

9'000 LFD Tokens

**Litigation Financing DAO GmbH
PRINCIPALITY OF LIECHTENSTEIN**

01 October 2022

NOTICE TO ACQUIRERS / RESTRICTIONS ON SALE

The acquisition of LFD Tokens of Litigation Financing DAO GmbH is made on the basis of this Token Offering Memorandum. With the acquisition of the LFD Tokens, this is deemed to be approved by the acquirer.

This Token Offering Memorandum does not constitute an offer or solicitation to purchase LFD Tokens from Litigation Financing DAO GmbH by any person in any jurisdiction in which such offer or solicitation is unlawful or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Information not contained in this Token Offering Memorandum or documents available to the public is deemed to be unauthorised and is not reliable. Prospective purchasers should inform themselves as to the possible tax consequences, legal requirements and possible exchange control restrictions or regulations applicable in their countries of citizenship, residence or domicile which may be significant to the purchase, holding, exchange, redemption or disposal of LFD Tokens.

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I. SUMMARY

| SECTION 1 – INTRODUCTION | | |
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| 1.1 | Name of the tokens | The tokens to be issued are called " LFD Tokens ". |
| 1.2 | Token Issuer | Litigation Financing DAO GmbH (the " Token Issuer ") Wuhrstrasse 14, 9490 Vaduz, Principality of Liechtenstein Phone number: +423 376 64 64 E-Mail: help@litigation-financing.io Web: www.litigation-financing.io |
| 1.3 | Regulatory classification | LFD Tokens can be classified as utility tokens . They therefore represent neither security nor payment tokens. Against this background, no separate regulatory approval is currently required for the issuance of the LFD Tokens in the European Economic Area ("EEA") and Switzerland. This document therefore does not constitute a prospectus in accordance with REGULATION (EU) 2017/1129 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC. This document therefore does not constitute a prospectus in accordance with the Swiss Federal Act on Financial Services (FinSA) of 15 June 2018 as amended on 1 August 2021. |
| 1.4 | Exemption from the obligation to prepare and publish basic information | Due to its registered office in Liechtenstein, the Token Issuer is subject to the Liechtenstein Token and Trustworthy Service Provider Act (" TVTg "). Token issuers generally have to create and publish basic information before issuing tokens. However, the obligation does not apply to a public offer of tokens if the sale price of the total issue does not exceed CHF5 million or the equivalent in other currency. The sale price of the total issue is currently CHF4.5 million, so that the creation and publication of this Token Offering Memorandum is voluntary and the Token Issuer cannot be held responsible for this. |
| 1.5 | Warnings | <ul style="list-style-type: none"> a) The Summary is to be understood as an overview of the following information. b) The acquirer of LFD Tokens has to read the entire Token Offering Memorandum. c) Only those persons who have submitted and transmitted the Summary and any translations are liable under civil law, and only in the event that the Summary, if read together with the other parts of the Token Offering Memorandum, is misleading, incorrect or contradictory. |
| SECTION 2 – INFORMATION ABOUT THE TOKEN ISSUER | | |
| 2.1 | Who is the token issuer? | |
| 2.1.1 | Information about the token issuer | <ul style="list-style-type: none"> a) The legal and commercial name of the Token Issuer is "Litigation Financing DAO GmbH". The Token Issuer is a limited liability company (GmbH) that was founded in the Principality of Liechtenstein and is subject to the laws of the Principality of Liechtenstein. The Token Issuer has its registered office in Vaduz, Principality of Liechtenstein, and is registered with the Office of Justice / Commercial Register of the Principality of Liechtenstein under the registration number FL-0002.626.183-2. b) The Token Issuer aims to finance legal disputes. |

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| 2.2 | What are the key risks inherent in the token issuer? |
| 2.2.1 | <p>Equity The purpose of the Token Issuer is to finance litigation. The equity of the Token Issuer initially amounts to CHF20,000.00. Since the Token Issuer was only founded on 16.12.2019, no significant historical financial data or key figures are available to assess the financial situation of the Token Issuer in relation to the past years. The Token Issuer has not been rated by a rating agency.</p> <p>Risk of insolvency and insolvency In the event of the opening of insolvency proceedings over the assets of the Token Issuer, the Token Issuer will be temporarily or permanently limited in the disposal of its assets or the disposal of the assets of the Token Issuer will be taken over by a court-appointed insolvency administrator. This may have a negative impact on the financial position and business activities of the Token Issuer. This case can also occur if the insolvency applications have been filed incorrectly. However, the risk of a total loss of equity cannot be completely ruled out. This can lead to a partial or complete loss of rights in the LFD Tokens.</p> <p>Capital requirements The capital requirements of the Token Issuer depend on numerous factors. Depending on the Token Issuer's ability to generate revenue from its operations, the Token Issuer may need funding in the future. Any equity financing will result in dilution of the shareholding, and debt financing, if available, may involve restrictions on financing and business activities. Should the Token Issuer not be able to obtain the necessary funding, it could be forced to reduce the scope of its operations.</p> <p>Risks associated with blockchain technology The Token Issuer uses blockchain technology, which comes with some risks. This is mainly due to the fact that it is a relatively new technology for which long-term studies and trials have not yet been carried out. Measures taken by financial market regulators or other government agencies could lead to blockchains being regulated, crypto exchanges being closed and/or the classification of tokens being changed or regulated. The state of the blockchain underlying the LFD Tokens changes regularly, even after a block has been mined. Therefore, the Token Issuer cannot accept any responsibility for the finality of blockchain-based events, including the transfer of LFD Tokens.</p> |
| 2.3 | What are the key risks inherent in the token issuer's business? |
| 2.3.1 | <p>Risks of litigation Although the Token Issuer has a specific procedure for selecting litigation financing cases, which is intended to reduce the risk of litigation, it may happen that a legal dispute is lost. This depends on different reasons, e.g. difficulties of proof, different legal opinions, change in the line of case law, etc.</p> <p>Cost risks in the event of process loss If a legal dispute is lost, the Token Issuer as a litigation financier usually has to bear the costs of the appointed lawyer, the costs of the opposing party and the court costs.</p> <p>Cost risks in the event of process gains If a legal dispute is won, the Token Issuer as litigation financier usually has to bear those costs that are not to be reimbursed by the opposing party in accordance with the relevant lawyers' tariff provisions and court fee regulations.</p> <p>Collectibility risk Although the Token Issuer has a specific procedure for the selection of litigation financing cases, in which the solvency of the opposing party is also checked, it may happen that despite a positive judgment, the opposing party (i) is not immediately willing to pay the amount of the claim including any reimbursement of costs, which means that enforcement proceedings with initial further costs must be pursued, (ii) is temporarily illiquid, whereby the amount of the claim, including any reimbursement of costs, does not flow immediately, (iii) forfeits bankruptcy, whereby the claim amount including any reimbursement of costs could become irrecoverable.</p> <p>Prohibition or restriction of the business activities of the token issuer A general ban on the business model of the Token Issuer cannot be ruled out. This would lead to restrictions on operating revenues until the complete cessation of operations. However, restrictions could also increase the regulatory burden, which could lead to huge operational costs for regulatory compliance and not make the business model profitable.</p> |

| SECTION 3 – INFORMATION ABOUT THE TOKENS | | |
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| 3.1 | What are the main features of the tokens? | |
| 3.1.1 | Information about the tokens | |
| a) | Description of the tokens | The new 9,000 LFD Tokens to be issued by the Token Issuer are utility tokens. The holders of the LFD Tokens are referred to as " Tokenholders ". |
| b) | Description of the rights associated with the tokens | <p>Entry into the LFD ecosystem LFD Tokens allow the Tokenholders to enter the Token Issuer's LFD ecosystem.</p> <p>Use of the LFD ecosystem Tokenholders have the option to:</p> <ul style="list-style-type: none"> i. to have their own legal disputes reviewed free of charge by the Token Issuer for the purpose of litigation financing; ii. a reduction in the profit-sharing rate for own legal disputes in the event of a litigation financing commitment by the Token Issuer; iii. to present new possible litigation financing cases in the context of a so-called "Treasure Hunt" of the Token Issuer and to receive a finder premium for this; iv. participate in surveys on possible litigation financing cases, comment on possible litigation financing cases and provide input on the strategy on possible litigation financing cases and receive a support premium for this; v. participation in a future security token offering of the Token Issuer. Tokenholders receive a pre-purchase right for the purchase of the security tokens. <p>Transferability LFD Tokens can basically be transferred freely.</p> |
| c) | Name of the trustworthy system used | LFD Tokens are stock rights that are issued on a decentralized database (blockchain) and transferred there. Blockchain is the Polygon Blockchain . |
| 3.2 | Where are the tokens traded? | |
| 3.2.1 | So far, the LFD Tokens are not traded on a crypto exchange. However, the Token Issuer intends to grant the earliest possible admission to trading. | |
| 3.3 | What are the central risks inherent in tokens? | |
| 3.3.1 | <p>Digital Risk The Tokenholder alone bears the risk of selecting the wallet or the whereabouts of the private key. If an incompatible wallet is used or the private key or password is lost, access to the LFD Tokens is generally not possible. The consequences, such as the total loss, are to be borne solely by the Tokenholder.</p> <p>LFD Tokens may be lost or inaccessible, especially if the Tokenholder loses the respective private key or password available through their LFD Tokens or due to a malfunction of the wallet in which the LFD Tokens are stored. This can lead to the loss of LFD Tokens. It is the sole responsibility of Tokenholders to securely store and protect the private key or password that allows access to the wallet. LFD Tokens can also become inaccessible in the event of the death of a Tokenholder if the Tokenholder has not made arrangements for such cases. Neither the Token Issuer nor any other entity or institution is able to restore access to the Tokenholder's wallet or password for the Tokenholder's successors. The loss of private keys or passwords could also affect the availability of various functionalities of the LFD Tokens. Finally, there are cyber risks that can be used against LFD Tokens.</p> <p>Liquidity, sale and realisation risk, risk of market illiquidity There can be no guarantee that there is an active market for LFD Tokens or that the price of LFD Tokens will rise. There may be relatively few potential buyers or sellers at any given time, which can increase the volatility of the market price of the LFD Tokens. There is no certainty that a liquid market for the LFD Tokens will develop. Tokens are usually illiquid before being listed on a crypto exchange. The Token Issuer will use its best efforts to make the</p> | |

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| | LFD Tokens tradable on one or more crypto exchanges, provided that the providers of such exchanges or platforms are licensed and operational to trade utility tokens. Both the liquidity and the price of the LFD Tokens will be affected if an active and liquid market for the LFD Tokens cannot be created. If the LFD Tokens cannot be listed on an exchange or platform, the liquidity of the LFD Tokens will be limited and may have a negative impact on their economic value. Even if the LFD Tokens can be listed, sufficient liquidity to generate reliable price signals is not guaranteed. A very low trading volume of LFD Tokens can inflate market prices in both directions and distort the market price of LFD Tokens. In any case, there is no guarantee that a Tokenholder willing to sell will find a buyer or a buyer willing to pay a reasonable price. This risk is fully borne by the Tokenholders. |
| SECTION 4 – INFORMATION ABOUT THE OFFER OF TOKENS | |
| 4.1 | On what terms and according to what schedule can I purchase the token? |
| <p>Countries where the tokens are not offered and sold LFD Tokens are not offered and sold in countries where the offer and sale of LFD Tokens is subject to restrictions or prohibited.</p> <p>Purchase platform LFD Tokens can be purchased online on https://app.litigation-financing.io/.</p> <p>Purchase period LFD Tokens can be purchased from 01.10.2022.</p> <p>Purchase price The purchase price for a LFD Token is CHF500.00. It is reduced by 20% for a purchase until 30.11.2022.</p> <p>Delivery LFD Tokens are delivered against payment of the purchase price (in CHF) or the corresponding EUR amount at the respective daily rate to the business account of the Token Issuer or via credit card, or against payment of the purchase price in USDC or USDT at the respective daily rate on the wallet of the Token Issuer usually within 5 days on the wallet of the acquirer.</p> | |

II. TOKEN OFFERING MEMORANDUM

1. Responsible persons

1.1 Responsible persons

The Token Issuer assumes responsibility for the content of this Token Offering Memorandum and hereby declares that to its knowledge the information is correct and no material circumstances have been omitted.

The Token Issuer also declares that it is responsible for the technical and legal functionality of the LFD Tokens.

The Token Issuer further declares that it has taken the necessary care to ensure that the information contained in this Token Offering Memorandum is, to the best of its knowledge and belief, true to the facts and does not contain any omissions that could affect the meaning of the Token Offering Memorandum.

1.2 Different presentation

No one is entitled to make any information or statements that differ from those contained in this Token Offering Memorandum. Any information or representation derogating from this Token Offering Memorandum, with the exception of one or more subsequent disclosures by the Token Issuer, if any, shall be deemed not to have been approved by the Token Issuer.

1.3 Explanation

- a) This Token Offering Memorandum has not been approved by the Liechtenstein Financial Market Authority (FMA), the Swiss Financial Market Supervisory Authority (FINMA) or any other supervisory authority.
- b) Purchasers should get an idea of the suitability of a purchase of the tokens in question.

1.4 Warning

- a) Each acquirer should rely on the Token Offering Memorandum as a whole when deciding to purchase the tokens in question.
- b) Only those persons who have submitted and transmitted the summary and any translations are liable under civil law, and only in the event that the summary, if read together with the other parts of the Token Offering Memorandum, is misleading, incorrect or contradictory.

2. Strategy, performance and business environment

2.1 Token Issuer Information

The legal and commercial name of the Token Issuer is "**Litigation Financing DAO GmbH**". The Token Issuer is a limited liability company (GmbH) founded in the Principality of Liechtenstein and subject to the laws of the Principality of Liechtenstein. The Token Issuer has its registered office in Vaduz, Principality of Liechtenstein, and is registered with the Office of Justice / Commercial Register of the Principality of Liechtenstein under the registration number FL-0002.626.183-2.

The contact details of the Token Issuer are:

Litigation Financing DAO GmbH
Wuhrstrasse 14
9490 Vaduz
Principality of Liechtenstein
Phone number: +423 376 64 64
E-Mail: help@litigation-financing.io
Web: www.litigation-financing.io

Disclaimer: The information on the Token Issuer's websites is not part of the Token Offering Memorandum unless the information is incorporated by reference in the Token Offering Memorandum.

2.2 Overview of business activities

2.2.1 Strategy and objectives


The Token Issuer aims to finance legal disputes.

2.2.2 Main areas of activity

The Token Issuer finances judicial and extrajudicial litigation mainly in the Principality of Liechtenstein, Switzerland, Austria and Germany.

Due to the many years of experience and success of the Token Issuer and its employees and advisors, it has specialised in the litigation financing of investor protection proceedings and proceedings for data breaches.

The Token Issuer focuses on the litigation financing of investor proceedings, in particular on the following legal disputes:

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|  Insurance-based investment products, such as unit-linked and index-linked life insurance |  Withdrawal from life insurance |  Direct investments (e.g. wood investments) |
|  Contracts for Difference (CFD Trading) |  Crypto and Forex Trading |  Binary Options |
|  Ship Funds |  Real estate funds |  Foreign currency loans |

In addition, the Token Issuer also finances selected individual procedures, such as the financing of liability insurance processes in the event of serious traffic accidents or major fires.

In the event of a financing commitment, the Token Issuer assumes the out-of-court and judicial costs of the commissioned lawyer, the court fees and the costs of the other party in the event of a loss of litigation in return for a profit-sharing.

The amount of the profit-sharing scheme depends on the individual case and is usually between 20% and 50% of the amount brought in. This usually includes the principal amount plus interest.

The Token Issuer usually finances proceedings only if the following conditions are met:

- The amount in dispute is CHF50,000 or more.
- The probability of a process success is high.
- The creditworthiness of the defendant and enforceability are guaranteed.

By adhering to these requirements, risk minimisation is ensured.

In the case of legal disputes due to data protection violations, the amounts in dispute are usually low, so that proceedings are also financed below the amount in dispute of CHF50,000.

2.3 Trend information

According to the Token Issuer, it is becoming increasingly apparent that legal expenses insurers are adapting their insurance policies in such a way that they no longer offer many important legal expenses insurance modules.

Legal expenses insurers are increasingly inclined to reject cases – often unfounded – so that policyholders are then on their own. In such a case, policyholders are often no longer financially able to conduct legal disputes.

The aim of the Token Issuer is to financially support worthwhile cases and to help those affected to their rights.

The global liability insurance market was estimated at \$252.34 billion in 2021 and is expected to reach \$432.81 billion by 2031¹, with an average growth rate of 5.7% between 2022 and 2031.

2.4 Profit forecasts or estimates

The Token Issuer does not make any profit forecasts or estimates. However, the draft resolution of the European Parliament of 17.06.2021 (2020/2130)² mentions that the return of litigation financiers can be up to 300% or in some cases even up to 3,000%.

2.5 Structure of a DAO

The Token Issuer intends to set up a DAO (Decentralised Autonomous Organisation). As a "Litigation Financing DAO", the Token Issuer refers to a litigation financing organisation that is coded by a transparent computer program, whereby litigation financing cases are not controlled by the Token Issuer, but by the individual affected parties and users. The DAO is to be controlled by smart contracts on the blockchain.

2.6 Track Record

2019: Foundation

2020: Financing of damages proceedings against ShareWood Switzerland AG

¹ <https://www.alliedmarketresearch.com/liability-insurance-market-A15352>.

² https://www.europarl.europa.eu/meetdocs/2014_2019/plmrep/COMMITTEES/JURI/PR/2021/06-28/1224222EN.pdf

2021:

- Financing of damages lawsuits against Ledger SAS in matters of data protection
- Financing of information proceedings against HG Lab Truck GmbH in matters of data protection: First information proceedings won at first instance
- Financing of legal protection cover proceedings against Generali Versicherung AG in connection with Ledger SAS

2022:

- Financing of legal protection cover proceedings against Oberösterreichische Versicherung AG, Helvetia Versicherungs AG, UNIQA Österreich Versicherungen AG, Wüstenrot Versicherungs-AG, ARAG SE Directorate for Austria in connection with Ledger SAS
- Legal protection coverage proceedings won at second instance and legally binding against Generali Versicherung AG
- Legal protection cover case won at first instance against UNIQA Österreich Versicherungen AG

Upcoming financing case:

- Envion AG^{3 4}

3. Conditions of the offer

3.1 Information about the tokens to be issued

3.1.1 Description of the tokens

The new **9,000 LFD Tokens** to be issued by the Token Issuer are utility tokens. The holders of the LFD Tokens are referred to as "**Tokenholders**".

3.1.2 Legislation under which the tokens were created

LFD Tokens are created according to the law of the Principality of Liechtenstein.

3.1.3 Description of the rights associated with the tokens

a) Entry into the LFD ecosystem

LFD Tokens allow the Tokenholder to enter the Token Issuer's LFD ecosystem.

b) Use of the LFD ecosystem

Tokenholders have the option to:

- to have its own legal disputes **reviewed free of charge** by the Token Issuer for the purpose of litigation financing;

³ <https://twitter.com/envionwatch/status/1412789488699338753>.

⁴ <https://envion.investhub.io>.

- ii. **reduction in the profit-sharing rate** for own litigation in the event of a litigation financing commitment by the Token Issuer;
- iii. to present new possible litigation financing cases in the context of a so-called "Treasure Hunt" of the Token Issuer and to receive a **finder premium** for this;
- iv. participate in surveys on possible litigation financing cases, comment on possible litigation financing cases and provide input on the strategy on possible litigation financing cases and receive a **support premium** for this;
- v. a participation in a future **security token offering** of the Token Issuer. Tokenholders receive a **right of first refusal** for the purchase of the security tokens.

c) **Transferability**

LFD Tokens can basically be transferred freely.

3.2 Name of the trustworthy system used

LFD Tokens are stock rights that are issued on a decentralized database (blockchain) and transferred there. Blockchain is the **Polygon Blockchain**.

4. Details of the offer / admission to trading

4.1 Modalities of the offer

4.1.1 Countries where the tokens are not offered and sold

LFD Tokens are not offered and sold in countries where the offer and sale of LFD Tokens is subject to restrictions or prohibited.

4.1.2 Purchase platform

LFD Tokens can be purchased online on <https://app.litigation-financing.io/>.

4.1.3 Purchase period

LFD Tokens can be purchased from **01.10.2022**.

4.1.4 Purchase price

The purchase price for a LFD Token is **CHF500.00**. It is reduced by **20% for a purchase until 30.11.2022**.

4.1.5 Delivery

LFD Tokens are delivered against payment of the purchase price (in CHF) or the corresponding EUR amount at the respective daily rate to the business account of the Token Issuer or via credit card, or against payment of the purchase price in USDC or USDT at the respective daily rate on the wallet of the Token Issuer usually within 5 days on the wallet of the acquirer.

4.1.6 Trade

So far, the LFD Tokens are not traded on a crypto exchange. However, the Token Issuer intends to grant the earliest possible admission to trading.

4.2 Other conditions

4.2.1 Withdraw

The token acquirer has the right to withdraw from the token purchase agreement within 14 days without giving reasons. The withdrawal period is 14 days from the day on which the token acquirer received the LFD Token. In order to exercise the right of withdrawal, the token acquirer must inform the Token Issuer of the decision to withdraw from the token purchase agreement by means of a clear statement (e.g. a letter sent by post or e-mail). The sample withdrawal form on the website of the Token Issuer can also be filled out and transmitted electronically <https://app.litigation-financing.io/>. If this option is used, the Token Issuer will immediately (e.g. by e-mail) send a confirmation of receipt of such withdrawal to the token acquirer. In order to comply with the withdrawal period, it is sufficient that the token acquirer sends the notification of the exercise of the right of withdrawal before the expiry of the withdrawal period.

Consequences of withdrawal

If the token acquirer withdraws from the token purchase agreement, the Token Issuer shall repay all payments received from the token acquirer without undue delay and at the latest within 14 days from the date on which the token acquirer received notice of withdrawal from the token purchase agreement. For this repayment, the same means of payment will be used that the token acquirer used in the original transaction, unless expressly agreed otherwise with the token acquirer.

4.2.2 Applicable law

The contract for the acquisition of the LFD Tokens, the form and content of this contract, the rights and obligations of the token acquirers or Tokenholders as well as the Token Issuer shall be governed exclusively by the laws of the Principality of Liechtenstein to the exclusion of conflict of law rules.

4.2.3 Venue

The exclusive place of jurisdiction for all disputes arising from or in connection with the LFD Tokens is Vaduz, Principality of Liechtenstein.

4.2.4 Severability clause

If any provision of the token purchase agreement is or becomes inadmissible, ineffective or unenforceable, this shall not affect the admissibility and validity of the remaining provisions. The contracting parties must replace that provision with a permitted, effective and enforceable provision that comes as close as possible to the purpose of the provision to be replaced, or otherwise adapt the contract according to its current economic content or as close as possible. This also applies mutatis mutandis to gaps that need to be supplemented.

5. Risk factors

The LFD Tokens to be issued in this case are utility tokens. Tokens are stock rights that are issued on a decentralised database (blockchain) and transferred there.

Token acquirers are required to read the entire Token Offering Memorandum (including any addendums). The information contained in this Token Offering Memorandum (including any supplements), in particular the information in the "Risk Factors" section, should be considered and considered by any potential token acquirer prior to purchasing the LFD Tokens.

Buying and holding LFD tokens comes with various risks. Risk factors are addressed in this Token Offering Memorandum (including any supplements) only to the extent that they are risks that are specific, material and confirmed for it and the tokens from the point of view of the Token Issuer. It is forbidden to include risk factors that serve exclusively to exclude liability. The Token Issuer therefore does not guarantee that the risks described in the "Risk Factors" section are comprehensive and complete and that no further or other risks may arise. It is expressly pointed out that in individual cases further individual risks may occur. In addition, risks can occur not only individually, but also cumulatively.

Reading and understanding the risk factors is not sufficient. Potential token acquirers should be aware of the risks associated with purchasing the LFD Tokens and should not make a purchase decision until they have fully informed the legal, tax and financial advisor, auditor or any other expert about the suitability of purchasing the LFD Tokens, taking into account their personal financial and tax situation and other personal circumstances, as well as those in this Token Offering Memorandum (including any supplements).

The occurrence of one or more of the risks listed in the "Risk Factors" section may have a significant adverse effect on the net assets, financial position and/or results of operations and on the business activities of the Token Issuer in general, which in turn may have a direct impact on the value of the LFD Token. It is recommended that token acquirers have in-depth knowledge and experience of how blockchain, smart contracts, tokens and cryptocurrencies work before buying the LFD Token.

Token acquirers must decide for themselves whether the purchase of LFD Tokens is suitable for them. In particular, every token acquirer should:

- have sufficient knowledge and experience to fully assess the LFD Token and the benefits and benefits of a Token Offering Memorandum and the information contained in this Token Offering Memorandum (including any supplements);
- have sufficient financial resources and liquidity to bear all risks associated with the purchase;
- fully understand the terms of this Token Offering Memorandum (including any supplements) and be aware of trends and the development of relevant indicators of the market;

- be able to evaluate, alone or with the help of an advisor, possible scenarios of economic trends, interest rates and other factors that may affect the investment in the LFD Token and the ability of the token acquirer to bear potential risks.

Token acquirers bear the risk that the token purchase may not be suitable for them.

5.1 Risks of the token issuer

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| <p>Equity</p> <p>The purpose of the Token Issuer is the financing of legal disputes. The equity of the Token Issuer initially amounts to CHF20,000.00. Since the Token Issuer was only founded on 16.12.2019, no significant historical financial data or key figures are available to assess the financial situation of the Token Issuer in relation to the past years. The Token Issuer has not been rated by a rating agency.</p> |
| <p>Risk of insolvency and insolvency</p> <p>In the event of the opening of insolvency proceedings over the assets of the Token Issuer, the Token Issuer will be temporarily or permanently limited in the disposal of its assets or the disposal of the assets of the Token Issuer will be taken over by a court-appointed insolvency administrator. This may have a negative impact on the financial position and business activities of the Token Issuer. This case can also occur if the insolvency applications have been filed incorrectly. However, the risk of a total loss of equity cannot be completely ruled out.</p> |
| <p>Capital requirements</p> <p>The capital requirements of the Token Issuer depend on numerous factors. Depending on the Token Issuer's ability to generate revenue from its operations, the Token Issuer may need funding in the future. Any equity financing will result in dilution of the shareholding, and debt financing, if available, may involve restrictions on financing and business activities. Should the Token Issuer not be able to obtain the necessary funding, it could be forced to reduce the scope of its operations.</p> |
| <p>Risks associated with blockchain technology</p> <p>The Token Issuer uses blockchain technology, which comes with some risks. This is mainly due to the fact that it is a relatively new technology for which long-term studies and trials have not yet been carried out. Measures taken by financial market regulators or other government agencies could lead to blockchains being regulated, crypto exchanges being closed and/or the classification of tokens being changed or regulated. The state of the blockchain underlying the LFD Token changes regularly, even after a block has been mined. Therefore, the Token Issuer cannot accept any responsibility for the finality of blockchain-based events, including the transfer of LFD Tokens.</p> |
| <p>Amendment of laws or regulations</p> <p>Existing laws, regulations and the practice of financial market supervision are the subject of intense political and judicial debate in all jurisdictions where tokens are sold. Changes to existing laws and regulations may take effect without warning and with immediate or even retroactive effect, which may affect the operating results of the Token Issuer, the value of the investments made, the ability to sell, distribute and trade the LFD Tokens. In very serious circumstances, the jurisdiction may force the cancellation of the token sale or the closure of the Token Issuer. This could lead to losses for the Tokenholders.</p> |

In addition, laws, regulations and requirements regarding the identification of Tokenholders, the fight against money laundering, the use of blockchain technology, may change at any time, which may lead to changed requirements and/or new procedures. This could also lead to the sudden fact that it is suddenly no longer possible to trade with the LFD Tokens, forcing the Token Issuer to exclude Tokenholders from the list of eligible acquirers. Tokenholders are strongly advised to monitor legal and regulatory developments at all times and to consider their own position in relation to these requirements.

The Token Issuer has institutionalised internal processes to ensure compliance with the laws and regulations of Liechtenstein and all other jurisdictions for public offerings. If, despite these precautions, there are violations of legal or regulatory requirements, this could have a negative impact on the business activities of the Token Issuer and/or the price of the LFD Tokens on a possible secondary market.

Changes in data protection laws or regulations may force the Token Issuer to disclose additional information of any kind to authorities in the future.

Dependence on economic and technological developments

Like any other company, the Token Issuer is subject to general macroeconomic developments such as economic growth, interest rate developments and inflation. As blockchain technology and the industry associated with it are relatively new and evolving, the economic developments associated with it are relatively uncertain.

Currency risk

A currency risk could arise if fiat and crypto currencies had to be converted between each other and mutually and the exchange rate is unfavourable.

Dependence on key personnel

The operational success of the Token Issuer depends largely on the continuous efforts of its executives. The loss of one or more officers may adversely affect the business activities of the Token Issuer. If the Token Issuer is unable to recruit, train and retain key individuals and other highly qualified employees and advisors, this may adversely affect its business operations.

5.2 Risks of the token issuer's business activities

Risks of litigation

Although the Token Issuer has a specific procedure for selecting litigation financing cases, which is intended to reduce the risk of litigation, it may happen that a legal dispute is lost. This depends on different reasons, e.g. difficulties of proof, different legal opinions, change in the line of case law, etc.

Cost risks in the event of process loss

If a legal dispute is lost, the Token Issuer as a litigation financier usually has to bear the costs of the appointed lawyer, the costs of the opposing party and the court costs.

Cost risks in the event of process gains

If a legal dispute is won, the Token Issuer as litigation financier usually has to bear those costs that are not to be reimbursed by the opposing party in accordance with the relevant lawyers' tariff provisions and court fee regulations.

Collectibility risk

Although the Token Issuer has a specific procedure for the selection of litigation financing cases, in which the solvency of the opposing party is also checked, it may happen that despite a positive judgment, the opposing party (i) is not immediately willing to pay the amount of the claim including any reimbursement of costs, which means that enforcement proceedings with initial further costs must be pursued, (ii) is temporarily illiquid, whereby the amount of the claim, including any reimbursement of costs, does not flow immediately, (iii) forfeits bankruptcy, whereby the claim amount including any reimbursement of costs could become irrecoverable.

Prohibition or restriction of the business activities of the Token Issuer

A general ban on the business model of the Token Issuer cannot be ruled out. This would lead to restrictions on operating revenues until the complete cessation of operations. However, restrictions could also increase the regulatory burden, which could lead to huge operational costs for regulatory compliance and not make the business model profitable.

5.3 Specific risks of the tokens

Digital Risk

The Tokenholder alone bears the risk of selecting the wallet or the whereabouts of the private key. If an incompatible wallet is used or the private key or password is lost, access to the LFD Tokens is generally not possible. The consequences, such as the total loss, are to be borne solely by the Tokenholder.

LFD Tokens may be lost or inaccessible, especially if the Tokenholder loses the respective private key or password available through their LFD Tokens or due to a malfunction of the wallet in which the LFD Tokens are stored. This can lead to the loss of LFD Tokens. It is the sole responsibility of Tokenholders to securely store and protect the private key or password that allows access to the wallet. LFD Tokens can also become inaccessible in the event of the death of a Tokenholder if the Tokenholder has not made arrangements for such cases. Neither the Token Issuer nor any other entity or institution is able to restore access to the Tokenholder's wallet or password for the Tokenholder's successors. The loss of private keys or passwords could also affect the availability of various functionalities of the LFD Tokens. Finally, there are cyber risks that can be used against LFD Tokens.

Liquidity, sale and realisation risk, risk of market illiquidity

There can be no guarantee that there is an active market for LFD Tokens or that the price of LFD Tokens will rise. There may be relatively few potential buyers or sellers at any given time, which can increase the volatility of the market price of the LFD Tokens. There is no certainty that a liquid market for the LFD Tokens will develop. Tokens are usually illiquid before being listed on a crypto exchange. The Token Issuer will use its best efforts to make the LFD Tokens tradable on one or more crypto exchanges, provided that the providers of such exchanges or platforms are licensed and operational to trade utility tokens. Both the liquidity and the price of the LFD Tokens will be affected if an active and liquid market for the LFD Tokens cannot be created. If the LFD Tokens cannot be listed on an exchange or platform, the liquidity of the LFD Tokens will be limited and may have a negative impact on their economic value. Even if the LFD Tokens can be listed, sufficient liquidity to generate reliable price signals is not guaranteed. A very low trading volume of LFD Tokens can inflate market prices in both directions and distort the market price of LFD Tokens. In any case, there is no guarantee that a Tokenholder willing to sell will find a buyer or a buyer willing to pay a reasonable price. This risk is fully borne by the Tokenholders.

Exchange rates and transaction costs

The purchase currency of the LFD Token is CHF. In addition, LFD Tokens can also be purchased in EUR, USDC and USDT. When switching between fiat money and when switching from cryptocurrencies to fiat money and vice versa, there are transaction costs for token purchasers. Furthermore, transaction costs are incurred when using blockchains.

Risks associated with the purchase platform

The purchase platform itself is a blockchain-based application that is made available to the Token Issuer as a white label. Even though the Token Issuer has made every effort to evaluate the reliability of the purchase platform, the risk of malfunctions, bugs and errors leading to a delayed or incorrect allocation of LFD Tokens in connection remains. One risk is that the purchase platform will be hacked and buyer data could be shared with third parties. In addition, there is a risk that the purchase platform will fail and the buyer data required to purchase the LFD Tokens will not reach the Token Issuer.

Due to the general regulatory uncertainties, the procedures provided through the purchase platform may no longer comply with the new rules and regulations that may apply during the purchase process.

The purchase platform uses best practices to comply with the rules and regulations regarding the identification of buyers and/or Tokenholders, as well as anti-money laundering laws. Given the level of development of the digital asset markets, there is still a risk that a competent authority will determine that the Token Issuer is not complying with the laws and regulations, which could have a negative impact on the Token Issuer's operations.

Technical risks

Although the purchase process follows best practices, execution can be subject to various technical risks that can slow down, interrupt, or terminate the process. These factors include batch overflow, DNS/DoS/DDoS attacks, the risk of website hacking, double spending, fraudulent addresses or mining attacks, and Internet connection and transmission problems or insufficient computer capacity to execute transactions quickly. Such factors are beyond the control of the Token Issuer.

The Token Issuer uses smart contracts based on a blockchain protocol, a new technology that has only recently been introduced and used. The Token Issuer cannot rule out future changes to the blockchain protocol and associated risks of unforeseen problems that could affect the effective use of the smart contracts, such as the risk of blockchain splitting off, blockchain malfunction, bottlenecks in the blockchain's native currency, or attacks on the blockchain's performance. The Token Issuer does not have sufficient experience with the blockchain protocol to ensure that the blockchain protocol functions properly and error-free and defect-free at all times. It can therefore not be ruled out that the blockchain protocol will function properly and that tokens will be generated in accordance with this Token Offering Memorandum. This could lead to an incorrect allocation of the LFD Tokens, unauthorised transactions and the loss of the LFD Tokens of the token acquirers.

The number of cyber-attacks on token offerings has increased significantly in recent years. It cannot be ruled out that the LFD Tokens will be hacked before, during or after the offering. Token acquirers are advised that technological developments remain unpredictable in terms of the possibilities of hacking the blockchain's cryptographic code and the LFD Tokens themselves. This could lead to incorrect allocation of LFD Tokens, unauthorised transactions and loss of LFD Tokens.

The Token Issuer uses smart contracts to operate the token offering. The use of smart contracts is based on a new technology that has only become established and is being used in recent years. The Token Issuer cannot

exclude the risk of cyber-attacks on the smart contracts. This could lead to incorrect allocation of LFD Tokens, unauthorised transactions, and loss of LFD Tokens.

There is a risk that the website of the Token Issuer may contain vulnerabilities or errors in the source code that may affect the use of the LFD Tokens or lead to the loss of the LFD Tokens.

Regulatory risks

Regulators' views on the blockchain and their response to it are only evolving. It is far from clear that they will find the right balance between the opportunities created by technology and the potential risks to the financial system.

Volatility risk

The two different risk factors, the general market risk and the company-specific risk, can affect the price of the acquired LFD Tokens on a secondary market.

The market is influenced by the economic environment, such as the uncertainty of economic growth, inflation, interest rates, exchange rates and economic data. These movements are called market risk, which affects the price of LFD Tokens. Some companies are more exposed to market risk than others.

The company-specific risk is the risk that human error in corporate governance can lead to wrong or completely wrong reactions to changing market trends.

In the long term, the price changes of the LFD Tokens are therefore dependent on the earnings situation of the Token Issuer. In the short to medium term, however, rising and falling prices of LFD Tokens will replace each other in an unpredictable way. These fluctuations are called volatility. They can be measured for the past: the higher the price premiums, the higher the volatility.

Risk of a negative rating by analysts

The price of LFD Tokens may be influenced by analyst assessments and other opinions expressed in Internet forums, stock exchange letters or other media.

Risk of an unapproved prospectus

A prospectus for the public offer of LFD Tokens has not been prepared due to a lack of prerequisites. Accordingly, no prospectus has been approved by a financial market supervisory authority. Further investor protection provisions are therefore not taken into account.

Vaduz, 01 October 2022

The Token Issuer:

Litigation Financing DAO GmbH