

Particula

Pre-Allocation Assessment

March 2026




Rating Summary

Rationale

Particula assigns a pre-issuance **B+** rating to the Kairos Credit-Enhanced High-Yield Digital Loan Note Token (\$KAI18-1) as of March 20, 2026. The \$KAI18-1 token represents a foreign-currency senior debt obligation of Kairos Litigation Limited, with underlying cash flows generated from a portfolio of U.K. litigation-finance receivables.

The rating favorably reflects the offering's bankruptcy-remote structure, a robust onchain compliance and governance framework, and the inclusion of credit enhancement features, namely principal protection via a performance bond and After-the-Event (ATE) insurance coverage. At the same time, the rating incorporates material constraints, including risks associated with the sponsor's leverage and overall indebtedness, limited ecosystem maturity and adoption-related complexity of the Canton network, exposure to the credit risk of unrated borrowers, and execution risk related to uncertainty regarding the Financial Conduct Authority (FCA) Motor Finance Consumer Redress Scheme.

Company Overview

Sponsor Name	Horizon Legal Limited	 KAIROS DIGITAL LOAN NOTES
Year of Incorporation	2020	
Company Stage	Maturity Stage	
No. of Employees	1-10	
Investment Vehicle	Kairos Litigation Limited	
Regulated Country	England and Wales	
Licenses & Permits	Incorporated under the Companies Act 2006 as a Private Limited Company	
Token Name & Symbol	Kairos Credit-Enhanced Secured High-Yield Digital Loan Note Token (\$KAI18-1)	
Principal Amount	\$50,000,000	
Available Networks	Canton Network	

Recent Developments

In March 2026, the Horizon Group announced a collaboration with T-Rize Group, a specialized tokenization provider for the Canton Network, to expand its B2B lending offering into digital markets through the launch of the \$KAI18-1 token. The offering is intended to benefit from the anticipated FCA Motor Finance Consumer Redress Scheme, which is expected to clarify the framework for consumer compensation related to mis-sold car finance over the 2007–2024 period. In December 2025, the FCA issued guidance in relation to the proposed scheme, providing increased visibility for U.K. firms involved in motor-finance-related litigation. While a definitive commencement date has not been published, the FCA has indicated that it may announce it in March 2026, potentially reducing eligible claim processing timelines to approximately four to six months.

Bankruptcy-Remote Structure within a Well-Established Legal Framework

The issuance benefits from a robust bankruptcy-remote framework anchored in the establishment of the dedicated special purpose vehicle (SPV), Kairos Litigation Limited. The structure is designed to insulate the transaction from the insolvency risk of related parties, thereby supporting the stability and predictability of cash flows available to token holders. The SPV is required to comply with applicable regulatory standards, and its narrowly defined corporate purpose further mitigates contamination risks from broader group activities. In particular, the SPV's activities are contractually restricted to acquiring litigation receivables that will generate the cash flows backing the \$KAI18-1 token, and the entity is prohibited from incurring indebtedness other than obligations directly associated with the token issuance. Structural safeguards, including separateness covenants requiring the SPV to maintain distinct accounts, records, and assets, strengthen the ring-fencing of the vehicle. Transaction security is held by OPPA Limited, as security agent for token holders, acting as enforcement party and facilitating realization and distribution of proceeds. Additional legal protections include prohibition on merger and strike-off, shareholder non-petition and limited-recourse clauses, while the appointment of an independent director adds governance oversight signed to prevent actions that could compromise the SPV's insolvency-remote status. The structure is also expected to include a Borrower Direction Deed between each borrower and the SPV, stipulating that all claims proceeds received by the borrower are to be transferred to the SPV within one business day and that such transfer instructions are irrevocable. The deed further provides a direction permitting the SPV to issue instructions directly to token holders in the event of the borrower's insolvency. Together, these structural protections help mitigate risks associated with the limited formal regulatory oversight of the underlying litigation financing activities. Their enforceability is supported by the legal framework of England and Wales, which governs insolvency proceedings and contractual enforcement and is reflected by the United Kingdom's (U.K.) strong standing in the World Bank's Worldwide Governance Indicators.

Onchain Compliance & Governance Framework

The \$KAI18-1 token incorporates a structured compliance and governance architecture that constitutes a material positive consideration in the overall assessment of the issuance. Know Your Customer (KYC) and Anti-Money Laundering (AML) verification are conducted offchain by Horizon Legal Limited as part of the investor onboarding process, while onchain credentials issued following this verification serve as the basis for access and transfer eligibility within the token contract environment. Minting, transfer, and redemption functions are enforced as hard preconditions at the contract level, remaining inaccessible to any party without a valid onchain credential and no administrative override mechanism existing within the contract logic. A structured multi-signature governance framework is implemented across operational tiers. Key administrative actions - including credential issuance and revocation, token instrument creation, minting, burning, and lifecycle changes - are subject to a 3-of-6 approval threshold. Authorized groups include Kairos Litigation Limited as issuer, T-Rize Group as technology provider, and Texture Capital as distributor, with two representatives per group. Emergency functions, including the global pause and unpauses mechanism, require a 2-of-3 approval threshold restricted to T-Rize. This authorization structure supports segregation of authority and reduces exposure to unilateral administrative action. A bespoke Governance Gateway smart contract enforces a four-stage procedural sequence comprising proposal, multi-signature approval, time-lock, and execution, with each stage governed by contract logic rather than offchain policy adherence. Any changes to the token include a 7-day onchain notice period with a formal objection mechanism available to token holders, and a 48-hour advance notice requirement for credential revocations, providing affected participants with defined advanced transparency prior to enforcement.

Emergency control mechanisms operate at multiple levels, including instrument-level atomic pause and holder-level sequential batch revocation, allowing enforcement responses proportionate to the severity of the compliance event. Further, the issuance is built on Canton Network Utility templates that have been independently audited by CertiK. The smart contract language of these templates - Digital Asset Modeling Language (Daml) - is architecturally designed to preclude entire categories of security and access control vulnerabilities, providing a structurally constrained execution environment that reduces the potential for contract-level exploits relative to EVM-based blockchain environments.

Robust Credit Enhancement Mechanisms

The offering benefits from credit enhancement provided by the performance bond and the After-the-Event (ATE) insurance framework. The performance bond, issued by Talisman Surety & Fidelity Company Inc. will offer full indemnification to Kairos Litigation Limited for the failure of any of participating law firms - defined as "Approved Solicitors" - to repay the principal on any individual loan. "Approved Solicitors" are the panel of solicitors in England and Wales that are party to individual credit facility agreements with Horizon and have been approved by both the surety and the issuer. According to performance bond's terms, its coverage shall apply to 100% of the portfolio and must be fully reinsured with a reinsurer rated at least A- by S&P Global or A.M. Best. This mechanism reduces counterparty default risk within the underlying portfolio. In addition to principal coverage, the interest payments to token holders will be covered from funds collected upfront from interest charged on borrowers for the full life cycle of each loan. The ATE insurance, also issued by Talisman Surety & Fidelity Co. Inc. for each individual claim, provides coverage for adverse cost outcomes if a case is unsuccessful, up to the specified indemnity limit. Although the insurance excludes up to 10% of bonded legal claims - requiring solicitors to maintain sufficient buffers to absorb such losses - it nonetheless mitigates the uncertainty associated with case-related cost exposures. Taken together, the performance bond and ATE insurance strengthen the credit profile of the loan-note offering by reducing both default-related and litigation-related loss volatility.

Key Challenges

High Leverage, Execution Risk & Governance Considerations

The rating also incorporates the leverage and indebtedness risks associated with Horizon Legal Limited - in its capacity as sponsor of Kairos Litigation Limited and the \$KAI18-1 token issuance - particularly given the company's limited operating history and the absence of a track record in tokenized assets issuances. Although Horizon Legal Limited has reduced its standalone, non-consolidated leverage in recent years - with debt-to-equity and debt-to-asset ratios improving between 2022 and 2024 - its leverage metrics remain elevated. Net debt-to-EBITDA rose sharply, reflecting declining operating profit over the period mentioned above. While smaller issuers with comparable track records in the litigation finance segment often operate with elevated leverage, Horizon's indebtedness remains a key constraint for this offering.

Elevated leverage increases the group's dependence on the timely realization of cash flows from the underlying litigation portfolio to support debt servicing. Uncertainty surrounding the timing and parameters of the FCA's forthcoming Motor Finance Redress Scheme further contributes to this risk. As recoveries associated with these claims are expected to generate borrower cash flows that ultimately fund payments to token holders, delays or deviations in settlement timelines could increase the structure's sensitivity to the issuer's leverage profile. Beyond leverage, several structural and execution factors further constrain the credit profile, including the issuer's early-stage status, the pre-issuance stage of the transaction, and the nascent nature of the litigation finance market, which operates with limited formal regulatory oversight.

In addition, the operational framework supporting the tokenized issuance concentrates key responsibilities within the Horizon Group - including borrower onboarding, claim verification, insurance arrangements, and coordination with the tokenization infrastructure provider - thereby increasing reliance on Horizon's internal processes, governance framework, and operational controls. This concentration heightens operational and execution risk, particularly in a pre-issuance setting where processes may be less tested.

Ecosystem Maturity, Access Friction & Concentration Risks

The \$KAI18-1 token's functional reach is constrained by the maturity of the ecosystem in which it operates. Canton Network is a permissioned, privacy-preserving distributed ledger in which access is controlled and transaction data is visible only to relevant parties, unlike public blockchains such as Ethereum. Within this environment, the token is issued under CIP-0056, the sole approved fungible token standard on Canton Network. Unlike ERC-20, the dominant token standard on Ethereum, CIP-0056 has a comparatively limited deployment record, reduced exposure to adversarial testing, and no equivalent multi-asset standard alongside it. This constrains any future structural evolution of the instrument without migrating to a different technical infrastructure entirely. Participation in \$KAI18-1 requires either operating a Canton node (the infrastructure component that connects a party to the network) or transacting via a credentialed intermediary, introducing onboarding friction not typically present for instruments issued on publicly accessible networks. Consequently, secondary market activity would be restricted to parties already onboarded within the Canton ecosystem, implying a structurally smaller addressable participant base than that available to instruments issued on more open networks. Further, Canton's data compartmentalisation model structurally limits independent verification of onchain balances, circulating supply, and transaction history through publicly accessible tools, making stakeholders reliant on operator-provided reporting rather than network-level transparency. Additionally, both the Digital Asset Modeling Language (Daml) and Canton node software are developed and maintained exclusively by Digital Asset Holdings, with no independent protocol maintainer, concentrating protocol dependency risk within a single commercial entity. Operational deployment commenced only in mid-2023, leaving the network with a limited empirical performance record relative to more established blockchain infrastructures.

Exposure to Credit Risk of Unrated Borrowers

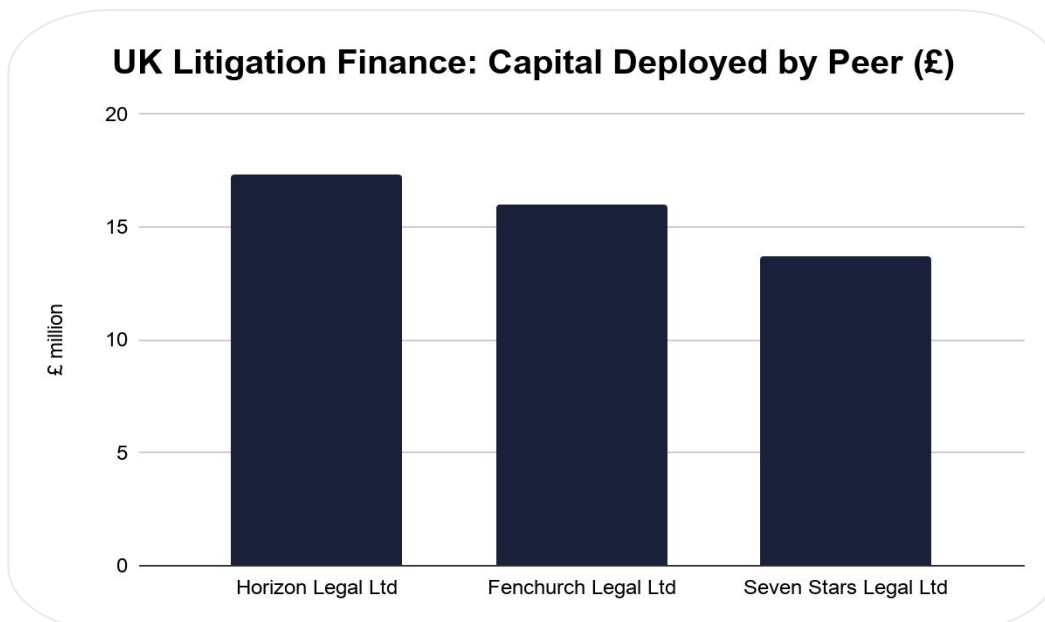
The issuance structure is constrained by its reliance on a portfolio of loans extended to solicitor firms that do not carry external credit ratings. The issuer intends to allocate issuance proceeds to these firms to fund legal representation for clients pursuing mis-sold car finance claims under the forthcoming FCA Motor Finance Redress Scheme. As unrated counterparties, these solicitor firms introduce elevated borrower-specific credit risk into the structure. Although the transaction is expected to include credit enhancement mechanisms, such measures only partially mitigate the underlying exposure, and their effectiveness remains uncertain at this stage given that facility agreements with prospective borrowers have not yet been executed. In addition, potential variability in compensation outcomes under the FCA redress scheme introduces further uncertainty. While the FCA has indicated that average redress payments may be around £700, it has also noted that the standard deviation of payouts could be high, implying potentially significant dispersion in individual claim values. Although the issuer has provided Letters of Intent from two claim management companies indicating operational capacity to generate at least 30,000 cases per week, the scheme has not yet launched and its final terms remain undefined. Accordingly, it is not possible to assess how the eventual compensation framework will affect the financial capacity of solicitor firms to service their obligations. As a result, the transaction remains exposed to potential shifts in borrower quality, operational performance, and cash flow generation once the scheme becomes active.

Detailed Rating Analysis - Issuer

Limited Market Presence with Emerging Growth Potential

Founded in 2020, Horizon Legal Limited operates as a litigation finance provider focused on funding consumer legal claims in the United Kingdom. The firm provides capital to regulated law firms to support the origination, processing, and settlement of litigation cases, particularly within high-volume consumer litigation segments such as motor finance mis-selling, housing disrepair, and personal injury claims. Through this model, Horizon operates within the litigation finance market, supplying short-term capital to law firms pursuing validated claims that may otherwise face limited access to traditional bank financing.

As of December 2024, Horizon reported deployed loans of approximately £17.3 million. Comparable firms operating in similar consumer litigation segments include Fenchurch Legal Ltd. and Seven Stars Legal, which reported deployed capital of approximately £16.0 million and £13.7 million respectively. These figures indicate that Horizon operates within a group of relatively small litigation finance providers focused on consumer claims. The relatively modest scale of these firms reflects the underlying strategy of financing high-volume consumer litigation cases with comparatively small individual claim values. Horizon's portfolio is concentrated in segments where average claim values are approximately £1,100. In contrast, large institutional litigation finance providers primarily finance complex commercial disputes involving substantially larger individual exposures. Burford Capital, one of the largest publicly listed litigation finance provider globally, reported an active portfolio of approximately \$7.5 billion as of 2024.



Source: Analysis by Particula (Based on 2024 Public Financial Statements)

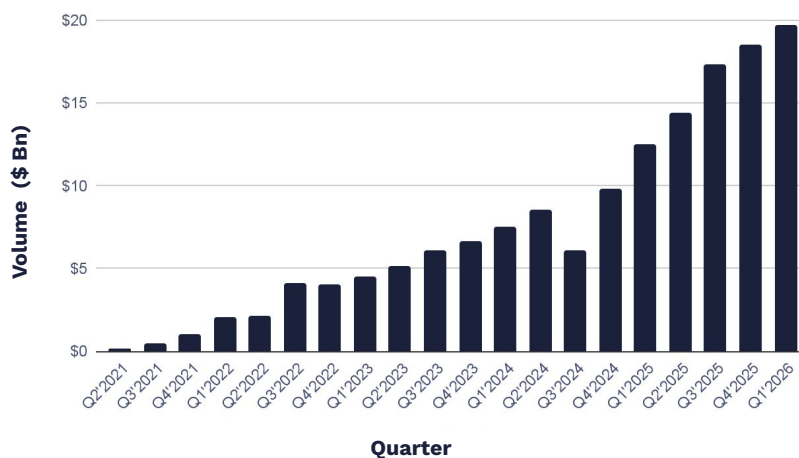
Litigation financing represents an evolving segment of the broader private credit market and has developed across several jurisdictions, including the U.S. and the U.K. The U.K. legal services market generated approximately £41 billion in revenue in 2024 and comprises more than 9,000 law firms across multiple specialized practice areas. The market is projected to reach around £53 billion by 2029, implying annual growth of approximately 5%. In this context, the use of onchain infrastructure through tokenization represents an emerging development that may broaden investor access to litigation finance exposures.

Tokenized private credit represents an early-stage segment of the broader private credit market in which onchain infrastructure is applied to loan and fund structures that have traditionally exhibited limited secondary market liquidity and relied on manual operational processes. As of January 12, 2026, the outstanding balance of active onchain private credit loans is estimated at approximately \$20 billion, with total originations since 2020 of approximately \$36.6 billion, indicating a cumulative repayment and maturity rate of approximately 45%.

Market activity remains highly concentrated among a limited number of issuers. Figure, the largest issuer by active loan balance as of January 12, 2026 accounts for approximately \$14.6 billion (73% of market), followed by Tradable at approximately \$2.3 billion (12%) and Maple at approximately \$1.6 billion (8%), with remaining issuers collectively representing approximately 7% of total outstanding volume. This concentration level is characteristic of early-stage markets shaped by first-mover advantages, scale economies, and established distribution networks.

Tokenized Private Credit Market Activity (Quarterly)

Protocol	Active Loan Value (\$)
Figure	\$14,569,879,467
Tradable	\$2,302,608,838
Maple	\$1,625,362,914
PACT	\$599,406,297
Others	\$743,481,634



Source: Analysis by Particula as of January 12, 2026

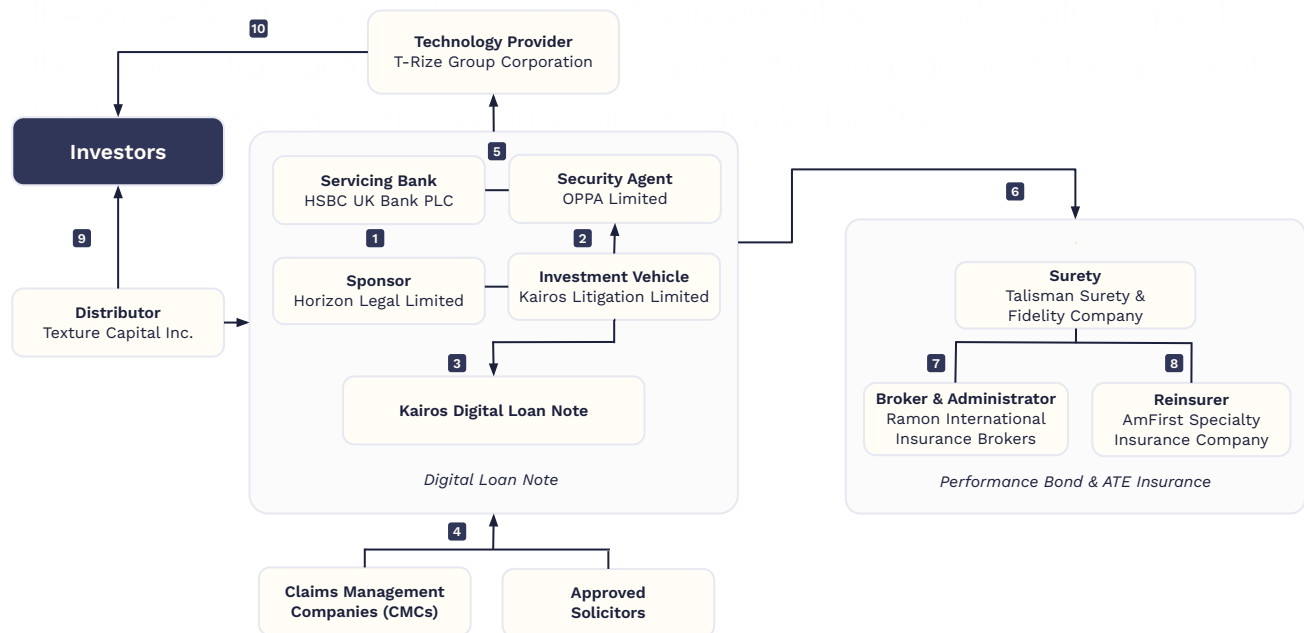
Against this backdrop, \$KAI18-1 represents a differentiated issuance within the tokenized private credit market. The Horizon Group is introducing onchain infrastructure to litigation finance receivables - an alternative credit segment that has historically remained outside digital capital markets. Through its partnership with T-Rize Group, the issuance takes the form of digital loan notes referencing portfolios of consumer litigation claims funded by Kairos. The structure provides investors with exposure to returns generated from the financing of consumer legal claims, where performance is driven primarily by claim recovery outcomes, case processing timelines, and law firm counterparty performance, rather than by traditional corporate credit fundamentals.

Within the current tokenized private credit landscape, \$KAI18-1 therefore occupies a niche market position. While the market to date has largely been shaped by tokenized consumer lending, trade finance, and corporate credit strategies, onchain instruments referencing litigation finance receivables remain relatively uncommon among active issuances. This places \$KAI18-1 within a specialized segment of tokenized private credit that has historically been accessed primarily through private litigation funding vehicles. In this context, the continued expansion of consumer litigation activity in the U.K., particularly in areas such as motor finance commission claims, together with growing investor interest in alternative credit exposures with differentiated return drivers, may support the value proposition associated with the issuance.

Offering Structure & Risk-Mitigation Framework

Horizon Legal Limited is a private limited company incorporated under the Companies Act 2006 of England and Wales and acts as the sponsor of the \$KAI18-1 token, which represents a foreign-currency senior debt obligation supported by cash flows from a portfolio of U.K. litigation-finance receivables. The structure incorporates Kairos Litigation Limited, a special purpose vehicle established to acquire and manage litigation receivables and enter into the related transaction documents. The investment vehicle, lending arrangements, and contractual documentation are governed by English law, supporting the enforceability of investor claims. Proceeds from the digital loan notes are advanced to Approved Solicitors, with recoveries from litigation receivables supporting payment obligations under the notes. The structure also incorporates a performance bond provided by Talisman Surety & Fidelity Company, while the digital loan notes are recorded through infrastructure provided by T-Rize Group Corporation on the Canton Network. The distribution of loan notes occurs through U.S. private placements under Regulation D of the Securities Act of 1933, facilitated by Texture Capital Inc.

Offering Overview



Legend

- 1 Horizon Legal Limited is a private limited company serving as the sponsor supporting the Kairos Digital Loan Notes offering.
- 2 Kairos Litigation Limited is a special purpose vehicle (SPV) and part of the Horizon Group. It is incorporated solely to conduct the offering and support the structure of the issuance, by acquiring, holding, and enforcing litigation receivables, and maintaining segregated accounts in accordance with its constitutional documents to meet debt service obligations on the loan notes.
- 3 Kairos Digital Loan Notes represent foreign-currency senior debt obligations of Kairos Litigation Limited issued to finance a portfolio of insured U.K. litigation-finance receivables.
- 4 Approved Solicitors are U.K.-based law firms that act as borrowers under the lending arrangements, originating and managing litigation claims anticipated to fall within the FCA Motor Finance Redress Scheme. Under the facility agreements, these firms borrow capital through the Kairos structure to finance the progression of eligible claims. Case sourcing and intake is supported by regulated Claims Management Companies (CMCs) acting as legal representatives to participating law firms.
- 5 OPPA Limited was selected by the issuer as the security agent for the offering. The security agent will enter into a blocked account agreement with the Servicing Bank - HSBC UK Bank Plc. Pursuant to this arrangement, the bank acknowledges the security interest granted to the security agent. Proceeds from loans to Approved Solicitors will be held in blocked accounts.
- 6 Talisman Surety & Fidelity Company Inc. serves as the surety provider within the transaction structure, issuing the performance bond covering repayment of individual litigation finance loans advanced to approved solicitors and supporting the After-the-Event (ATE) insurance arrangements for applicable claim types, with Kairos Litigation Limited named as obligee under the bond.
- 7 Ramon International Insurance Brokers Limited acts as broker and administrator for the ATE insurance arrangements. The company is Lloyd's broker and is authorized and regulated by the Financial Conduct Authority (FCA).
- 8 AmFirst Specialty Insurance Company acts as reinsurer, providing reinsurance coverage against claims arising under the performance bond issued by Talisman Surety & Fidelity Company Inc.
- 9 Texture Capital Inc. acts as the distributor for the issuance. Pursuant to the placement agreement, Texture may enter into commission sharing agreements with FINRA member broker-dealers who in turn will introduce investors to the offering.
- 10 T-Rize Group Corporation provides the digital infrastructure supporting the issuance and lifecycle administration of the tokens. Its platform enables digital security creation, investor onboarding, and the recording of investor positions on the Canton Network.

Legal & Structural Considerations Associated with the Issuance

The Kairos Credit-Enhanced High Yield Digital Loan Notes (\$KAI18-1) operate within the legal framework of England and Wales, where the lending arrangements and related transaction documentation are governed by English law. This jurisdiction benefits from extensive case law and established creditor protection mechanisms that support the enforceability of contractual rights. Insolvency proceedings will primarily be governed by the Insolvency Act 1986, Insolvency Rules 2016, Enterprise Act 2002, and Companies Act 2006, which collectively define creditor priority, restructuring procedures, and asset distribution mechanisms.

The issuance structure further incorporates Kairos Litigation Limited as a bankruptcy-remote special purpose vehicle (SPV) designed to ring-fence investor proceeds and the associated litigation receivables from the broader activities of Horizon Legal Limited. Subscription proceeds are deployed through the SPV to finance litigation receivables originated by Approved Solicitors, while recoveries from the underlying claims are expected to support repayment obligations on the issued digital loan notes. Litigation receivables and related cash flows are administered separately from the originator's broader operations. The digital loan notes are offered under a private placement framework and are not registered under U.K. or foreign securities laws, meaning investor protections primarily derive from the contractual framework of the transaction documentation, the applicable legal environment, and the structural mechanisms implemented through the SPV.

Regulatory Position of Litigation Finance Activities in the U.K.

While the issuance of \$KAI18-1 benefits from the established legal framework of England and Wales, the underlying financing activity operates within a distinct regulatory environment. Litigation finance in the U.K. is not a regulated financial service and falls outside the prudential supervision of the Financial Conduct Authority (FCA). Horizon Legal Limited is therefore not regulated by the FCA. Consequently, the sponsor and issuer are not subject to regulatory requirements applicable to FCA-authorized entities, including client money protection rules under the Client Asset Sourcebook (CASS).

However, industry oversight has historically relied on contractual safeguards, case law, and voluntary self-regulation through the Association of Litigation Funders (ALF), whose Code of Conduct establishes principles relating to capital adequacy and governance but does not constitute statutory supervision. As a result, segregation of investor funds and litigation receivables within the transaction relies primarily on contractual arrangements implemented through the offering structure rather than statutory client-asset protection regimes. The regulatory treatment of litigation funding continues to evolve as the sector expands, and reviews by the Civil Justice Council (CJC) have considered the introduction of a statutory regulatory regime focused on transparency, governance safeguards, and capital adequacy while maintaining litigation funding outside full financial supervision.

Moreover, the litigation receivables financed for this issuance primarily relate to motor finance mis-selling claims that may fall under the proposed FCA Motor Finance Redress Scheme. As the scheme's structure and implementation remain uncertain and could face legal challenges, claims may instead proceed through conventional litigation, potentially extending resolution timelines and creating uncertainty regarding recovery timing and cash flows for the underlying litigation portfolio. The structure therefore relies on the creditor protection regime of England and Wales and the bankruptcy-remote SPV arrangement to support asset segregation and prioritization of investor claims, while its effectiveness depends on the coordination and performance of the service providers administering the digital loan notes.

Key Service Providers

The Horizon Group engages specialized service providers to support the issuance and administration of the digital loan notes. The structure involves participants across lending, risk protection, and digital infrastructure layers, that enable onchain representation and transfer of the securities.

While these entities perform distinct roles governed through contractual arrangements and transaction documentation, the framework introduces operational interdependencies among service providers operating under different regulatory and operational environments. The effectiveness of the structure therefore depends on the continued performance of these participants and the issuer's ability to coordinate their activities throughout the lifecycle of the issuance.

Sponsor: Horizon Legal Limited

Horizon Legal Limited is a private limited company that provides financing to U.K.-based solicitors pursuing consumer litigation claims, including motor finance mis-selling cases. Horizon Legal Limited is jointly owned by Ann Marie Bell and Peter James Legge, who each hold a 50% shareholding and serve as directors of the company.

The company is responsible for the origination, management, and monitoring of the litigation-finance exposures supporting the issuance. In this capacity, it structures lending arrangements with participating solicitors and oversees the performance of funded claims. Horizon also coordinates with affiliated and third-party entities involved in the structure, including service providers responsible for asset administration, insurance arrangements, and tokenization infrastructure supporting the issuance. Furthermore Horizon Legal Limited maintains Know Your Customer (KYC) and Anti-Money Laundering (AML) procedures for investor onboarding in accordance with applicable regulatory requirements. While Horizon operates as a sponsor and supporting group entity, its operational capacity and underwriting practices remain key determinants of repayment performance, as portfolio outcomes are influenced by the effectiveness of borrower repayment arrangements and the resolution of the underlying litigation cases.

Investment Vehicle: Kairos Litigation Limited

Kairos Litigation Limited is a private limited company incorporated under the Companies Act 2006 and serves as the special purpose vehicle (SPV) supporting the issuance. The entity operates under a limited-purpose framework set out in its constitutional documents, restricting its activities to acquiring, holding, and enforcing litigation receivables, issuing loan notes, and entering into transaction documents supporting the structure. Interest income generated from the underlying loan portfolio represents the primary source of cash flows supporting the notes.

The company is also permitted to grant security over its assets and undertake activities that are incidental or ancillary to these functions as required under the transaction documentation. Governance provisions include separateness covenants, limitations on additional indebtedness and security, as well as the requirement for an independent director to be present for board quorum. The vehicle is further subject to operational restrictions intended to preserve bankruptcy remoteness, including requirements to maintain separate records and accounts and to limit business activities to those contemplated under the transaction documents. These structural features are intended to support asset segregation and maintain operational separation of the underlying receivables supporting the issuance.

Performance Bond & ATE Insurance Provider: Talisman Surety & Fidelity Company Inc.

Talisman Surety & Fidelity Company Inc. is a surety company registered and regulated by the Department of Insurance in the State of Oklahoma, United States. The company operates in the provision of surety and fidelity bonds supporting contractual and financial obligations across commercial transactions. Within the issuance structure, Talisman acts as the provider of the performance bond covering the repayment of individual litigation-finance loans advanced to approved solicitors. Under the contractual arrangements, the surety undertakes to indemnify Kairos Litigation Limited, as obligee, for losses arising from borrower non-payment of covered loans, subject to the terms and limits defined in the bond documentation. The bond structure requires each individual loan to be declared for coverage and is supported by reinsurance arrangements intended to transfer the underlying insurance risk to a third-party reinsurer. In addition, the structure incorporates After-the-Event (ATE) insurance requirements for certain claim types, forming part of the broader risk protection framework supporting the litigation-finance exposures.

Reinsurer: AmFirst Specialty Insurance Company

AmFirst Specialty Insurance Company is a U.S. based property and casualty insurer and a member of the AmFirst Holdings insurance group. Established in 2016, the company is licensed to conduct insurance business across multiple U.S. jurisdictions. The AmFirst group holds a Financial Strength Rating of A- (Excellent) and a long-term issuer credit rating of “a-” from AM Best as of October, 2025, reflecting strong risk-adjusted capitalization and operating performance across its insurance operations. Within the issuance structure, AmFirst Specialty Insurance Company acts as the reinsurer supporting the surety arrangements associated with the litigation-finance exposures. Through the reinsurance agreement, the company assumes the underlying insurance risk linked to the performance bond provided in the transaction, effectively providing capital backing for the indemnity obligations undertaken by the surety provider.

Broker & Administrator of Performance Bond & ATE Insurance: Ramon International Insurance Brokers Limited

Ramon International Insurance Brokers Limited is a London-based insurance and reinsurance brokerage firm authorized and regulated by the U.K. Financial Conduct Authority (FCA). Established in 1980, the firm operates as a Lloyd’s insurance broker within the London insurance market and provides insurance placement, reinsurance structuring, and risk advisory services to corporate and institutional clients across multiple sectors. As the broker and administrator for the performance bond and associated ATE insurance arrangements supporting the issuance, the firm facilitates the placement of insurance coverage with the relevant insurers and reinsurers and coordinates the operational administration of the program, including documentation, claims notifications, and communication among participating counterparties.

Security Agent: OPPA Limited

OPPA Limited has been appointed as the security agent for the transaction, serving as security trustee on behalf of the secured parties. Its responsibilities encompass holding and administering the security package as well as maintaining and executing all relevant security documentation, and ensuring that the security interests granted in favour of the secured parties remain properly upheld throughout the life of the issuance. OPPA Limited will act on the instructions of the secured parties with respect to any enforcement actions and the subsequent distribution of enforcement proceeds. To perform its duties as the security agent, OPPA Limited will enter into a blocked account agreement with HSBC UK Bank PLC.

Approved Solicitors

Approved Solicitors comprise U.K.-based law firms vetted by the issuer to participate in the lending program and receive financing for eligible litigation claims. These firms deploy loan proceeds to pursue designated litigation claims, with interest on the loans charged upfront for the full loan term and typically deducted at the time of funding. As part of the underwriting framework supporting the insurance structure, solicitors are required to assess that each claim has at least a 51% probability of success in order to qualify for After-the-Event (ATE) insurance coverage. For the purposes of this issuance, the claims portfolio is expected to consist primarily of motor finance mis-selling cases anticipated to fall within the FCA Motor Finance Redress Scheme, with case sourcing and intake often supported through arrangements with regulated Claims Management Companies (CMCs) acting as legal representatives or introducers.

Tokenization Provider: T-Rize Group Corporation

T-Rize Group Corporation is a Canadian financial technology company that develops infrastructure supporting the issuance and administration of tokenized financial instruments. The firm provides technology solutions enabling the digital representation of traditional financial assets and other securities, supporting functions such as digital security creation, transaction recording, and lifecycle administration. Its platform integrates with the Canton Network to facilitate the issuance and management of digital securities in a permissioned network environment designed for institutional market participants. For the \$KAI18-1 issuance, T-Rize Group provides the digital infrastructure supporting the tokenization and administration of the digital loan notes, enabling the issuance of \$KAI18-1 tokens, the recording of investor positions, and the management of token lifecycle events. The firm also provides operational and compliance-related tooling typically associated with digital asset issuance platforms, supporting the distribution and ongoing administration of the tokenized securities, while the underlying financial obligations remain governed by the contractual and legal documentation of the issuance.

Distribution Partner: Texture Capital

Texture Capital Inc. serves as the initial distribution partner for the offering. As a FINRA member and SEC-registered broker-dealer focused on digital asset securities, Texture Capital provides advisory and administrative services to support investor outreach and transaction execution. Its mandate includes advising on the issuer's fundraising strategy, assisting in the development of transaction messaging, and reviewing marketing materials for alignment with the offering's objectives.

Texture Capital is also responsible for identifying prospective investors and facilitating introductions, thereby expanding the issuer's access to its target investor base. In addition, Texture Capital supports investor onboarding through Know Your Customer (KYC) and Anti-Money Laundering (AML) processes and provides other customary financial advisory services associated with Regulation D offerings.

The distribution and settlement framework remains under development, as discussions with other potential distribution partners, broker-dealers, and supporting infrastructure providers are ongoing. As a result, the operational structure for investor onboarding, subscription processing, and settlement will depend on the successful engagement and integration of these counterparties. The execution of the offering therefore introduces a degree of implementation risk, particularly where cross-jurisdictional distribution and digital asset settlement mechanisms are involved. The ability of the Horizon Group to establish reliable broker-dealer relationships, payment infrastructure, and custody arrangements will be an important factor in ensuring that investor access, subscription processing, and settlement functions operate as intended once the offering is launched.

Managed by an Experienced Leadership Team

The Horizon Group provides the management and operational oversight for the origination and administration of the underlying loan notes. The group is led by Ann Marie Bell and Peter James Legge, both of whom bring established experience in litigation finance and business lending, with a track record in structuring and managing litigation financing activities. The digital structuring and tokenization of the underlying loan notes are supported by T-Rize Group, a Canada-based financial technology firm led by Madani Boukalba. The broader T-Rize team, including Eduardo Furtado and Jeremy Larente, contributed to the technical, legal and operational structuring of the issuance.



Ann Marie Bell
Director - Horizon Legal Limited



Ann Marie Bell serves as a Director of Horizon Legal Limited and CEO of Woodville Consultants Limited. She is a former solicitor who began her financial services career in 2012 in the car finance segment before transitioning to payroll lending in 2018 and subsequently ATE lending in 2019.



Peter James Legge
Director - Horizon Legal Limited

Peter James Legge is a Director of Horizon Legal Limited, with 15 years of experience in the financial services sector. This includes 12 years as an independent financial adviser arranging private client portfolios through regulated investment channels.



Madani Boukalba
Founder & CEO - T-Rize Group



Madani Boukalba is the Founder and CEO of T-RIZE Group, where he leads the development of institutional tokenization infrastructure for a diverse set of issuers. Previously, he spent more than a decade at Caisse de dépôt et placement du Québec as a Senior Trader in Capital Markets, executing large-scale equity and derivatives transactions across global markets.



Eduardo Furtado
Co-Founder & CTO - T-Rize Group



Eduardo Furtado is a Co-Founder and CTO of T-Rize Group with over 14 years of experience in technology sector. He leads the design and development of the firm's tokenization technology stack. Eduardo holds a Bachelor's degree in Computer Science and a Master's degree in Software Engineering from École de technologie supérieure.



Jeremy Larente LLB, MBA
Chief Legal Officer - T-Rize Group



Jeremy Larente has served as Chief Legal Officer of T-Rize Group since August 2022. He has concurrently worked with Ekitas Avocats & Fiscalistes Inc., a law firm based in Laval, Quebec, since May 2018. Jeremy specializes in corporate restructuring, tax structuring, and legal frameworks supporting tokenized asset issuances. He holds both an LLB and an MBA from the Université de Sherbrooke.

Key Person Risk & Governance Considerations

Key person risk within the \$KAI18-1 issuance primarily relates to the operational role of the Horizon Group, which entities are responsible for originating, structuring, and monitoring the litigation finance exposures underlying the digital loan notes. The group oversees borrower selection, underwriting of litigation claims, and coordination with participating solicitors and insurance providers supporting the structure. As these functions are concentrated within Horizon, the operational performance of the litigation portfolio may depend on the experience and continued involvement of key management personnel responsible for sourcing, evaluating, and administering the underlying litigation receivables. Governance responsibilities within the structure are distributed across several specialized service providers, including the sponsor, the SPV administering the receivables, insurance and surety providers supporting borrower repayment obligations, and technology providers facilitating the issuance and lifecycle administration of the digital loan notes.

Kairos Litigation Limited, established as a special purpose vehicle (SPV) specifically for the issuance, supports governance and structural segregation within the transaction. By acting as the issuing entity and administering the litigation receivables supporting the digital loan notes, the SPV structure helps separate the assets and obligations associated with the issuance from the broader operations of Horizon Legal Limited.

To further support governance oversight within the SPV, Kairos Litigation Limited plans to appoint an independent director under a formal service. The independent director is expected to participate in board meetings and is expected to provide independent judgement on matters considered by the board. The combination of the SPV structure and independent director oversight introduces an additional governance layer for the issuance while supporting board-level oversight of the contractual arrangements underpinning the digital loan notes.

Operational Risk Management Considerations

The operational framework supporting the \$KAI18-1 issuance involves multiple specialized service providers, including the sponsor, the SPV administering receivables, participating solicitors, insurance providers, and technology infrastructure providers. As litigation finance activities in the U.K. generally fall outside formal supervision, operational oversight and risk management within the structure are primarily governed through contractual arrangements and the group's internal governance framework. The effectiveness of the structure therefore depends on coordination among participating entities and the issuer's monitoring of the litigation portfolio and associated operational processes.

As part of these operational controls, Horizon's compliance processes were reviewed through an independent audit conducted on February 13, 2026 by Zest Recruitment and Legal Consultancy. The review assessed the issuer's Know Your Customer (KYC) and Anti-Money Laundering (AML) controls and confirmed documented procedures for source-of-funds verification, sanctions screening, and ongoing monitoring, supported by the appointment of a designated Money Laundering Reporting Officer and regular employee training.

As the issuance evolves, the continued development of structured operational risk management practices will remain important in supporting the stability of the framework. This includes formalized service provider oversight, incident response procedures, and portfolio monitoring processes, together with clear escalation mechanisms to ensure timely identification and management of operational incidents. While business continuity and disaster recovery arrangements are already in place, these frameworks may require further strengthening and adaptation as additional distribution partners and onchain or offchain infrastructure providers become integrated into the operational structure.

Detailed Rating Analysis - \$KAI18-1 Token

Token Architecture Designed for Institutional Use

Under the Particula Digital Asset Classification System (PDACS), \$KAI18-1 is classified as a Bond Token, representing a foreign-currency senior debt obligation of Kairos Litigation Limited issued under English and Welsh law. T-Rize Group provides digital structuring, issuance, and ongoing administration of \$KAI18-1 through an integrated architecture combining the T-Rize Platform, Canton Network, and Fireblocks custody services. The \$KAI18-1 token is issued under the CIP-0056 fungible token standard, with additional security safeguards implemented by T-Rize. These include multi-signature custody, rule-based transfer restrictions, price validation at minting, time-lock-based governance safeguards, and a co-signature requirement for investor onboarding whereby no single administrative authority may unilaterally admit a new token holder. To implement these safeguards, T-Rize holds the technical roles of **Operator**, **Registrar**, and **Provider** within the Canton Network protocol structure.

The Canton Network

Canton Network is a public, permissioned, privacy-preserving distributed ledger purpose-built for institutional financial infrastructure. It was developed by Digital Asset Holdings (DA), a financial technology company, and is the principal commercial application of DA's Digital Asset Modeling Language (Daml) smart contract language and Canton protocol stack. Token issuance on the network is supported by the DA Canton Utility, a standardized suite of Daml-based smart contracts providing the core onchain infrastructure.

Digital Asset was established in 2014 as a financial technology firm developing distributed ledger solutions for financial institutions, including Goldman Sachs and SBI Holdings. The Canton Network was formally launched in May 2023 with a founding consortium comprising Goldman Sachs, BNP Paribas, Deutsche Börse, Cboe, Deloitte, Capgemini, and Microsoft, among others. A major interoperability pilot conducted in 2023 and extended into early 2024 engaged 155 participants across 15 asset managers, 13 banks, four custodians, and three exchanges including BNY Mellon, Standard Chartered, State Street, and Wellington Management. The initiative demonstrated atomic settlement of tokenized assets across previously siloed financial systems. Following the pilot initiatives, the network progressed to commercial operations in mid-2024. Strategic investors in Digital Asset include BNY Mellon, Nasdaq, S&P Global, HSBC, and iCapital. Further, Digital Asset holds ISO/IEC 27001 certification and SOC 2 Type II attestation, representing independently verified information security controls applicable to the Canton infrastructure.

Canton Protocol Architecture

Canton's architecture was developed to address the challenge of enabling atomic, multiparty settlement across institutionally separate systems without centralizing control or disclosing confidential transaction data to unauthorized parties. Conventional clearing and settlement arrangements can preserve confidentiality but often rely on intermediated workflows, may introduce collateralization and liquidity requirements, and can involve settlement latency, which can limit support for truly atomic cross-system multiparty workflows. Public blockchains such as Ethereum, by contrast, are transparent by default, with transaction and smart contract state broadly replicated across validating nodes; applications that require confidentiality therefore typically depend on additional cryptographic techniques or specialized architectures to restrict data visibility. Canton addresses these constraints by embedding privacy-preserving mechanisms and permissioned participation at the protocol layer, enabling institutions to transact in a shared, verifiable environment while maintaining transaction confidentiality.

Compared with large public blockchains such as Ethereum and Solana, Canton uses a distinct terminology set to describe system processes and participant roles. The following terms are presented in line with their technical meanings under the Canton Network protocol architecture and the CIP-0056 token standard.

Definitions & Terminology	
Canton Foundation	The independent governance organization responsible for overseeing the Super Validators of the Canton Global Synchronizer and setting the rules under which it operates.
Global Synchronizer	The shared infrastructure layer that ensures transactions across the Canton Network are processed in the correct order. It uses a voting-based agreement mechanism and Byzantine Fault Tolerant (BFT) consensus, under which a defined majority of independent validators must agree on transaction ordering before finalization, helping prevent any single party from manipulating the sequence.
Daml	Digital Asset Modeling Language, the purpose-built programming language used to write smart contracts on the Canton Network.
Validator Node	A node connected to the Canton Network that stores only the contracts and transactions pertaining to that participant and does not store activity from any other party.
Synchronizer	A Canton-specific processing environment within which a defined set of participants transact under shared sequencing rules. Independent Synchronizer Nodes operate in parallel.
Synchronizer Node	A Canton-specific infrastructure component that operates as an isolated transaction processing environment, enabling participants to transact under a defined set of rules and trust assumptions.
Synchronizer Operator	The Canton Network participant responsible for administering a Synchronizer, including the sequencing and processing of transactions submitted within that node.
Super Validator	A Canton Network participant, governed by the GSF, who is responsible for coordinating transactions, but does not have access to deal-level data outside of their own contracts.
Governance Gateway	The bespoke Daml smart contract encoding T-Rize Group's governance rules for \$KAI18-1, through which all administrative actions must pass before execution.
Operator	The Canton protocol party responsible for administering the issuance platform and initiating governance actions.
Registrar	The Canton protocol party responsible for managing investor credentials, transfer eligibility, and executing token lifecycle functions, including minting and burning tokens.
Provider	The company responsible for operating the technical infrastructure, including platform administration, investor onboarding, and token lifecycle management.
Owner	An investor who holds the tokens.

Privacy & Data Architecture

Canton resolves the confidentiality challenge through a data compartmentalization model where each participant node retains exclusively those contracts to which that party is either a signatory, a participant bearing direct contractual rights or obligations, or a designated observer, explicitly granted read access to specific contract states by the contracting parties. Transaction content is not disclosed beyond the directly contracting parties. The Global Synchronizer sequences transactions and ensures consistent ordering and settlement across the network, while operating without access to the underlying transaction payloads, which remain visible only to entitled participants. This privacy architecture is designed to support regulatory compliance frameworks, including GDPR, through data minimization and the ability to prune transaction history.

Smart Contract Programming Language - Daml

Smart contracts on the Canton Network are authored in Digital Asset Modeling Language (Daml), a functional programming language developed specifically for the representation and execution of financial agreements in a distributed environment. Unlike general purpose smart contract languages, Daml is designed around the legal and operational structure of financial contracts where each action on a contract requires explicit, cryptographically verified authorization from every party whose rights or obligations are affected. This authorization model is built directly into the programming language, preventing unauthorized changes to the system's state, an issue that has caused significant losses in general-purpose blockchain environments.

Scalability & Synchronizer Architecture

Canton achieves horizontal scalability through the use of Synchronizers, which allow parallel processing of independent workflows without requiring global replication of contract state. Transactions that do not share common contract dependencies can be processed concurrently across separate nodes, enabling throughput to scale with network growth through the addition of nodes rather than modification of the base protocol. This node-based architecture is designed to support segmentation of workflows, enhanced privacy, and controlled coordination among defined sets of participants, which is particularly suited to institutional use cases requiring permissioned interaction models. Synchronizer operators bear responsibility for transaction sequencing within their respective nodes, a design choice that introduces a degree of operational dependency on node-level participants. This is a structural characteristic of Canton's architecture and is relevant to the assessment of operational concentration at the node level.

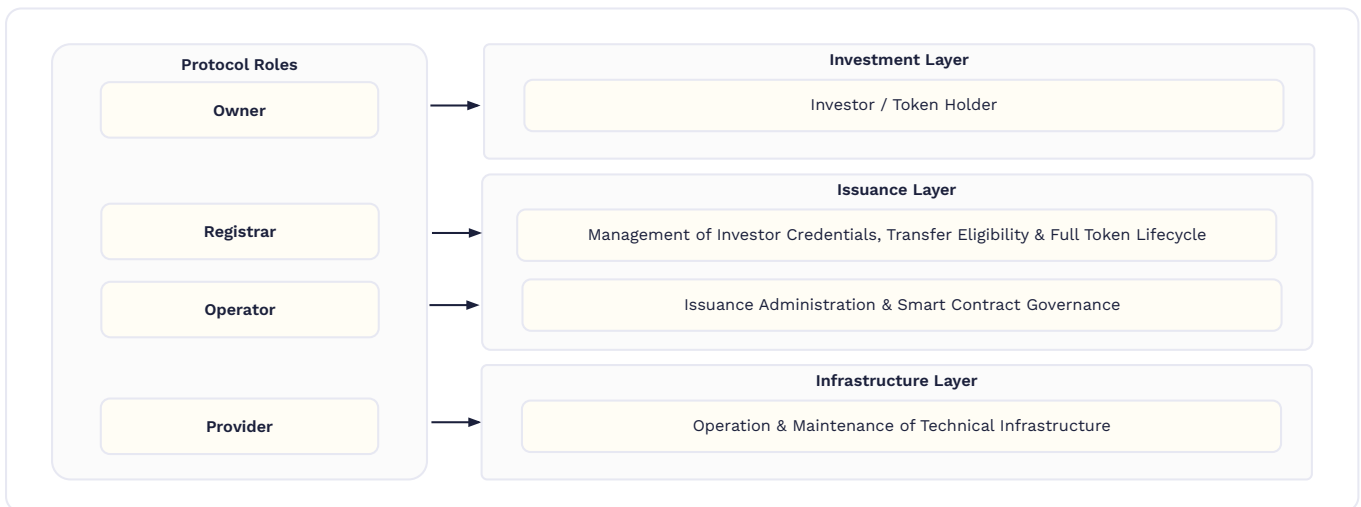
Governance

The shared transaction sequencing layer of the Canton Network is governed by the Canton Foundation, which is composed of more than thirty participating members drawn from the financial services and technology sectors. Digital Asset is itself one of these members alongside institutions such as BNP Paribas, BNY, DTCC, Euroclear, Broadridge, and Tradeweb. The Canton Foundation's governance model is structured to ensure no single participant holds unilateral authority over the sequencing infrastructure, with protocol-level decisions subject to multi-party consensus among the membership. Sequencing authority is distributed across multiple Super Validators governed by the Canton Foundation, reducing reliance on any single operator and mitigating the concentration risk characteristic of centralized settlement systems. Digital Asset, as the developer of the Daml programming language and the Canton node software, contributes both protocol maintenance and its own Super Validator capacity to the network within this governance framework. Participation in the Canton Network is subject to eligibility requirements defined by the Canton Foundation, and completion of a structured admission process, which is designed to manage network growth.

Canton Protocol Capabilities & Roles

The Canton Network provides a suite of protocol-level capabilities that are directly relevant to the structural integrity and risk profile of the \$KAI18-1 issuance. Privacy is enforced at the protocol level through Canton's data compartmentalization model, under which each participant has visibility exclusively over contracts to which it is a signatory or a designated observer. Counterparty identities, investor holdings, and transfer amounts are not disclosed to other network participants except where a party has been explicitly granted observer status or where data has been disclosed to an independent third party by the consent of the contracting parties.

Within the Canton-based issuance framework, operational responsibilities are distributed across four defined protocol roles. The **Owner** represents the investor or token holder within the investment layer. Within the issuance layer, the **Registrar** manages investor credentials, transfer eligibility and oversees the full token lifecycle, and the **Operator** administers issuance processes and smart contract governance. Supporting these functions, the **Provider** maintains and operates the underlying technical infrastructure that enables the network to function securely and reliably. These roles are defined as functionally distinct interfaces within the protocol architecture, but they are not required to be operated by separate organizations and may be assigned to one or multiple entities depending on the governance structure of a given issuance.



Source: *Canton Protocol Roles Overview by Particula as of March, 2026*

Network Scalability

The protocol's architecture supports horizontal throughput scaling through the addition of Synchronization Nodes without modification to the base protocol. Therefore, processing capacity can be expanded by deploying additional independent nodes operating in parallel, each handling its own set of transactions, rather than requiring changes to the underlying protocol itself. This design provides a structural path to capacity expansion as network adoption grows, without disrupting existing workflows or requiring protocol-level intervention.

Transaction Flow

Upon initiation of a Canton transaction, it is routed to a secure multi-party signing environment, where cryptographic authorization from all required signatories must be obtained before the transaction may proceed. Once the authorization threshold is fulfilled, the signed transaction is sent to the appropriate Synchronizer, where it enters the ordering phase. The Synchronizer sequences the transaction and distributes it to the relevant Validator Nodes that are entitled to process it based on contract visibility.

These Validator Nodes independently validate the transaction, including verifying contract logic and required cryptographic authorizations from all signatories, and return confirmations or rejections to the Synchronizer. The Synchronizer then aggregates these responses and, once the required confirmation threshold is met, broadcasts a commit message establishing transaction finality. This process operates without the Synchronizer accessing the underlying transaction payloads, relying instead on confirmations from validators. Following finalization, the committed transaction is distributed only to Validator Nodes that are signatories or designated observers to the relevant contracts, each updating its private records accordingly.

Settlement finality is achieved within five seconds under normal operating conditions. Canton operates without a pending transaction queue like those maintained by public blockchain networks where unconfirmed transactions are visible before settlement confirmation, eliminating the risk of pre-settlement information leakage that could potentially create market integrity concerns.

Smart Contract Upgrades

Upgrades to smart contracts on the Canton Network follow an explicit, version-controlled process under which all affected participants must provide consent before any change to contract logic takes effect. This differs from upgrade mechanisms commonly used in several public blockchain environments, including implementations of upgradeable proxy contracts on Ethereum and other EVM-compatible networks, where an administrator address may retain the authority to modify contract logic. Depending on the governance configuration, such authority can allow upgrades to occur without direct approval from all existing token holders. By contrast, the Canton upgrade framework is designed to require participant consent, reducing the risk of unauthorized or opaque modifications to the contractual rules governing token issuances on the network.

Canton Network & Protocol Risks

The Canton Network is designed to support institutional workflows, with an architecture that emphasizes privacy, controlled data sharing, and clear operational accountability aligned with regulated financial market requirements. Notwithstanding these structural capabilities, the Canton Network's protocol architecture is subject to a number of constraints and residual risk factors.

- **Throughput & Processing Constraints:** Current transaction throughput of the Canton Network is in the range of approximately 10-20 transactions per second under typical conditions, with observed peak capacity exceeding 100 transactions per second, reflecting the network's present stage of development and the architectural trade-offs associated with its privacy and consensus model. This throughput level is adequate for low-frequency transaction workflows but imposes constraints on batch processing operations, which are executed sequentially within a single domain rather than simultaneously. The addition of Synchronizer Nodes provide a structural path to capacity expansion. However, coordination between Synchronizer Nodes introduces additional operational dependencies that are not present in single Synchronizer Node configurations. If one node experiences latency or downtime, transactions that span over several nodes may stall or require manual intervention.
- **Transparency & Independent Verification:** Canton's data compartmentalization model - while providing material confidentiality benefits - structurally precludes independent verification of onchain balances, circulating supply, or transaction history through publicly accessible tools. Verification of supply and holder records is therefore dependent on disclosures provided by the network operator or parties holding designated observer status. Stakeholders must consequently rely on operator-provided reporting and governance assurances rather than independent network-level transparency.

- **Protocol Dependency Risk:** Both Daml and the Canton node software are developed and maintained exclusively by Digital Asset, with no independent protocol maintainer. This contrasts with public EVM networks such as Ethereum where protocol development is distributed across multiple independent client teams including Geth, Nethermind, Besu, and Erigon, and no single commercial entity holds sole control over the protocol. Any adverse development affecting Digital Asset's operational continuity would have direct implications for the network's development trajectory and the long-term maintenance of deployed smart contracts.
- **Transaction Censorship Risk:** The capacity of network operators to influence transaction processing represents a structural characteristic of Canton's permissioned architecture and is primarily concentrated at the validator level that warrants detailed consideration. While the Canton Network is designed to be censorship-resistant at the Synchronizer layer, validators retain the technical capability to defer, sequence selectively, or decline to process specific transactions within their respective operational domains. This capability may be exercised in response to legal orders, regulatory demands, or commercial considerations applicable to the relevant operator. Unlike public blockchain networks, where censorship resistance is an architectural property enforced by the distribution of sequencing authority across a large and open validator set, Canton's permissioned structure concentrates sequencing authority within a defined and governed set of operators. No protocol-level recourse mechanism exists for parties whose transactions are subject to selective processing.
- **Limited Ecosystem Development & Market Adoption:** The Canton Network operates with a substantially smaller developer ecosystem than established public blockchain platforms, with correspondingly fewer third-party development tools, independent security auditing firms with Canton-specific expertise, and publicly available protocol-level audit reports. As operational deployment commenced in mid-2023, the network has accumulated limited empirical evidence of its performance across varying market conditions and transaction volumes relative to blockchain networks with established operational histories. A number of capabilities, including expanded cross-domain interoperability and enhanced tooling for institutional participants, are part of the Canton protocol roadmap.

Protocol-Level Risk Mitigation

Canton's protocol architecture precludes several vulnerability classes that EVM-based smart contract deployments are required to address through implementation-level controls, including established security patterns and third-party audited libraries, rather than through properties of the underlying protocol itself. Daml's execution model mitigates recursive contract calls during transaction execution, rendering reentrancy attacks, a persistent and well documented source of material loss in EVM-based environments, architecturally unachievable at the protocol level. Daml requires every contract action to carry explicit, verifiable authorization from each affected party. This design precludes a class of vulnerabilities present in EVM architectures, where uncertainty regarding the true initiating party of a transaction has historically been exploited to execute unauthorized contract actions. Daml further enforces strict numerical boundaries at the protocol level, precluding arithmetic overflow, a condition in which a calculation exceeds its defined numerical range and produces an unintended contract state. In EVM-based environments, this vulnerability class requires explicit remediation at the smart contract implementation level. Additionally, the absence of a public mempool, which is the queue of pending transactions that is publicly visible in EVM networks prior to confirmation, removes front-running and pre-settlement information leakage as relevant attack vectors. In EVM-based systems, the public visibility of pending transactions has historically been systematically exploited to extract value at the expense of other participants.

CIP-0056 Token Standard

The technical characteristics and risk profile of \$KAI18-1 are partly determined by the CIP-0056 token standard on which it is implemented. Understanding the design, scope, and maturity of the CIP-0056 standard therefore provides important context for assessing the structural safeguards and limitations embedded in the token's architecture. Adherence to a published standard enables independent review of \$KAI18-1 against a known specification rather than solely against T-Rize's proprietary implementation, a meaningful structural transparency benefit for investors. As a CIP-0056-compliant token, all properties of the standard are inherited by \$KAI18-1.

CIP-0056 is the sole approved fungible token standard on the Canton Network, maintained by the Canton Foundation through a structured governance process. It fulfills a role analogous to ERC-20 on Ethereum which is the technical specification that defines a common interface for creating and transferring fungible tokens. CIP-0056 similarly provides a standardized, auditable framework for minting, transferring, and retiring fungible tokens on Canton.

The DA Canton Utility is Digital Asset's standardized suite of smart contracts implementing the CIP-0056 token standard and providing the foundational onchain infrastructure for token issuance on Canton. The codebase of the standard was independently audited by CertiK on December 22, 2025, providing a baseline level of third-party assurance for this layer of the implementation. The standard mandates explicit signatory authorization for all token lifecycle operations and provides defined interfaces for transfer restriction enforcement. Safeguards on transfers include allowlist and blocklist controls as well as a credential disclosure framework for investor eligibility verification.

CIP-0056 defines the technical interface and control points through which issuers implement governance and compliance mechanisms. The standard does not determine the specific governance rules or operational parameters applied within those control points. Accordingly, several implementation aspects fall outside the scope of the standard and remain design choices for issuers and platform providers like T-Rize. These include smart contract configuration decisions including multi-signature threshold settings, custody architecture, administrative time-lock parameters, transfer restriction logic, emergency governance controls, onchain supply cap enforcement, external data feed integrations and service provider dependencies. These areas do not constitute deficiencies in the standard itself, reflecting instead the appropriate delineation between a general-purpose protocol specification and an issuer-specific implementation.

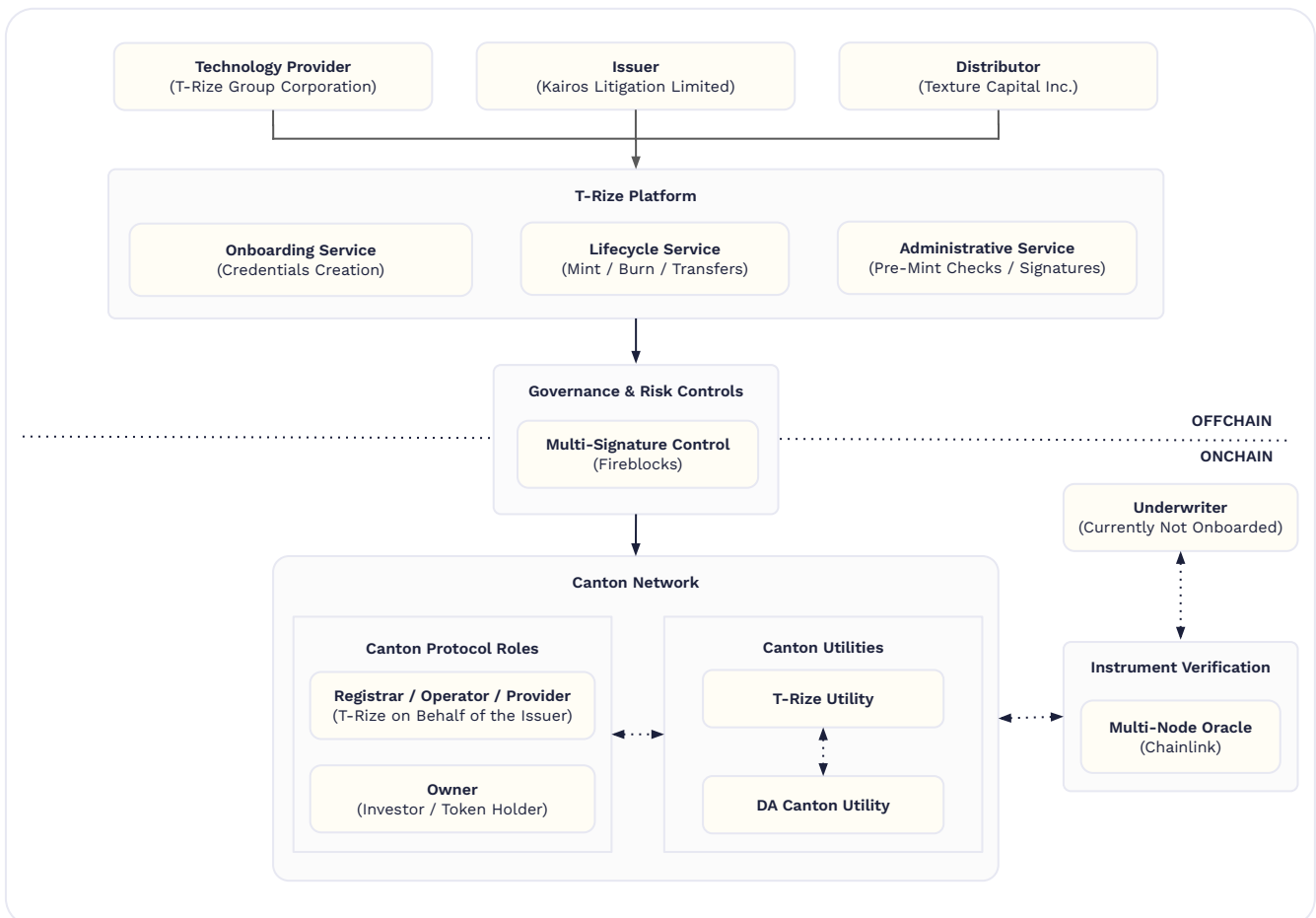
As a comparatively recent standard, CIP-0056 has not yet accumulated the same level of deployment history or adversarial testing as more established token standards such as ERC-20. In contrast to several other blockchain ecosystems where multiple competing or complementary token standards have emerged over time, the Canton Network currently relies on a single approved standard. This limited diversity contributes to a comparatively shorter track record of market-wide implementation and testing. However, reliance on a single approved standard also promotes consistency, interoperability, and streamlined integration across participants, providing a solid foundation for future ecosystem development.

\$KAI18-1 Token Architecture & Issuance Framework

The \$KAI18-1 token issuance operates through an integrated architecture that combines three offchain functional layers with the Canton onchain environment. These layers include investor credentialing and eligibility verification, token creation and retirement, as well as pre-issuance checks with the collection of required authorizations.

All three components operate offchain, outside the distributed ledger, and authorized instructions are only permitted to cross into the onchain environment after passing through a dedicated governance and risk controls layer, where multi-party signature requirements are enforced via Fireblocks - a regulated digital asset custody and transaction authorization platform - prior to submission to the Canton Network. At the onchain level, the implementation operates through two complementary contract layers. The DA Canton Utility layer provides the standardized, independently audited contract infrastructure developed by Digital Asset, upon which the CIP-0056 token standard is implemented. The T-Rize Utility contracts sit above this layer and implement issuance-specific logic, including the minting workflow, credential management, and governance controls particular to \$KAI18-1. As an additional integrity control, a Chainlink oracle provides an independent retrieval and consistency-check mechanism by periodically retrieving a cryptographic summary (Merkle root) of the current asset dataset from a tailored Underwriter Data API and enabling comparison against the corresponding value committed on the Canton ledger. This establishes an external verification checkpoint that is operationally independent of T-Rize.

Three principal parties interact with the platform, namely Kairos Litigation Limited as issuer, T-Rize as technology provider, and Texture Capital as distributor. All of these participants are incorporated within the Fireblocks multi-signature control framework, which governs transaction authorization and operational permissions across the platform. At the Canton protocol level, T-Rize performs the roles of **Operator**, **Registrar**, and **Provider** on behalf of the issuer. The **Operator** administers the issuance platform and initiates governance actions. The **Registrar** manages investor credentials, transfer eligibility, and executes token lifecycle functions, including minting and burning. The **Provider** operates the technical infrastructure, including platform administration, investor onboarding, and token lifecycle management. The **Owner** represents the investor and holds the instrument subject to eligibility constraints enforced within the network.



Source: T-Rize Infrastructure Overview by Particula as of March, 2026

Authorization Architecture & Role Design

While the CIP-0056 token standard defines the administrative roles of **Operator**, **Registrar**, and **Provider** as structurally distinct interfaces, it does not mandate organizational separation nor prescribe authorization thresholds between them. T-Rize has implemented governance and authorization controls that introduces additional safeguards that extend materially beyond the baseline requirements of the CIP-0056 standard. Specifically, T-Rize has implemented a differentiated multi-signature framework that assigns threshold requirements according to operational sensitivity.

Key administrative actions - including credential issuance and revocation, token instrument creation, minting, burning, and lifecycle changes - are subject to a 3-of-6 approval threshold. Authorized groups include Kairos Litigation Limited as issuer, T-Rize as technology provider, and Texture Capital as distributor, with two representatives per group. Emergency functions, including the global pause and unpause mechanism, require a 2-of-3 approval threshold restricted to T-Rize in its capacity as **Provider**, with three designated representatives. Transaction initiation privileges within T-Rize are assigned to two designated personnel. Overall, the framework reflects a clearly defined governance model with differentiated approval thresholds calibrated to the sensitivity of the underlying operations. Multi-party authorization introduces shared oversight across key administrative functions and strengthens segregation of duties; however, control effectiveness remains dependent on precise role scoping and operational execution, including the concentration of emergency controls within the technology provider.

Custody Infrastructure & Transaction Authorization Framework

T-Rize has integrated Fireblocks as its primary custody and transaction authorization platform, within which all administrative role keys - covering the issuer, technology provider, and distributor - are governed within the Fireblocks vault perimeter. Fireblocks employs a multi-party computation (MPC) model that distributes signing authority across multiple independent key shares, such that no single party or system ever possesses the full private key. This architecture reduces exposure to unilateral private key compromise relative to single-key or single-custodian arrangements. Of particular structural relevance is T-Rize's deployment of Canton's External Party topology, which physically and logically segregates the Canton participant node, the entity's point of access to the distributed ledger, from the Fireblocks signing environment. As a result, a compromise of the Canton node alone cannot independently authorize any transaction, as ledger access and signing authority are maintained as distinct, independently secured functions.

Transfer Eligibility & Credential Controls

CIP-0056 defines interfaces for allowlist- and blacklist-based transfer controls, which T-Rize uses to implement a dual-track enforcement model. Under this approach, each proposed transfer must satisfy both conditions: a blacklist check confirming that neither counterparty is a restricted party, and an allowlist check confirming that both counterparties hold valid credentials on the Distributor's approved register. Both conditions operate as authorization preconditions embedded within the smart contract itself and cannot be upgraded or bypassed independently of the core transfer mechanics. This structural integration is assessed as materially stronger than transfer restriction models prevalent in ERC-20-based implementations, where access controls are typically enforced as modifiable external layers separable from the transfer function. Credential revocations are subject to time-lock mechanics enforced via Daml time boundary functions - a smart contract feature that imposes a mandatory waiting period before a revocation takes effect. Affected token holders are designated as observers on the relevant governance proposal during any pending action, providing onchain transparency and advance notice prior to execution.

Oracle Integration & Verification Integrity

The integration leverages Chainlink, a decentralized oracle network, to support the overall workflow by providing an independent retrieval and verification path for the Merkle root referenced in the process. This integration introduces an externally retrievable integrity checkpoint that mitigates single-source reporting risk by enabling reconciliation across multiple independent retrieval channels, and represents a material augmentation of the workflow relative to the baseline standard. The oracle integration operates through a Merkle tree architecture, a cryptographic data structure enabling efficient and tamper-evident verification of dataset contents and allowing validation of encoded state information rather than relying on a simple binary active or inactive flag. An aggregation layer pulls the relevant on-ledger asset contract set from the Canton network, computes a new Merkle tree reflecting the current asset set, and commits the resulting root to a Merkle tree smart contract on the Canton network. The underwriter is described as the accountable party for maintaining the dataset and publishing the current Merkle root via an Underwriter Data API. Chainlink periodically retrieves the latest root from this API, with the Chainlink Verifier providing a separate reference value that can be compared against both the underwriter-published root and the on-ledger committed root. However, no Underwriter has been appointed at this stage, and the scope, provenance, governance, and control environment surrounding any Underwriter-provided data therefore remain unspecified.

Governance Controls & Administrative Enforcement

T-Rize has implemented a bespoke Governance Gateway smart contract, which serves as a mandatory procedural checkpoint through which all material administrative actions initiated via the offchain platform must pass before they can be executed onchain on the DA Canton Utility smart contracts. The Governance Gateway encodes a four-stage procedure of proposal, multi-signature approval, time-lock, and execution directly into the contract logic. This onchain encoding means governance procedures are structurally enforced by the contract itself rather than dependent on internal policy adherence, representing a meaningful reduction in operational governance risk. Changes to the token are subject to a 7-day notice period accompanied by a formal onchain objection mechanism through which affected holders may register a response prior to execution. Additionally, credential revocations are subject to a 48-hour notice period, providing affected participants with a limited window to respond or undertake remedial actions prior to enforcement. Immediate revocation without notice remains available under emergency conditions, enabling prompt intervention where risk, compliance, or security considerations necessitate expedited action. The Governance Gateway additionally provides two emergency enforcement mechanisms. These include an instrument level atomic pause that invalidates transfer capability across all holders simultaneously and a holder level sequential batch revocation that enables targeted and selective enforcement. The availability of this graduated enforcement toolkit provides proportionate onchain tools calibrated to the severity of the compliance or risk scenario at hand.

Residual Governance & Operational Risks

The governance and control framework implemented by T-Rize presents several residual risk considerations spanning administrative role concentration, credentialing architecture, signing authority, supply integrity, and contract auditability.

- **Role Concentration Risk:** T-Rize currently performs the functions of **Operator**, **Registrar**, and **Provider**, the three Canton protocol-level administrative roles responsible for node operations, investor onboarding, and token issuance. Canton's governance model is designed to allow these roles to be distributed across separate entities. Under the current configuration, however, these roles are consolidated within a single organization, limiting the degree of external oversight that such separation would otherwise provide.

- **Centralized Pause Authority Risk:** The emergency pause mechanism, which invalidates transfer and redemption capability across all holders simultaneously in a single transaction, presents a dual-use feature. While it functions as the primary onchain safeguard for protecting the system during exceptional circumstances - such as security incidents, contract anomalies, or market disruptions - it also grants T-Rize the unilateral ability to suspend investor transfer and redemption activity across the instrument.

Pause authorization is executed via a multi-signature arrangement, which introduces internal approval layering and partially mitigates single-credential compromise risk. However, all designated signatories are representatives of T-Rize Group, resulting in a concentration of effective control within a single organization.

Accordingly, activation of this mechanism remains dependent on T-Rize's internal decision-making processes rather than externally verifiable constraints. As a result, investors must rely on the operator's governance practices and operational judgment regarding when and how such powers may be exercised.

- **Operational Verification Dependency:** The reliance on a single Chainlink-based retrieval pathway without a documented fallback mechanism introduces residual operational risk within this verification framework. In the event of service unavailability or performance degradation - whether at the oracle network layer, the verifier interface, or the upstream Underwriter Data API - the independent validation pathway may be temporarily impaired, even if the on-ledger commitment remains accessible. This could limit the ability of investors and other stakeholders to perform timely cross-checks between the underwriter-published Merkle root and the on-ledger committed root. The absence of redundancy or a defined alternative verification procedure represents a residual operational concentration risk that may reduce transparency during periods of disruption.
- **Offchain Dependency Risk:** At the protocol level, Canton credentials function as a binary on/off authorization and do not contain embedded metadata for investor classification, jurisdictional restrictions, or Know Your Customer (KYC) expiration parameters. Enforcement of accredited investor requirements, cross-border transfer restrictions, and expiry-based access controls therefore depends entirely on T-Rize maintaining accurate and timely offchain investor registry data. Any desynchronization between offchain records and onchain credential status could allow a disqualified holder to retain a valid credential. This gap is not addressable at the protocol level and requires sustained operational discipline.

Further, no onchain supply cap is enforced, and minting constraints rely on multi-signature authorization and API gateway rate limiting. The latter could be bypassed through direct node access by the same administrative personnel controlling signing policies. While the issuance does not implement a conventional Proof-of-Reserve mechanism, a partial risk mitigation is provided through the use of Chainlink as an independent verification layer. This provides an additional reference point to assess whether offchain data and onchain representation remain aligned. However, this approach does not constitute real-time asset to token reconciliation, as it relies on periodic updates and a cryptographic summary rather than direct validation of the underlying instruments. Token proceeds are deployed into underlying loan exposures offchain, and neither the allocation of proceeds across individual loan positions nor the ongoing performance of those positions is transparently reflected onchain or subject to continuous reporting obligations. As a result, there is no onchain mechanism linking token supply to the underlying asset pool. Investors must therefore rely on issuer disclosures and internal reporting, which may be made available upon request, to assess both how proceeds are allocated across the loan portfolio and whether the outstanding token supply remains aligned with the underlying insured asset base.

Offers Ownership of Tokenized Loan Notes

Under the Particula Digital Asset Classification System (PDACS), the Kairos Credit-Enhanced Secured High Yield Digital Loan Notes (\$KAI18-1) token is classified as a Relative Rights Token. The token represents a foreign-currency senior debt obligation issued by Kairos Litigation Limited, with expected repayment supported by cash flows generated from a portfolio of U.K. litigation finance receivables. The tokens do not confer legal ownership or beneficial interest in the issuer's underlying assets; instead, they provide investors with a contractual claim for the payment of principal and interest.

Unlike Absolute Rights tokens, which provide a legally enforceable interest in specific underlying assets, investor recourse arises through the issuer's payment obligations and the debt structure established in connection with the issuance, including the appointment of a security agent acting on behalf of noteholders.

The issuer indicates that issuance proceeds are intended to be deployed to finance eligible litigation claims originated by Approved Solicitors. Cash flows generated from these receivables are expected to support the contractual payment obligations associated with the digital loan notes. In the event of a solicitor default, principal exposure on the underlying loans benefits from a performance bond issued by Talisman Surety & Fidelity Company Inc., which indemnifies 100% of each individual loan's principal amount up to a limit of £5,000. The bond does not cover interest payments due under the digital loan notes.

Investor Access Subject to KYC/AML Verification

Subscriptions to \$KAI18-1 tokens are subject to Know Your Customer (KYC) and Anti-Money Laundering (AML) verification procedures conducted in accordance with the U.K. Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, the Proceeds of Crime Act 2002, and applicable data protection legislation.

The minimum investment amount for the offering is set at \$100,000. While the framework does not formally define investor categories such as professional, accredited, or retail investors, access is effectively limited by the high subscription threshold and KYC/AML onboarding requirements. In practice, these conditions are likely to concentrate participation among institutional and higher-net-worth investors.

The issuer's distribution strategy contemplates directing the offer to U.S. investors under Regulation D of the Securities Act of 1933. Therefore the issuer has entered into a non-exclusive placement agreement with Texture Capital Inc. - a FINRA member and SEC-registered broker-dealer focused on digital asset securities - to support investor outreach, onboarding, and transaction execution.

Under this arrangement, Texture Capital is responsible for identifying prospective investors, facilitating introductions, supporting onboarding through its platform infrastructure, and performing Know Your Customer (KYC) and Anti-Money Laundering (AML) checks, while coordinating with relevant counterparties involved in the issuance and settlement process. In this context, compliance depends on the applicable placement framework under Rule 506(b) or Rule 506(c), which impose differing requirements regarding investor verification, marketing practices, and participation eligibility.

As the broader distribution and settlement framework remains under development, the issuer may engage additional distribution channels, including other broker-dealers and infrastructure providers, to support wider investor access.

Expected Issuance & Redemption Process

Issuance

- **Subscription Process:** Investors submit subscription requests for \$KAI18-1 tokens through the T-Rize platform or approved distribution channels and complete Know Your Customer (KYC) and Anti-Money Laundering (AML) verification procedures. Following acceptance of the subscription request, investors transfer funds in fiat to the issuer's designated bank account held at HSBC Bank PLC.
- **Token Allocation:** Upon confirmation of cleared subscription funds, the corresponding number of \$KAI18-1 tokens are issued through the T-Rize platform and recorded on the Canton Network, representing the investor's position in the digital loan notes. The tokens are allocated to the investor's credentialed account on the platform. Token issuance is expected to occur within approximately T+5 days after receipt of investor funds.
- **Loan Origination:** Kairos allocates subscription proceeds into loans extended to participating Approved Solicitors. Borrowers submit portfolios of eligible litigation claims through Claims Management Companies (CMCs), which are subject to verification procedures by the issuer. Eligible cases are submitted for approval of After-the-Event (ATE) insurance coverage prior to funding.
- **Loan Disbursement:** Following verification and insurance approval, loan proceeds are disbursed to Approved Solicitors. Under the structure's upfront interest model, the full contractual interest for the loan term is deducted at the time of loan origination and transferred to a segregated escrow account designated to service the monthly coupon obligations associated with the issued \$KAI18-1 digital loan notes.

Redemption

- **Loan Repayment:** At maturity, Approved Solicitors repay the principal of the underlying loans to Kairos in accordance with the financing terms. Repayment proceeds are collected by the issuer in its designated bank account and allocated to the corresponding digital loan notes.
- **Redemption & Token Settlement:** Redemption occurs at the contractual maturity of the digital loan notes, following the standard 18-month term.

To initiate redemption, the investor transfers the full token position to the issuer on the Canton Network. Upon receipt of the tokens, T-Rize initiates the redemption process. The returned tokens are then redeemed within the Canton protocol through the archival of the corresponding holding contract representing the investor's position.

- **USD Settlement via Wire Transfer:** Following confirmation of redemption, proceeds denominated in U.S. dollars are transferred by the issuer to the investor's bank account in approximately T+3 days.

Overall, investor funds are first collected and then allocated to litigation finance exposures once cases have been verified and ATE insurance has been approved. Capital deployment therefore depends on the completion of several operational steps, including borrower onboarding, case verification, and insurance confirmation. Moreover, redemption of \$KAI18-1 tokens depends on the repayment of the underlying litigation finance loans, linking investor exit directly to the performance and resolution of the financed claims. As a result, the tokens represent a term exposure to tokenized private credit, with repayment tied to the resolution of the underlying loan portfolio.

Detailed Rating Analysis - Underlying Asset

Loan Note with Exposure to a Portfolio of U.K. Consumer Litigation Claims

The \$KAI18-1 token represents a first tranche of foreign-currency senior loan notes issued by Kairos Litigation Limited, bearing a fixed annual coupon of 15%, with monthly interest payments and principal repayable at the 18-month maturity date.

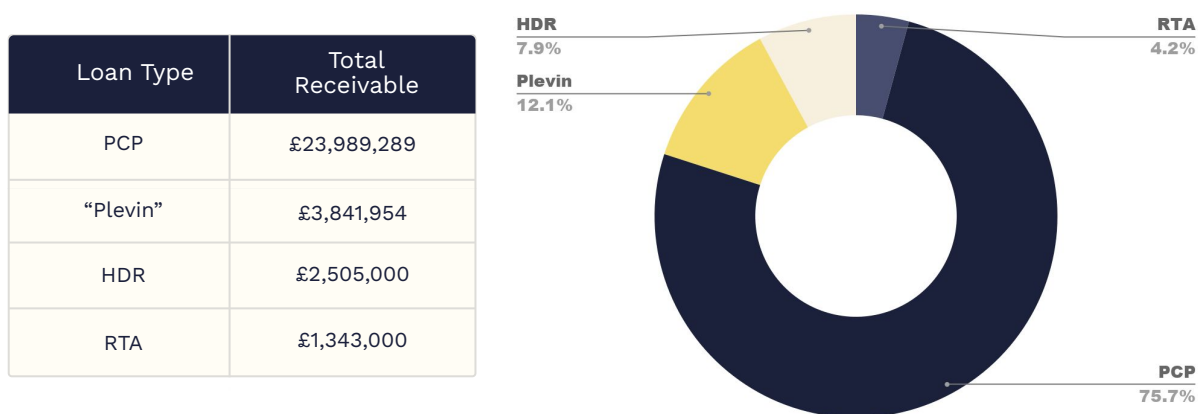
The proceeds are intended to finance litigation receivables by advancing loans to selected U.K.-based law firms (“Approved Solicitors”) engaged in U.K. litigation activities, primarily concentrated in personal contract purchase (PCP) disputes. The handling of client complaints related to undisclosed motor finance commissions is expected to occur through a yet-to-be-confirmed Motor Finance Redress Scheme designed by the Financial Conduct Authority (FCA). Accordingly, performance of the note is dependent on the cash generation and repayment capacity of the participating law firms, as well as the redress scheme becoming operational. Notes are issued at par, with a minimum subscription size of \$100,000 and incremental subscriptions permitted in \$1,000 denominations.

Horizon Legal Limited’s existing loan portfolio provides additional context regarding the group’s historical underwriting and portfolio monitoring approach for litigation-receivable exposures. The outstanding portfolio comprises loans originated to Approved Solicitors to finance consumer-focused legal claims across several segments, including road traffic accidents (RTA), housing disrepair (HDR), personal contract purchase (PCP) disputes, and Plevin-related commission-disclosure cases (“Plevin”). The group targets small-ticket claims, with individual advances typically capped at £5,000. Case selection, due diligence, and portfolio monitoring are performed internally, with no external or independent oversight of these processes observed.

Digital Bond Term Sheet	
Asset Class	Litigation Finance (B2B Lending)
Aggregate (Maximum) Principal Amount	\$50,000,000
Debt Seniority	Senior
Credit Enhancement	Performance Bond (Principal Coverage) & After-the-Event (ATE) Insurance
Repayment Type	Bullet Maturity / Monthly Coupon Payments
Coupon	Fixed Rate Coupon: 15.00% p.a.
Minimum Investment	\$100,000
Additional Increment	\$1,000
Maturity	18 months
Extension Option	Not Available
Currency	USD

The portfolio exhibits limited diversification, with exposure concentrated in two law firms (48% and 52%, respectively). The loans generate average yields of 47.9% and have 12-month maturities. Based on the composition of the repaid loan portfolio, PCP claims represented approximately 75.7% of exposure, reflecting Horizon’s stated strategic focus on this segment. Plevin-related claims accounted for about 12.1%, followed by HDR at roughly 7.9% and RTA at about 4.2%. The portfolio was concentrated among five solicitors, with the largest representing approximately 55.1% of exposures and the second-largest about 22.8%.

Horizon’s Repaid Loans Portfolio Composition



Source: Analysis by Particula as of March 2, 2026

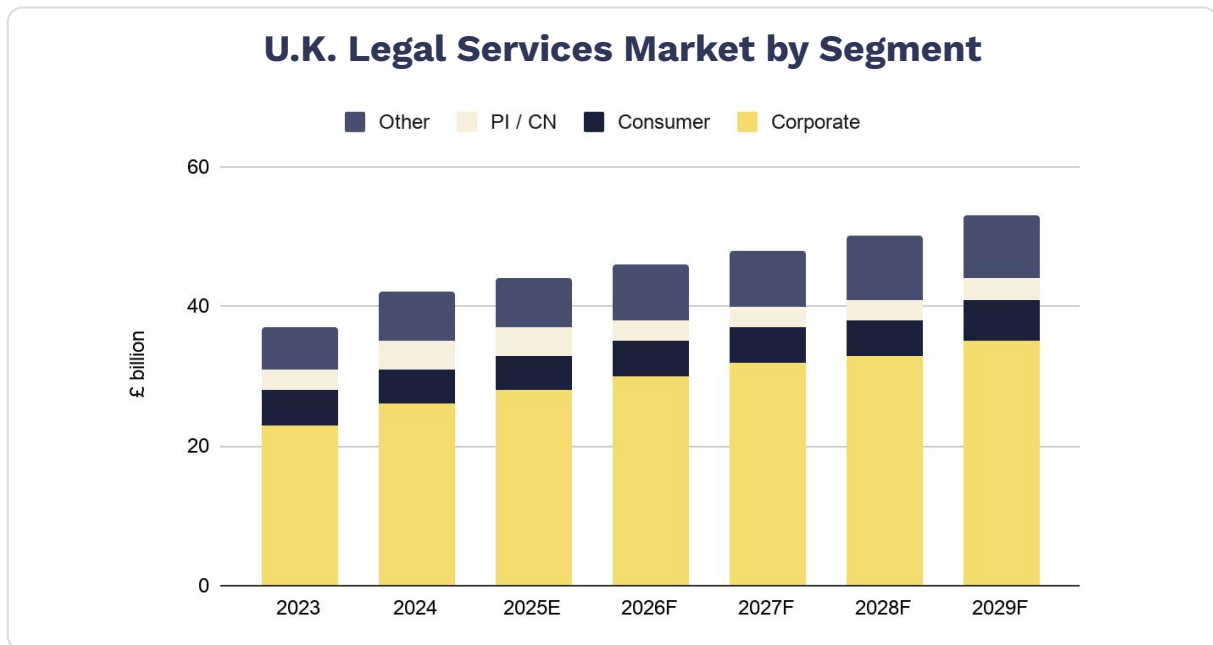
For the \$KA18-1 token, case selection is expected to be limited to PCP claims linked to U.K. mis-sold car finance commissions. Under the proposed structure, each solicitor is expected to pay the full interest due on its loan upfront, while principal is contractually repayable at loan maturity or upon case settlement. Borrower pricing is expected to range from no less than 38% per annum to no more than 60% per annum.

Restricting exposures to PCP claims expected to be addressed under the FCA redress scheme may improve visibility on case-processing timelines and reduce the risk of a timing mismatch relative to the bond’s 18-month maturity. Preliminary documentation between the issuer and borrowers indicates that borrowers will be responsible for reporting case progress and for ensuring that loan proceeds are used solely for case purchase and case-handling-related purposes.

U.K. Legal Services Market Overview

The U.K. legal services market forms a core component of the country’s financial and professional services ecosystem. It is the second-largest legal market globally after the U.S. and the leading market in Europe. According to The City U.K. and Barclays report, in 2024, the sector contributed £38 billion to the U.K. economy, equivalent to 1.5% of gross value added, and generated a trade surplus of £8.9 billion. The sector is also sizable in terms of professional capacity, with an estimated 214,000 solicitors in England and Wales as of December 2025, of which approximately 172,000 were practicing, according to the latest estimates of the Solicitors Regulation Authority (SRA). The market generated more than £40 billion in annual revenues in 2024 and employed over 300,000 professionals. Market growth expectations remain supportive. Strategy& (PwC) projects a compound annual growth rate of 5.1% through 2029, with corporate legal services expected to grow at around 6% per annum and outpace the broader market.

Segment composition remains concentrated in corporate legal services, which accounted for an estimated 61.9% of total activity in 2024 and has been the primary driver of market expansion in recent years. Consumer services represented 11.9%, while personal injury and clinical negligence (PI/CN) comprised 9.5%, with the remaining categories accounting for approximately 16.7%. Overall, this composition is consistent with a mature market structure that is expected to remain broadly stable in the near term, with projected growth from 2025 to 2029 primarily driven by continued expansion in the corporate segment.



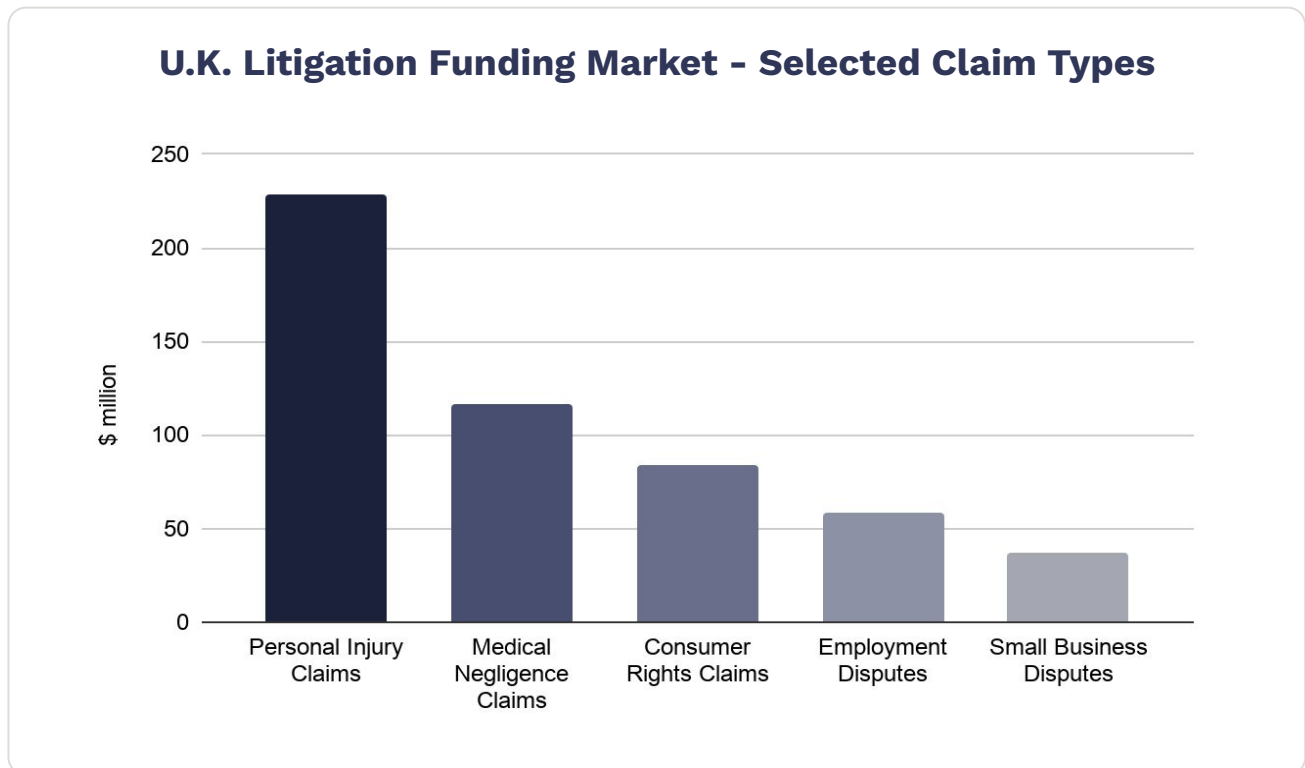
Note: U.K. Legal Services Market Report. Summer 2025; Strategy& (PWC)

U.K. Litigation Funding Market Overview

The litigation funding market, while significantly smaller than the broader legal services sector, is gaining prominence. Various estimates place the market’s 2023 size between £1.5 billion and £4.5 billion. PwC forecasts indicate an 8.7% compound annual growth rate through 2028, with the market projected to increase from £2.2 billion in 2023 to £3.7 billion by 2028. This expansion is supported by the rising litigation cost and complexity, increasing awareness and acceptance of third-party funding, greater availability of capital from institutional investors seeking alternative assets, and corporates’ focus on releasing working capital. Product innovation in funding structures - including the use of tokenization - is also contributing to market development.

By claim type, personal injury claims represent the largest category at approximately \$230 million. Medical negligence claims follow at around \$115 million, reflecting material demand for funding in cases involving high evidentiary and expert cost burdens. Consumer rights claims amount to roughly \$85 million, indicating a meaningful but smaller share of funded claims relative to personal injury related segments. Employment disputes are shown at approximately \$60 million, demonstrating moderate uptake in cases where claimants often face resource imbalances relative to employers. Small business disputes account for about \$40 million, with other case types at around \$30 million. Overall, this distribution indicates funding concentration in claim types associated with higher volumes, larger financial stakes, and comparatively cost-intensive litigation processes. It also suggests increasing market maturity, with funders focusing on segments perceived as having more predictable recovery characteristics and greater scalability.

Insurance solutions are also becoming more prevalent and diversified. Providers are offering a wider range of products, including capital protection, work-in-progress protection, own-costs cover, and judgment preservation insurance. Increased insurer participation is expanding market capacity and supporting broader adoption of risk-transfer mechanisms across the legal services value chain.



Note: Data for 2023. Source: Fenchurch Legal

Personal Contract Purchase Mis-Selling Segment

Personal Contract Purchase (PCP) is a form of car finance under which customers typically pay lower monthly instalments and, at the end of the term, have the option to make a larger “balloon” payment to acquire ownership of the vehicle. In 2017, the Financial Conduct Authority (FCA) opened a motor finance market study focused on PCP commission arrangements and potential consumer harm. Following a Supreme Court ruling on 1 August 2025, which determined that inadequate disclosure of commission arrangements could constitute unfair and therefore unlawful conduct, the FCA estimated that approximately 14 million agreements are in scope, covering the period from 6 April 2007 to 1 November 2024. In October 2025, the FCA’s consultation CP25/27 proposed a mandatory Motor Finance Redress Scheme, with final rules expected by the end of March 2026 and complaint handling paused until 31 May 2026. Under the proposed scheme, consumers would be entitled to compensation where they were not informed of at least one of the following arrangements between the lender and broker: (i) discretionary commission arrangements allowing brokers to adjust the customer’s interest rate to increase commission; (ii) high-commission structures where commissions reached 35% of total credit or 10% of the loan; or (iii) tied arrangements granting specific lenders exclusive access to provide credit. Based on the FCA’s current projections, consumers may receive average redress of around £700 per agreement, although outcomes are expected to vary across individual cases. Once operational, the scheme is expected to facilitate and shorten the compensation process; FCA estimates indicate that the time for consumers to receive compensation may take up to ten months.

Market Backdrop & Structural Mitigants

Against this market backdrop, the key consideration for \$KAI18-1 is how the expected claims environment - particularly the proposed FCA Motor Finance Redress Scheme - may influence the availability and timing of PCP-related funding opportunities for Approved Solicitors, which in turn informs expectations for deal sourcing and deployment of issuance proceeds. Given the resulting exposure to timing uncertainty and borrower performance, the structure incorporates credit enhancement mechanisms intended to support cash flow certainty and reduce loss severity at the underlying loan level.

These mechanisms include a performance bond intended to address principal repayment risk on individual solicitor loans (within stated limits), ATE insurance intended to provide partial protection against adverse litigation outcomes through reimbursement of specified costs (subject to policy terms and exclusions), and upfront interest collection intended to reduce exposure to borrower non-payment of interest once collected.

1. Performance Bond

The bond is denominated in GBP and carries a premium equal to 6.50% of each individual loan, plus applicable taxes. The surety indemnifies the full principal amount of each loan, subject to a maximum indemnity limit of £5,000 per loan. Coverage applies solely to the solicitor's failure to repay principal and does not extend to interest. The surety warrants that it will obtain and maintain 100% reinsurance for the bond. The reinsurer is AmFirst Specialty Insurance Company, which held an A- (Excellent) Financial Strength Rating from A.M. Best as of 2 October 2025. As presented by the issuer, each investor is expected to be designated as co-obligee under the bond and to have recourse to the surety in the event of a solicitor's principal default. The issuer is required to notify the surety of any principal default within 24 hours of a solicitor's failure to make a payment and to provide notice of any potential loss within 30 days prior to a loan's maturity date. Following notification, the surety will assess the loss and either make payment to Kairos Litigation Limited within 30 days after maturity or deny liability in whole or in part.

2. After-the-Event (ATE) Insurance

After-the-Event (ATE) insurance is intended to provide indemnity protection for adverse outcomes within the funded litigation portfolio. The coverage, arranged through Talisman, is intended to reimburse legal expenses, disbursements, and related costs for claims resolved through the Financial Ombudsman Service, settlements by the lender, or cases concluded under the FCA redress scheme; the portfolio intended for financing is therefore expected to fall within this category. The insurance policies presented by the issuer have historically also encompassed other case types financed by the issuer, suggesting that ATE coverage could remain available should the issuer expand the scope of financing beyond mis-sold motor finance products. In the event a funded case is unsuccessful, the structure provides reimbursement up to the applicable indemnity limit, which may partially absorb losses that could otherwise arise from loan non-performance. However, the policy excludes up to 10% of covered legal claims that are unsuccessful, and responsibility for repaying or replacing these claims rests with the acting solicitors. The effectiveness of ATE protection is influenced by coverage scope, exclusion mechanics, and the insurer's ability to meet claims.

In addition, upfront borrower interest collections are expected to be transferred to Kairos Litigation Limited and held within a bankruptcy-remote structure, which is intended to eliminate the exposure to interest non-payment once funds have been received.

Key Considerations & Residual Risks

Despite the credit enhancement mechanisms incorporated in the \$KAI18-1 structure, token holders remain exposed to issuer- and transaction-specific risk factors, consistent with the token's status as a senior debt obligation.

- **High Leverage & Indebtedness Levels of the Sponsor:** Although Horizon Legal Limited has reduced its leverage and overall indebtedness in recent years, key credit metrics - including debt-to-equity and net debt-to-EBITDA - remain elevated. This continued leverage pressure represents a major constraint, particularly if the group were to experience financial stress during periods requiring contractually scheduled monthly interest payments to token holders.
- **Uncertainty Regarding the FCA Motor Finance Redress Scheme:** Although the FCA has signaled its intention to announce the final scope and timeline of the redress scheme in March 2026, it had not done so at the time of analysis. Uncertainty with respect to the start date and terms of the scheme introduces a meaningful risk factor for the issuance, given that token proceeds are intended to finance solicitors' activity under the assumed scheme.

Consequently, issuer cash flows generated from loans to solicitors - and intended to support interest and principal payments to token holders - remain contingent on the redress scheme becoming fully operational. Any delay or cancellation could result in motor finance mis-selling cases being addressed through alternative pathways, including litigation through courts, resolution via the Financial Ombudsman Service, or settlement directly by the car finance provider, which could adversely affect case timelines and cash flow generation.

- **Exposure to Credit Risk of Unrated Borrowers and Execution Risk:** Despite the credit enhancements incorporated in the structure, token holders remain exposed to the credit risk of unrated borrowers. In addition, because facility agreements with borrowers had not been signed at the time of assessment, the effectiveness and enforceability of the proposed enhancements remain subject to execution risk.
- **Foreign-Exchange Risk:** The underlying receivables generated by the loan portfolio as well as the guarantee provided by the performance bond are denominated in GBP, while the notes and the corresponding repayment obligations are issued in USD. This currency mismatch may introduce volatility in cash flow coverage if exchange rates move adversely.
- **Liquidity Risk:** Liquidity risk further affects the instrument's profile. Investors generally hold the digital loan notes to maturity, and there is no assured secondary market. The development of a liquid market is uncertain, which may limit investors' ability to exit positions prior to maturity.

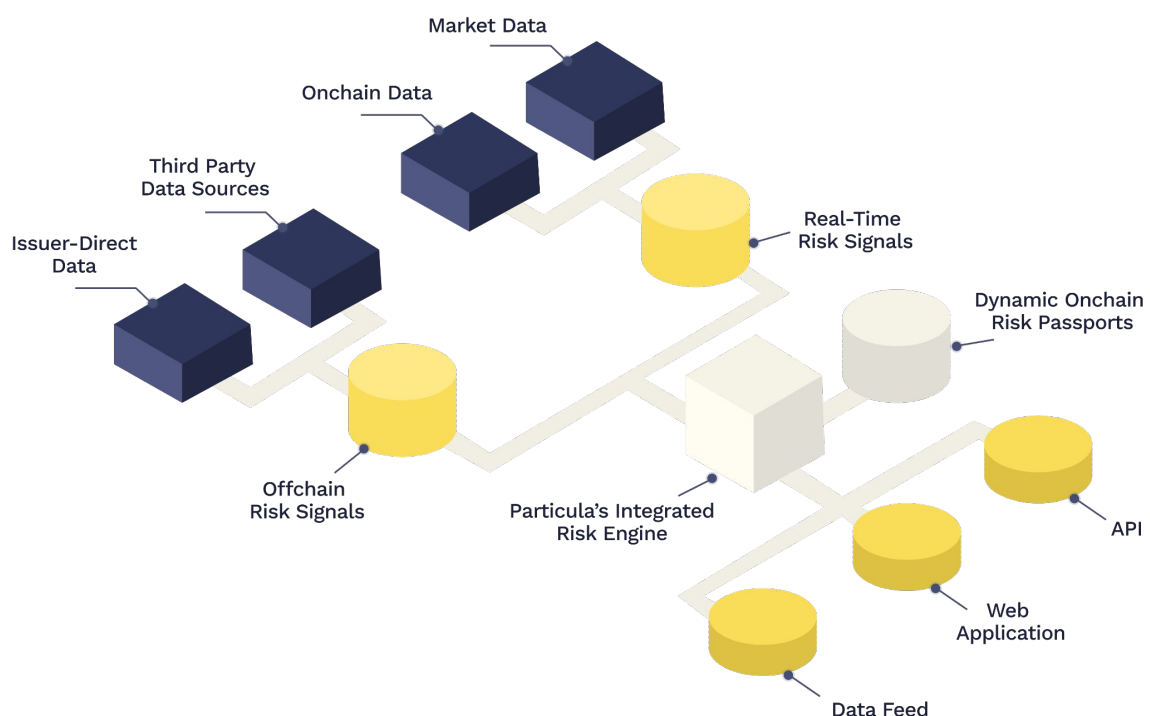
Overall, the transaction's risk profile reflects a structure that incorporates loan-level mitigants - most notably principal protection via a performance bond, ATE insurance for certain adverse outcomes, and upfront borrower interest collection - intended to reduce loss severity and improve cash flow visibility at the underlying exposure level. Notwithstanding these features, performance remains dependent on (i) the operating and financial resilience of the participating Approved Solicitors and (ii) the implementation and final parameters of the proposed FCA Motor Finance Redress Scheme, which remain unconfirmed at the time of publication.

Analytical Approach

Particula’s digital asset risk rating methodology employs a comprehensive analytical approach that combines traditional asset evaluation principles with advanced technology. This methodology diligently assesses each issuance on the categories compliance, economic viability, technological resilience, and operational security, offering investors a deep understanding of risks and opportunities on issuer, token and underlying asset.

Particula’s principles acknowledge the difference between digital assets and analog assets and integrate direct data from issuers, conduct thorough security checks and incorporate real-time blockchain data as well as market trends to provide timely and accurate assessments for navigating the landscape of digital assets. A complete overview of our analytical approach and the rating methodology is available on request.

Grade	Rating	Definitions
Investment Grade	AAA	Highest Quality, Minimal Risk
	AA	Very High Quality, Low Risk
	A	High Quality, Low–Medium Risk
	BBB	Good Quality, Medium Risk
Speculative Grade	BB	Speculative, High Risk
	B	Highly Speculative, Very High Risk
	CCC	Substantial Risk
	CC	Very High Risk, Approaching Exposure
	C	High Risk, In Exposure or Likely to be Exposed
	D	Full Exposure



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Learn More About Particula

contact@particula.io | www.particula.io

Particula GmbH
Reinachstraße 57
80995 Munich

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This assessment is based on confidential information provided by Horizon Legal Limited and T-Rize Group Corporation. It constitutes a pre-issuance assessment conducted prior to the launch of the planned token issuance on the Canton network and reflects conditions as of March 20, 2026. This assessment is made under the assumption that the token issuance will be implemented strictly in accordance with the terms, structure, and parameters outlined in the draft documentation provided at the time of this review. The management of Horizon Legal Limited and T-Rize Group Corporation has reviewed and commented on the content of this assessment.

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