Plaintiff attorneys spend many years and advance significant expenses to bring a case to settlement for their clients. Every litigation possesses unique characteristics, and the terms of each settlement are negotiated to reflect the nature of the damages, the length of the litigation, the number of people affected, and the total liability. So why do settling parties in a litigation often choose a “one size fits all” escrow account when it’s time to establish a 1.468B Qualified Settlement Fund?

Many global settlement administration and bank escrow arrangements offer little value to plaintiffs and their attorneys. These accounts typically pay very little, if any, interest and leave most of the administrative burden to the plaintiffs’ attorneys. In our opinion, the rigid structure of escrow programs overcomplicates the process of paying claimants and attorneys, who usually end up leaving a lot of money on the table.

We believe there is a better alternative. Qualified Settlement Funds are similar in scope and size to institutional pension and corporate accounts, which are customized to meet unique liquidity, risk, and return requirements. ARX utilizes an active approach to managing QSFs, providing professional money management structured to meet the specific needs of each settlement. We specialize in building customized portfolios, comprised of a diversified mix of government-guaranteed securities and conservative money market instruments. Each of our QSFs are:

- Structured to preserve capital while earning an attractive level of interest.
- Customized to meet the specific needs of each settlement.
- Constructed to deliver attractive earnings on your attorney fees in the QSF.
- Invested to defray a portion of claims administration and common benefit expenses.
- Designed to accommodate an outsourced administration and claimant payment processing capability, often at no cost to your firm.

The terms of the Qualified Settlement Fund can make a meaningful difference in net recoveries and attorney fees, and it is our view that they should be negotiated as a strategic part of the overall settlement. We can help you negotiate the most favorable terms for your QSF.

About ARX Management:

Established by professionals with direct experience in complex litigation and institutional investment management, ARX offers an unmatched mix of expertise relevant to managing 1.468B Qualified Settlement Funds. Prior to establishing ARX in 2011, our partners directly managed $8 billion in active fixed income portfolios for a large institutional investment manager. Our expertise investing conservative capital preservation products is directly applicable to the management of institutional QSFs. Contact us today to discuss the ARX Advantage.

www.arxmgmt.com 310-292-0345 brown@arxmgmt.com

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ARX ACTIVELY MANAGED QSF VS. BANK ESCROW PROGRAM

It is our view that a diversified portfolio of high quality government-guaranteed securities and conservative bonds offers Qualified Settlement Fund (QSF) investors superior risk-adjusted earnings compared to large bank escrow programs. The hypothetical scenarios below compare an actively managed QSF generating a 2% annual yield (net) vs. a typical escrow account at a large bank paying 0.24% annually*. The results are striking, especially considering the escrow product concentrates risk with one bank and offers only $250,000 in deposit insurance.

** Monthly Interest Earned: Actively Managed QSF vs. Bank Escrow Account**

<table>
<thead>
<tr>
<th>Gross Settlement</th>
<th>Active QSF</th>
<th>Escrow Account</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10 million</td>
<td>$16,667</td>
<td>$2,000</td>
<td>$14,667</td>
</tr>
<tr>
<td>$25 million</td>
<td>$41,667</td>
<td>$5,000</td>
<td>$36,667</td>
</tr>
<tr>
<td>$50 million</td>
<td>$83,333</td>
<td>$10,000</td>
<td>$73,333</td>
</tr>
</tbody>
</table>

The table below shows the estimated difference in monthly interest earned on the attorney fee segment alone, assuming a 40% contract rate.

** Monthly Interest Earned on Attorney Fee Segment:**

<table>
<thead>
<tr>
<th>Gross Settlement</th>
<th>Active QSF</th>
<th>Escrow Account</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10 million</td>
<td>$6,667</td>
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<td>$5,867</td>
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<tr>
<td>$25 million</td>
<td>$16,667</td>
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<td>$14,667</td>
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<tr>
<td>$50 million</td>
<td>$33,333</td>
<td>$4,000</td>
<td>$29,333</td>
</tr>
</tbody>
</table>

About ARX Management:

Established by professionals with direct experience in complex litigation and institutional investment management, ARX offers an unmatched mix of expertise relevant to managing 1.468B Qualified Settlement Funds. Prior to founding ARX in 2011, our partners actively managed $8 billion in fixed income assets for a large institutional asset manager. Our expertise investing conservative capital preservation products, such as money market and enhanced cash strategies, is directly applicable to the management of institutional Qualified Settlement Funds.

Contact ARX today to discuss a customized Qualified Settlement Fund for your settlement.

* Example based on a large QSF established in June 2018.
** Hypothetical Assumptions: Contract Rate: 40%, Active QSF earns 2% (net) annually, Bank escrow account pays 0.24% annually. Results are simple interest based on realistic estimates, are not intended to be performance guarantees, and may change as market dynamics shift.

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