrictions on a lawyer's conflict of interest (for example, his or her ownership interest in an alternative law firm lending company) without adequate disclosure and client consent.

In particular, in respect of loans to law firms, certain jurisdictions will not, for legal and professional ethics reasons, permit persons to make investments in litigation either directly or through loans to the law firms representing the parties in those matters and, accordingly, the Adviser will not be able to make investments on behalf of the Clients with respect to claims relating to such jurisdictions, thereby limiting the number of potential investments the Clients can make.

Further, in many jurisdictions, investment in and syndication of rights to the proceeds of a legal, administrative or contractual claim are novel concepts which have neither been considered by the courts nor addressed by statute, although certain states are beginning to consider and propose legislation on these issues. Moreover, in certain jurisdictions, while no binding court decisions or bar ethics rules may specifically disapprove of alternative law firm lending arrangements or other lending arrangements in respect of administrative or contractual claims, a court may still decline to enforce such arrangements if the arrangement offends the legal and professional ethics rules and opinions or the public policy of the jurisdiction.

While the Adviser intends to structure financings to be in compliance with these legal and ethical restrictions, various laws, rules, and regulations may limit the lending opportunities of the Clients, and any changes in the laws, rules, and regulations in these jurisdictions could further reduce or limit opportunities of the Clients to provide lending or could result in the diminution or extinction of the value of the Clients' financings in such jurisdictions. The Adviser intends to rely on legal counsel for purposes of compliance with applicable laws and regulations of the relevant jurisdictions as they apply to the Clients' financing arrangements. Despite reliance on legal counsel, there is no assurance that the Clients' investments will not be open to challenge, subsequently reduced in value, or extinguished in their entirety.

Changes in laws, rules or regulations in jurisdictions where these restrictions currently do not apply could further reduce or limit the Adviser's opportunities to make investments on behalf of the Clients as envisaged or could result in the diminution or extinction of the value of the Clients' investments related to such jurisdictions.

Natural Disasters, Terrorist Acts and Similar Dislocations

Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, or upon an incident of war, riot or civil unrest, the impacted country may not efficiently and quickly recover from such event, which can have a materially adverse effect on borrowers and the court system in such country. Terrorist attacks and related events can result in increased short-term volatility. The effects of future terrorist acts (or threats thereof), military action or similar events on the economies and securities markets of countries cannot be predicted. Such disruptions of the global financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to the Clients' investments.

Global Economic Conditions; Market Dislocation

The Clients may be adversely affected by economic or financial market disruptions. Economic and financial market disruptions may magnify the risks described herein and have other adverse effects, including increased volatility and illiquidity in the global credit, debt and equity markets generally, significantly tightened availability of credit, increased risk of failure of brokers, counterparties, exchanges and other systemically important institutions, and declines in the market values of the Clients' investments and/or market values generally. Such conditions could lead to losses and diminished investment opportunities for the Clients, could prevent the Clients from successfully meeting their investment objective or could require the Clients to dispose of investments at a loss while such unfavorable market conditions prevail. In addition, market disruptions could result in sudden changes to regulatory requirements or other government intervention implemented on an "emergency" basis, which may suddenly prevent the Adviser from implementing the Clients' investment strategy or from managing the risk of the Clients' outstanding positions. Any of the foregoing could have a material adverse effect on the Clients and their investments.

In addition, certain market events may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect the financial resources of the Clients' borrowers and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Clients could lose both invested capital in and anticipated profits from such investments.

In addition, current global economic conditions may materially and adversely affect (i) the ability of the Clients, their borrowers or their respective affiliates to access the credit markets on favorable terms or at all in connection with the financing or refinancing of investments; (ii) the ability or willingness of certain counterparties to do business with the Clients or their affiliates; (iii) the Clients' exposure to the credit risk of others in their dealings with various counterparties (for example, in connection with joint ventures or the maintenance with financial institutions of reserves in cash or cash equivalents); (iv) growth opportunities for the Clients' investments; (v) the Clients' ability to exit their investments at desired times, on favorable terms or at all; (vi) availability of reliable insurance on favorable terms or at all; and (vii) the ability of the Funds' Limited Partners to meet their obligations to the Funds in a timely manner or at all.

National and global market and economic conditions may deteriorate during the term of the Funds, and such conditions could deteriorate materially and for an extended period of time. Market fundamentals across many continental European economies have worsened over the last several years, and it is possible that some period of market dislocation will exist during the term of the Funds. Any of the foregoing could have a material adverse impact on the Funds.

Dependence on Technology; Cybersecurity

The Adviser and its third-party service providers depend on computer systems, including hardware and software, in the management and operation of the Adviser's Clients, including for research, valuation and trading. The use of such computer systems is subject to a number of inherent and unpredictable risks including to damage or interruption from computer viruses, network or telecommunication failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, software related "system crashes," deterioration and failure of hardware, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. In addition, the Adviser's and its service providers' computer systems may be vulnerable to cyber-attacks, including computer viruses, malicious code and unauthorized data breaches. Such events could cause interruptions in the operations and trading of the FundsClients, may result in the improper use or disclosure of confidential information relating to the Adviser, the Clients and/or the Limited Partners, and could result in significant losses and/or reputational harm to the Adviser, the Clients and the Limited Partners. While the Adviser takes precautions to prevent, identify and treat any such errors, malfunctions and cyber-attacks, there can be no assurance that the Adviser will be able to respond in a timely manner as a result of technological advancements and issues that may go undetected for a significant period of time. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser, the Clients and/or borrower 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 the Adviser's, the Clients' and/or a borrower's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Adviser, the Clients' or a borrower's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to Adviser's data or that of the Clients' investors. A successful penetration or circumvention of the security of Adviser's systems could result in the loss, theft or corruption of an investor's data, a loss of Client data, a loss of funds, the inability to access electronic systems, overall disruption in operations systems, loss, theft or corruption of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. These threats may also indirectly affect the Clients through cyber incidents with third-party service providers or counterparties. Data taken in such breaches may be used by criminals in identity theft, obtaining loans or payments under false identities, and other crimes that could affect the Clients' investors directly as well as affect the value of assets in which the Clients invest. These risks can disrupt the ability to engage in transactional business, cause direct financial loss and reputational damage, lead to violations of applicable laws related to data and privacy protection and consumer protection or incur regulatory penalties, all or part of which may not be covered by insurance. Cybersecurity risks also result in ongoing prevention and compliance costs. In addition, the Adviser and/or the Clients may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information and adverse reputational reaction or litigation.

Similar types of operational and technology risks are also present for borrowers in which the Clients invest, which could have material adverse consequences for such borrowers, and may cause the Clients' investments to lose value and negatively impact returns to investors.

Diseases and Epidemics

The impact of disease and epidemics may have a negative impact on the Clients and their performance and financial position. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices, courts or other businesses and could also result in a general economic decline. Moreover, the Adviser's operations and those of the Clients could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business. A resulting negative impact on economic fundamentals may cause credit spreads to widen and reduce liquidity, both of which could have an adverse effect on the Adviser's business and the Clients.

The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated. In December 2019, a novel strain of coronavirus surfaced in Wuhan, China ("COVID-19") and has spread around the world, with resulting business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The speed and extent of the spread of COVID-19 and the duration and intensity of resulting business disruption and related financial and social impact, are uncertain and such adverse effects may be material. While governmental agencies and private sector participants will seek to mitigate the adverse effects of COVID-19, which may include such measures as heightened sanitary practices, telecommuting, quarantine, curtailment or cessation of travel and other restrictions, and the medical community is seeking to develop vaccines and other treatment options, the efficacy of such measures is uncertain.

The extent to which COVID-19 (or any other disease or epidemic) impacts business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain COVID-19 or treat its impact, among others.

Withdrawal of the United Kingdom from the European Union

The European Union (Withdrawal Agreement) Act 2020 has passed the Parliament of the United Kingdom, and consequently the United Kingdom left the European Union on 31 January 2020 ("Brexit"). Under the negotiated "Withdrawal Agreement", the UK-EU relationship entered into a transition period from 1 February to 31 December 2020. During the transition period the European Union treats the United Kingdom as if it were a member state (i.e., the United Kingdom will remain in the EU Customs Union and the Single Market and all European Union institutions, including the European Court of Justice, will continue to hold the powers conferred upon them by EU law in relation to the United Kingdom), except that the United Kingdom will not participate in European Union institutions and governance structures. The transition period may be extended upon agreement between the United Kingdom and the European Union.

The nature of the future trading relationship between the United Kingdom and the European Union has yet to be negotiated. There is no legal, political, regulatory and/or economic certainty as to the ongoing relationship that will exist between the United Kingdom and the European Union post-transition period and it remains impossible to predict or definitively state the economic, tax, fiscal, legal, regulatory and other impacts on the asset management industry, the broader European and global financial markets generally and private funds such as the Funds and their investments. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit

opportunities of companies or assets based, doing business, or having service or other significant relationships in, the United Kingdom or the European Union, including companies or assets held or considered for prospective investment by the Clients.

The future application of EU-based legislation and/or taxation to the private fund industry in the United Kingdom will depend, among other things, on how the United Kingdom renegotiates its relationship with the European Union. There can be no assurance that any renegotiated laws, taxation and/or regulations will not have an adverse impact on the Clients and their investments, including the ability of the Clients to achieve their investment objectives. The ongoing effects of Brexit may result in market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management (due in part to redenomination of financial assets and liabilities), an adverse effect on the ability of the General Partner and the Adviser to manage, operate and invest the funds and increased legal, regulatory or compliance burden for the General Partner, the Adviser or the Clients, each of which may have a negative impact on the operations, financial condition, returns or prospects of the Clients.

Whilst the most immediate impacts of Brexit on corporate transactions will likely continue to relate to changes in market conditions, the development of new regulatory regimes and parallel competition law enforcement may have an adverse impact on transactions, particularly those occurring in, or impacted by conditions in, the United Kingdom and Europe.

Eurozone Risk

There are significant and persistent concerns regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro to function as a single currency given the diverse economic and political circumstances in individual Eurozone countries. The risks and prevalent concerns about a credit crisis in Europe could have a detrimental impact on global economic recovery as well as on sovereign and non-sovereign debt in the Eurozone countries. There can be no assurance that the market disruptions in Europe will not spread to other countries, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize affected countries and markets in Europe or elsewhere. These and other concerns could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the Euro entirely.

- C. Please see Item 8.B. above.

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 client's evaluation of the adviser or the integrity of adviser's management.

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of its management.

Item 10 - Other Financial Industry Activities and Affiliations

- A. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. In connection with sponsoring any Fund and as mentioned above, an affiliate of the Adviser will serve as general partner of each Fund. The General Partner will receive a Carried Interest.

The Clients will employ JLG to perform borrower due diligence and initial and ongoing valuations. JLG is owned by Nick H. Johnson, who also has an ownership interest in the Adviser, and hence, there are conflicts of interest associated with JLG's services to the Clients as JLG receives a fee for such activities. The Clients expect to pay JLG fees in respect of its due diligence, case evaluation and/or document redaction services to the Clients. Mr. Johnson, through his ownership interests in JLG, has an economic interest in the fees paid to JLG.

On any issue involving actual conflicts of interest, the Adviser and General Partner will be guided by their good faith judgment as to the best interests of the Client. In the event that any matter arises that the Adviser or General Partner determines in its good faith judgment to constitute an actual conflict of interest between the Client on one hand and the Adviser, the General Partner or their affiliates on the other, the Adviser or General Partner may take such actions as may be necessary or appropriate to ameliorate the conflict. These actions may include disposing of the security held by the Client giving rise to the conflict of interest.

Other than the General Partners and JLG, the Adviser has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to its clients. Fund investors are advised to review the relevant Governing Documents for more extensive descriptions of the risks of investing in the Fund and the required procedures for resolving conflicts of interest.

- D. Generally, the Adviser does not recommend or select other investment advisers for its Clients.

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

- A. The Adviser has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser’s employees. The Code contains policies and procedures that are reasonably designed to ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a new private placement; requires periodic reporting of employees’ personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

As part of its Code, the Adviser has established procedures reasonably designed to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non-public information and, therefore, such professionals may not trade on the basis of that information.

The Adviser will provide a copy of the Code to any investor or prospective investor upon request.

- B. The Adviser intends to provide certain financing to Affiniti Finance Ltd., Affiniti Capital, Ltd. or an affiliate thereof (collectively, “Affiniti Companies”). The Affiniti Companies are consumer and commercial legal finance firms in the U.K. in which Mr. Johnson holds an ownership stake. The Adviser also intends to provide financing to the Pulaski Kherkher Law Firm (“PKLF”). Mr. Johnson holds a residual economic interest in certain existing case PKLF proceeds. The Adviser will exclude and not advance any funds toward Mr. Johnson’s economic interests in any underlying collateral valuation related to PKLF. Notwithstanding the foregoing, the Clients will not directly make a loan to JLG or JLG Legal Limited (collectively, the “Johnson Affiliated Firms”). Mr. Johnson, the Johnson Affiliated Firms, and certain team members of the Adviser may also engage in the acquisition of, or investment in, fee sharing arrangements with, and/or acquisition of case dockets and/or equity interests in law firms to which the Clients have made or may make loans. Mr. Johnson will continue his active direct engagement in the U.S., U.K. and European legal markets and litigation funding, as will certain members of the Adviser’s team.

To the extent the Adviser or its related persons may recommend to Clients investments in which the Adviser or any related persons have a material financial interest, the Adviser and its related persons will consider and resolve in the best interests of the Clients any conflicts of interest associated with such recommendations.

Fund investors are provided with disclosure related to conflicts of interest in the Fund’s Governing Documents prior to making capital commitments to the Fund.

Additionally, the Adviser enforces a robust Code that generally requires, subject to the terms of the Clients’ Governing Documents, the Adviser and its employees to place the interests of the Clients over their own or those of a related party.

It is critical that investors review the Fund's Governing Documents for a detailed description of potential conflicts of interest related to an investment in the Fund. The information contained herein is a summary only.

- C. Mr. Johnson, firms affiliated with him, and certain team members of the Adviser may also engage in the acquisition of, or investment in, fee sharing arrangements with, and/or acquisition of case dockets and/or equity interests in law firms to which the Clients have made or may make loans. Mr. Johnson will continue his active direct engagement in the U.S., U.K. and European legal markets and litigation funding, as will certain members of the Adviser's team.

In connection with sponsoring any Client, the Adviser and certain of its affiliates have an economic interest in such Client, the General Partner, or both.

Additionally, as provided in the applicable Governing Documents, the Adviser and certain of its affiliates may co-invest alongside the Client in an investment opportunity.

The Adviser's principals, employees or senior advisors may invest in other private equity investment vehicles.

These may represent a conflict of interest for the Adviser. The Adviser will disclose to Clients these and any other material conflicts of interest which might reasonably be expected to impair the Adviser's rendering of unbiased or objective investment advice.

- D. See Item 11.C. above.

Item 12 - Brokerage Practices

- A. The Adviser's investment strategy involves making investments for Clients in litigation funding. As a result, the Adviser does not routinely select or recommend broker-dealers for the purchase and sales of securities but has the authority to do so. Furthermore, the Adviser does not maintain any trading accounts and does not use "soft" dollars received from broker-dealers from the purchase and sales of securities for its Clients.
- B. Not applicable.

Item 13 - Review of Accounts

- A. The Adviser maintains comprehensive review procedures for the ongoing monitoring of the loan investments of its Clients. In connection therewith, the Adviser conducts periodic reviews of all loan investments held in each Client portfolio. All Adviser investment and operational staff participate in the ongoing monitoring of Client loan portfolios, although responsibilities vary by individual.
- B. See Item 13.A. above.
- C. The Adviser provides Clients and investors, if applicable, with written audited annual financial statements, quarterly unaudited financial statements, and other written reports and communications. In addition to the information provided to all investors, the Adviser may provide certain investors with additional information or more frequent reports that other investors will not receive.

Item 14 - Client Referrals and Other Compensation

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to its Clients; except that, the Adviser or its partners, members, employees, officers or affiliates may, from time to time, receive consulting or similar fees. In general, the Management Fee will be reduced by 100% of such compensation.
- B. The Adviser has entered into an agreement with a third-party placement agent. This agreement provides for compensation to be paid to the placement agent for referring investors to the Fund. Under this agreement, the placement agent receives a percentage of the capital commitments attributable to certain prospective Fund investor referred depending upon specific circumstances and restrictions. The presence of this agreement is disclosed to prospective Fund investors. This arrangement and any future arrangements are conducted in accordance with applicable laws and regulations, including Rule 206(4)-3 of the Advisers Act. Compensation of the placement agent is borne entirely by the Adviser or its affiliates and not by any of its Funds nor by any Fund investor.

Item 15 - Custody

The Adviser does not serve as the qualified custodian of any of the assets owned by Clients and does not maintain physical custody of any securities or cash owned by the Clients (other than certain privately offered securities to the extent permitted by the Investment Advisers Act of 1940, as amended, and related SEC interpretive guidance).

With respect to the Funds, the Adviser will be deemed to have custody, as defined in Rule 206(4)-2 under the Advisers Act, of the assets of the Funds as a result of one or more of its affiliates serving as the general partner of some of the Funds it manages and its ability to remove the directors of some of the other Funds it manages. The Funds are audited annually by an independent accounting firm that is registered and examined by the Public Company Accounting Oversight Board, and audited financial statements are delivered to investors in the Funds within 120 days of the applicable fiscal year-end.

Item 16 - Investment Discretion

The Adviser manages each of the Funds on a discretionary basis. Discretionary authority allows the Adviser to select the identity, amount, time, and price at which securities are to be purchased and sold for the Funds. The Adviser is authorized to exercise discretion by the applicable Governing Documents of each Fund. As a general policy, the Adviser does not allow Funds to place limitations on this authority. Pursuant to the terms of the applicable partnership agreement and as previously described, however, the Adviser expects in the future to enter into side letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, to provide for reduced fees or the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

Item 17 - Voting Client Securities

- A. As the Clients' investments consist of private transactions in direct or indirect financing of law firms or litigation funding organization, the Adviser does not expect to have authority to vote client securities, and consequently, does not have a proxy voting policy in place.
- B. See Item 17.A. above.

Item 18 - Financial Information

- A. The Adviser does not require or solicit prepayment of fees greater than \$1,200 six months in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19 - Requirements for State-Registered Advisers

The Adviser is an SEC-registered investment adviser. Thus, Item 19 is not applicable.