

GALACTIC SEVEN ELEVEN LITIGATION HOLDINGS LLC
(a Wyoming Corporation)

Conflicts Management Policy

1. Recitals

- 1.1 *GALACTIC SEVEN ELEVEN LITIGATION HOLDINGS LLC* of Registered Office 400 Rella Boulevard, Suffern, New York, USA 10901, conducts a Litigation Funding Business.
- 1.2 This is the Conflicts Management Policy of the Funder pursuant to the Regulations and the Australian Securities and Investments Commission *Regulatory Guide 248*.
- 1.3 The Funder and its associated staff will, prior to, during, and after the conclusion of the duration of any Funding Agreement between it and Lawyers and Funded Clients continue to be bound by the terms of this Policy.

2. Interpretational Rules

Rules of interpretation apply to this Policy as specified in this provision, unless the context otherwise requires:

- 2.1 (**headings**): headings and subheadings are for convenience only and do not affect interpretation;
- 2.2 (**plurality**): words denoting the singular number include the plural, and the converse also applies;
- 2.3 (**gender**): words denoting any gender include all genders;
- 2.4 (**variants**): a defined word or expression has corresponding effect in relation to its other grammatical forms;
- 2.5 (**parties**): any reference to a party to any agreement or document includes its executors, administrators, legal personal representatives, successors and permitted assigns and substitutes by way of assignment or novation;
- 2.6 (**inclusions**): the words include, including, for example, and similar expressions are used without limitation;
- 2.7 (**components**): any reference to any whole or collective item includes any part of that item;
- 2.8 (**claim**): claim includes any claim, demand, request, requisition, notice, direction, allegation, action, proceeding or judgment arising in any manner and at any time, and whether present, immediate, unascertained, future or contingent;

- 2.9 (**costs**): costs includes any costs, charges, expenses, disbursements, fees, commissions, outgoings, premiums, taxes, levies, fines, penalties or losses incurred at any time, whether directly or indirectly;

3. Definitions

- (i) **“Board”** means the corporate board of the Funder.
- (ii) **“Commencement Date”** means the date of this document.
- (iii) **“Court”** means any Federal or State court in Australia.
- (iv) **“Disclosure Statement”** means a document which:
 - a. identifies and assesses divergent interests between the Funder, Funded Clients, Prospective Members and/or Lawyers;
 - b. discloses pre-existing relationships which may alter the decision making of the Funder and/or Lawyers during relevant dispute proceedings; and,
 - c. provides an appropriate response to those divergent interests and potential conflicts, and methods to implement appropriate measures to address and minimise the impact of conflicts.
 - d. provides details of any dispute resolution options that are available to Prospective Members who have a dispute with the Funder.
- (v) **“Funded Clients”** means people or entities that have entered into a Funding Agreement with the Funder for the purpose of obtaining finance to fund their claim.
- (vi) **“Funder”** means GALACTIC SEVEN ELEVEN LITIGATION HOLDINGS LLC.
- (vii) **“Funding Agreement”** means an agreement between the Funder and Prospective Members and Funded Clients, or an agreement between the Funder, Prospective Members, Funded Clients and Lawyers, in which the Funder agrees to provide finance to Prospective Members and Funded Clients in order to fund the claim of the Prospective Members.
- (viii) **“Lawyers”** means any legal representatives who are engaged to act for Prospective Members or the Funded Clients in any claim.
- (ix) **“Member”** means a member of a representative action.
- (x) **“Nature, Scale and Complexity”** includes factors such as:

- (a) The number of Members in a representative action;
 - (b) The potential for conflicts of interest to arise;
 - (c) The identity of the Members (e.g. whether the class of group members is open or closed, consumers and/or institutions);
 - (d) Legal representation of Members in the proceeding, including fee and retainer agreements between such representation and Members; and,
 - (e) The structure of the litigation scheme (e.g. choice of defendants, such as whether to commence proceedings against some or all of a corporate group, its directors or its advisers).¹
- (xi) **“Policy”** means this Conflicts Management Policy.
 - (xii) **“Pro-Forma Disclosure Statement”** means a general Disclosure Statement, not specific to any Funded Clients, which:
 - a. identifies general conflicts of interests likely to exist between the Funder, prospective Lawyers and prospective Members; and,
 - (xiii) **“Prospective Members”** means people or entities with a claim for compensation that have not entered into a Funding Agreement with the Funder.
 - (xiv) **“Regulations”** means *Corporation Regulations 2001* (Cth).
 - (xv) **“Review”** means an analysis of this Policy or any Disclosure Statement as to ascertain whether this Policy or any Disclosure Statement ought to be amended in order to better manage and prevent conflicts of interest from arising, and manage conflicts of interest that have arisen, between the Funder, Lawyers, and/or Funded Clients.
 - (xvi) **“Review Date”** means the date of the last Review.
 - (xvii) **“Senior Management”** means at least one Director of the Funder, who will be responsible for reporting to the Board of the Funder with respect to this Policy.²
 - (xviii) **“Senior Person”** means Maureen Licata who has a senior role at the Funder.
 - (xix) **“Settlement Agreement”** means an agreement between Funded Clients and a defendant or potential defendant to settle a claim held by the Funded Clients against that defendant or potential defendant.

¹ RG 248.32.

² RG 248.45.

- (xx) “*Stage*” means ascertainable future period of legal work to be conducted in a legal dispute.

4. Commencement of Policy

- 4.1 This Policy will commence on the Commencement Date.

5. Appointment of Responsible Person

- 5.1 The Board appoints the Senior Person to be directly responsible for the implementation and enforcement of this Policy.
- 5.2 The duties that the Senior Person is responsible for include, but are not limited to:
- 5.2.1 the implementation, monitoring and management of this Policy;³
 - 5.2.2 the communication of this Policy and the procedures within each Disclosure Statement to the staff of the Funder and the Board,⁴ and ensuring that the staff are aware of such procedures.⁵
 - 5.2.3 reporting to the Board with respect to compliance, monitoring and implementation of this Policy.⁶
 - 5.2.4 ensuring that the Funder has adequate staff and resources to undertake the required compliance functions.⁷
 - 5.2.5 implementing clear reporting lines for the staff responsible for the procedures;⁸ and,
 - 5.2.6 receiving and/or generating regular reports on compliance with this Policy and the Regulations, and reporting to the Australian Securities and Investments Commission if necessary.⁹
- 5.3 The Board is to ensure that the Senior Person is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with the independent exercise of the Senior Person’s judgment in monitoring and implementing this Policy.¹⁰ If the Senior Person is found to have a business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with the independent exercise of his or her judgment in monitoring and implementing this Policy:

³ RG 248.45.

⁴ RG 248.41.

⁵ RG 248.47(c).

⁶ RG 248.45.

⁷ RG 248.47(b)

⁸ RG 248.47(d).

⁹ RG 248.47(e).

¹⁰ RG 248.46.

- 5.3.1 A different Senior Person should be appointed immediately; and,
- 5.3.2 This Policy should be amended to reflect the change in Senior Person.

6. Review of this Policy

- 6.1 A Review of this Policy must be conducted within 12 months of the Commencement Date, and then again within twelve (12) months of every Review Date after that.¹¹
- 6.2 The Review of this Policy must be supervised by the Senior Person.¹²
- 6.3 After completing the Review of this Policy, the Senior Person must advise the Board of any proposed amendments to this Policy.
- 6.4 If the Board agrees by majority after receiving advice from the Senior Person pursuant to clause 6.3 that conflicts of interest would be better managed with amendments to this Policy, such amendments to this Policy must be implemented as soon as reasonably possible.
- 6.5 If this Policy is amended, the amended versions of this Policy must as soon as reasonably possible be made available to the Funded Clients and the Lawyers.

7. Drafting and amending a Disclosure Statement

- 7.1.1 At or before the Commencement Date the Funder must create a Pro-Forma Disclosure Statement.¹³
- 7.1.2 Before the Funder enters into a Funding Agreement with Lawyers and/or Prospective Members, the Funder must amend the Pro-Forma Disclosure Statement to create a unique Disclosure Statement specific to the interests of the Funder, Lawyers and Prospective Members/Funded Clients who are parties to that Funding Agreement. Such Disclosure Statement will identify and manage the specific divergent interests of the Funder, Lawyers and Prospective Members/Funded Clients to that Funding Agreement.¹⁴ The amendments to the Pro-forma Disclosure Statement should be appropriately made to suit the Nature, Scale and Complexity of the Funding Agreement.¹⁵
- 7.1.3 Any party contemplating entering into a Funding Agreement must be provided with a copy of the unique Disclosure Statement which is relevant to the parties to that Funding

¹¹ Rule 7.6.01AB(4)(c).

¹² RG 248.45.

¹³ RG 248.28.

¹⁴ RG 248.30.

¹⁵ RG 248.32.

Agreement, and be provided with a reasonable amount of time to familiarise itself with such Disclosure Statement before entering into a Funding Agreement.

- 7.1.4 All employees, board members and shareholders of the Funder must be provided with a copy of each Disclosure Statement at the earliest possible opportunity, and must familiarise themselves with such Disclosure Statements.
- 7.1.5 A Review of each Disclosure Statement must be conducted within 12 months of the creation of each Disclosure Statement, and then again within 12 months of every Review Date after that. If amendments to a Disclosure Statement are necessary in order to manage conflicts of interest and situations where conflicts of interest may arise, the Senior Person must ensure that the Disclosure Statement is amended. The amended Disclosure Statement must be distributed in a timely and prominent manner to the Funded Clients.
- 7.1.6 The Senior Person must ensure that the terms of each Disclosure Statement are effectively implemented.¹⁶

8. Documenting implementation of measures to address and minimise the impact of conflicts

- 8.1.1 Records monitoring and documenting the compliance of the Funder with this Policy are to be created on a regular basis, or as soon as reasonably possible after the occurrence of an event where action needs to be taken with respect to a conflict of interest, or potential conflict of interest.
- 8.1.2 Such records monitoring the compliance of the Funder with this Policy are to include, but are not limited to, records of the following:
- 8.1.2.1 Records of conflicts identified, and action taken;
 - 8.1.2.2 Any reports given to the Senior Person or to any other staff of the Funder pertaining to conflict of interest matters;
 - 8.1.2.3 Copies of written conflicts of interest disclosures given to Prospective Members or the public as a whole,
 - 8.1.2.4 Records of amendments made to this Policy,
 - 8.1.2.5 Records of the creation and any amendment of any Disclosure Statement.¹⁷

¹⁶ RG 248.62.

¹⁷ RG 248.35; 248.36.

- 8.1.3 Records or documentation monitoring non-compliance of the Funder with this Policy are to be created as soon as reasonably possible after such non-compliance is realised by the Funder.¹⁸
- 8.1.4 Records or documentation monitoring the compliance and non-compliance of the Funder with this Policy are to be kept for a period of seven (7) years.¹⁹
- 8.1.5 Records or documentation monitoring the compliance and non-compliance of the Funder are to be reasonably accessible to the Board and the Senior Person, and should be relied upon when conducting a Review of this Policy and all Disclosure Statements.

9. Monitoring changes to law and legislation

- 9.1 The Senior Person, on behalf of the Funder, is responsible for keeping up to date with changes to the law and legislation that is relevant to managing conflicts of interest within the litigation funding business in the Commonwealth of Australia, and will ensure that this Policy and all Disclosure Statements are amended to comply with such changes.²⁰

10. Recruitment of Prospective Members for a representative action

- 10.1 When recruiting Prospective Members for a representative action, staff of the Funder must exercise great care to ensure that Prospective Members are not misled during the recruitment process.²¹
- 10.2 The Senior Person is to be responsible for overseeing the recruitment process of Prospective Members, including marketing for the prospective representative action, as to ensure no misrepresentations are made.²²
- 10.3 The Funder must not:
- 10.3.1 Recruit Prospective Members by enticing Prospective Members to join a representative action based on advertisements of the absolute sum of compensation likely to be obtained by each Member, without making reference to the fact that a portion of that sum will be payable to the Funder.
 - 10.3.2 Recruit Prospective Members based on the foreseeable compensation that can be achieved by one Prospective Member of a representative action, when such

¹⁸ RG 348.35.

¹⁹ RG 248.36.

²⁰ RG 248.44.

²¹ RG 248.65.

²² RG 248.65.

compensation is likely to be greater than the compensation which will be received by most other Prospective Members of the same representative action.

- 10.3.3 Mislead Prospective Members into thinking that they will have control in providing instructions in respect of the representative proceedings when it would only be a 'lead applicant' who will have such control.

11. The Terms of any Funding Agreement

11.1 The terms of any Funding Agreement must include:

- 11.1.1 An obligation to comply with the terms of the Regulations and any other relevant law.
- 11.1.2 A cooling off period to provide an opportunity for Funded Clients to seek legal advice.
- 11.1.3 If the Lawyers are a party to the Funding Agreement, an obligation for Lawyers to give precedence to the instructions of Funded Clients over the instructions of the Funder; and,
- 11.1.4 A procedure to be applied to review a proposed Settlement Agreement and to decide whether such proposed Settlement Agreement made within dispute proceedings should be accepted.
- 11.1.5 An obligation to provide clear and full disclosure of all terms of a Settlement Agreement to all Funded Clients and to the court in which the substantive proceedings relevant to that Funding Agreement are being held. Such disclosure should, as accurately as possible, clearly express what percentage the settlement sum represents of the total relief claimed by the Funded Clients.
- 11.1.6 An obligation to provide full disclosure to the Funded Clients of the terms of any other agreement that exists, or comes into existence, between the Funder and Lawyers which relates to that Funding Agreement.
- 11.1.7 A dispute resolution mechanism, to handle disputes that may arise between the Funder, Lawyers and Funded Clients.
- 11.1.8 An obligation to provide timely and clear disclosure to the Funded Clients of any breach committed by the Lawyers or Funder of the Regulations with respect to the business of litigation funding in general, and a right for the Funded Clients to

terminate the Funding Agreement if the Funder does not comply with the Regulations.²³

- 11.2 The terms of any Funding Agreement must be reviewed on a regular basis to ensure that it is consistent with Division 2 of Part 2 of the *Australian Securities and Investment Commission Act 2001 (Cth)*.²⁴ The Senior Person must supervise such review.
- 11.3 The terms of any Funding Agreement must be reviewed on a regular basis to ensure that such terms do not give rise to an unfair contract, or unconscionability, as understood under the law in the Commonwealth of Australia.²⁵
- 11.4 Before the terms of any Funding Agreement are executed by any party, the Funding Agreement must be reviewed by the Senior Person as to ensure that its terms are consistent with this Policy, and only after a review and approval of the Funding Agreement by the Senior Person, can the Funding Agreement be executed.²⁶

12. Conditions regarding Lawyers

- 12.1 The Funder must not provide Funded Clients with funds to pay Lawyers unless those Lawyers first disclose to the Funder all possible interests they have which could or would conflict with the interests of the Funded Clients. Such interests must then be disclosed to the Funded Client in the appropriate Disclosure Statement.
- 12.2 The Senior Person must ascertain whether, due to prior interests of the Lawyers, the Lawyers will not be in a position to independently represent the interests of Prospective Members or Funded Clients in a claim. If the Senior Person determines that the Lawyers cannot independently represent the interests of Prospective Members, the Senior Person must advise the Board not to fund that claim.
- 12.3 If the Lawyers act for the Funder and Funded Clients:
- 12.3.1 The professional relationship between the Funder and Lawyers must be conditional upon the Lawyers ensuring that the interests of the Funded Clients are primarily protected and paramount when there is a divergence of interests between the Funder and the Funded Clients.
- 12.3.2 If there is no direct contractual relationship between Lawyers and the Funded Clients, then any agreement between the Lawyers and Funder must include:

²³ RG 248.71.

²⁴ RG 248.72; reg 7.06.01AB(4)(e)

²⁵ RG 248.73.

²⁶ RG 248.75.

12.3.2.1 A clause stating that if there is a divergence of interest between the Funded Clients and the Funder, the Lawyers must ensure that the interests of the Funded Clients are primarily protected; and,²⁷

12.3.2.2 An acknowledgment that Lawyers always have a fiduciary duty to their clients, and therefore have a fiduciary duty to the Funded Clients.

12.4 If there is a pre-existing relationship between the Lawyers and Funder:

12.4.1 If the Senior Person believes that the pre-existing relationship between the Lawyers and Funder is such that the Lawyers will not be able to act in the best interest of specific Prospective Members or Funded Clients in a claim, then the Funder must not fund the claim.

12.4.2 The nature of the pre-existing relationship, and the way in which such a relationship could create conflicts of interest between the Lawyers and Funder must be disclosed to the Prospective Members in the Disclosure Statement.

12.4.3 A pre-existing relationship includes:

12.4.3.1 Relationships between staff of the Funder and staff of the Lawyers.

12.4.3.2 Relationships between direct family members of staff of the Funder and staff of the Lawyers.

12.4.3.3 Relationships between direct family members of staff of the Lawyers and staff of the Funder.

12.5 The Funder is to use its best endeavours to ensure that the Lawyers inform the Funded Clients of any significant developments in the Funded Client's claim, by way of update reports.

13. Settlement Agreements and offers

13.1 Any Funding Agreement must ensure the following:

13.1.1 That there are adequate provisions to manage conflicts of interest that will arise between the Funder, Lawyers and Funded Clients during any settlement negotiations with respect to a Settlement Agreement.²⁸

13.1.2 Before a Court is asked to approve a proposed Settlement Agreement between Funded Clients and a potential defendant or defendant as being appropriate for

²⁷ RG 248.77.

²⁸ RG 248.87.

the Funded Client, a Senior Counsel, Queen’s Counsel barrister or retired judge must review such proposed Settlement Agreement so as to determine whether in the circumstance the Settlement Agreement provides a fair and reasonable outcome for the Funded Clients.

- 13.2 In assessing whether a proposed Settlement Agreement is a fair and reasonable outcome for the Funded Clients, factors that are to be taken into account include, but are not limited to:
- 13.2.1 the total amount offered and how it is likely to be reflected in a payment to the Clients both individually and collectively;
 - 13.2.2 the likely outcome of the Claim through the trial of the Proceedings;
 - 13.2.3 whether the proposed settlement sum is within the range of damages likely to be awarded by a Court following the trial of the Proceedings;
 - 13.2.4 the terms of any advice received from an independent expert on material issues;
 - 13.2.5 the attitude of the Clients towards the proposed settlement offer;
 - 13.2.6 the likely duration and cost of the Proceedings to maintain and prosecute the Claim, including to final judgment and whether further costs are likely to be recovered;
 - 13.2.7 whether the proposed settlement offer unfairly discriminates between the interests of some Clients over others;
 - 13.2.8 whether the settlement offer is likely to work an injustice for any particular sub-group of Clients;
 - 13.2.9 the likelihood of an appeal after judgment; and
 - 13.2.10 any other material factors.
- 13.3 In assessing whether a proposed Settlement Agreement represents a fair and reasonable outcome for the Funded Clients, the Senior Counsel or Queen’s Counsel barrister appointed pursuant to clause 13.1.2 should take into account the test applied by Jessup J in *Darwalla Milling Co. Pty Ltd v F Hoffman-La Roche Ltd (No. 2)* (2006) 236 ALR 322, at paragraph 41, which is extracted below:

“I propose to consider each of the two categories of loss which the applicants have identified – overcharge loss and LMS loss – discretely. In relation to each, I propose first to consider whether the overall settlement sum is reasonable, having regard to the manner of its calculation and its relationship to a best possible case outcome for the group as a whole, the prospect of achieving an outcome at or near the best possible case, the extent of the weaknesses, substantive or

procedural, in the applicants' case, whether the settlement sum falls within a realistic range of likely outcomes, the forensic difficulties which would be involved in the conduct of the case to judgment, including the distractions, for an operating business, of being involved in such an undertaking, and the time and costs which have been saved by a settlement at this stage. I propose to turn then to the question whether the settlement, including the distribution scheme, involves any actual or potential unfairness to any group members, or categories of group members, having regard to all relevant matters, including whether the overall settlement sum, even if reasonable as such, involves unfair compromises by some members, or categories of members, for the benefit of others, and whether the distribution scheme fairly reflects the apparent or assumed relative losses suffered by particular members, or categories of members. Any consideration of the fairness and reasonableness of the settlement in the present case must take into account not only the overall settlement sum and its relationship with the amount that might be considered a best possible outcome after a successful trial, but also the structure and workings of the scheme by which that sum is proposed to be distributed amongst group members. The fairness and reasonableness of the settlement, from the point of view of any one group member, will necessarily depend on both of these factors."

“Annexure A”**Records of Implementation of Measures in this Policy to
Monitor Conflicts of Interest**

Date	Conflicts of Interest related event	Action taken (including amendments to Disclosure Statements/amendments to this Policy)	Senior Person signature