

Memorandum No.: _____
For the exclusive use of: _____

JOHNSON RANDALL TWP LLC

(a Utah limited liability company)

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM AND RISK FACTORS

Membership Interests

First-Loss Capital Matching Program with Topwater Partners LLC — “Catalyst+” Strategy

Manager: Johnson Randall LLC
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Dated as of _____, 20__

THE INTERESTS INVOLVE A HIGH DEGREE OF RISK, INCLUDING THE RISK OF LOSS OF THE ENTIRE INVESTMENT. SEE “RISK FACTORS.”

IMPORTANT NOTICES

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM AND RISK FACTORS (THIS “MEMORANDUM”) RELATES TO THE PRIVATE OFFERING OF MEMBERSHIP INTERESTS (THE “INTERESTS”) IN JOHNSON RANDALL TWP LLC, A UTAH LIMITED LIABILITY COMPANY (THE “COMPANY”). THE INTERESTS HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAW, AND ARE BEING OFFERED AND SOLD IN RELIANCE ON THE EXEMPTIONS PROVIDED BY SECTION 4(A)(2) OF THE SECURITIES ACT AND RULE 506 OF REGULATION D, AND APPLICABLE STATE EXEMPTIONS.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATOR HAS APPROVED OR DISAPPROVED THE INTERESTS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE INTERESTS ARE OFFERED ONLY TO INVESTORS WHO ARE “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501 OF REGULATION D) AND “QUALIFIED CLIENTS” (AS DEFINED IN RULE 205-3 UNDER THE INVESTMENT ADVISERS ACT OF 1940). THE MANAGER WILL BE THE SOLE JUDGE OF WHETHER AN INVESTOR MEETS THESE REQUIREMENTS. THERE WILL BE NO GENERAL SOLICITATION OR GENERAL ADVERTISING IN CONNECTION WITH THIS OFFERING.

AN INVESTMENT IN THE INTERESTS IS SPECULATIVE, ILLIQUID, AND INVOLVES A HIGH DEGREE OF RISK, INCLUDING THE RISK OF LOSS OF THE ENTIRE INVESTMENT. THE COMPANY DEPLOYS ITS CAPITAL AS “FIRST-LOSS” CAPITAL ON A LEVERAGED BASIS; EVEN A MINOR LOSS IN THE UNDERLYING TRADING ACCOUNT CAN RESULT IN A SUBSTANTIAL OR TOTAL LOSS OF THE INVESTOR’S CAPITAL. NO PERSON SHOULD INVEST WHO IS NOT PREPARED TO LOSE ITS ENTIRE INVESTMENT.

THIS MEMORANDUM IS FURNISHED ON A CONFIDENTIAL BASIS SOLELY TO THE NAMED RECIPIENT FOR THE PURPOSE OF EVALUATING AN INVESTMENT IN THE COMPANY. IT MAY NOT BE REPRODUCED OR DISTRIBUTED, AND MUST BE RETURNED IF THE RECIPIENT DOES NOT INVEST. THE INTERESTS ARE SUBJECT TO SUBSTANTIAL RESTRICTIONS ON TRANSFER AND MUST BE HELD INDEFINITELY.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS MEMORANDUM AND THE DEFINITIVE OPERATING AGREEMENT (THE “OPERATING AGREEMENT”) AND SUBSCRIPTION AGREEMENT (THE “SUBSCRIPTION AGREEMENT”) (TOGETHER, THE “FUND DOCUMENTS”). IN THE EVENT OF ANY INCONSISTENCY, THE OPERATING AGREEMENT GOVERNS. THIS MEMORANDUM DOES NOT CONSTITUTE INVESTMENT, LEGAL, TAX, OR ACCOUNTING ADVICE; EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ADVISERS.

TOPWATER PARTNERS LLC, LEUCADIA ASSET MANAGEMENT LLC, JEFFERIES FINANCIAL GROUP INC., INTERACTIVE BROKERS, AND THE COMPANY’S ADMINISTRATOR ARE INDEPENDENT THIRD PARTIES. THEIR INVOLVEMENT DOES NOT CONSTITUTE AN ENDORSEMENT, GUARANTEE, OR APPROVAL OF THE COMPANY, THE MANAGER, OR THE STRATEGY. “CATALYST+” IS A TRADEMARK OF JOHNSON RANDALL, LLC.

FORWARD-LOOKING STATEMENTS

Certain statements in this Memorandum, including under “Offering Summary,” “The First-Loss Arrangement and the Strategy,” “Risk Factors,” and “Use of Proceeds,” are “forward-looking statements.” Words such as “believes,” “expects,” “intends,” “anticipates,” “projects,” “estimates,” “targets,” and similar expressions identify forward-looking statements. These statements involve known and unknown risks and uncertainties, many of which are beyond the control of the Manager, and actual results may differ materially. Any targets, illustrations, or projections (including any reference to targeted returns or to a “9:1” or “10×” capital base) are estimates only, are not guarantees, and are subject to the risks described herein. Past performance, including any track record of the Strategy, is not a guarantee of future results. The Manager undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

OFFERING SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Memorandum and in the Fund Documents. Prospective investors should read the entire Memorandum and the Fund Documents carefully.

The Company	Johnson Randall TWP LLC, a Utah limited liability company, formed to deploy its capital as first-loss capital in Topwater Partners LLC (“Topwater”) and, through the Manager, to trade a dedicated managed account (the “Managed Account”) implementing the “Catalyst+” strategy (the “Strategy”).
The Manager	Johnson Randall LLC, a Utah limited liability company and an exempt reporting adviser. The Manager has exclusive management authority over the Company and acts as the discretionary account adviser to the Managed Account.
Securities Offered	Class B membership interests (“Class B Interests”) in the Company, offered to one or more outside investors (each, a “Class B Member”; references in this Memorandum to the “Investor” mean a prospective Class B Member). The Class B Members, as a class, are entitled to fifty percent (50%) of the Company’s Net Profits (meaning the Company’s allocable share of net trading gains from the Managed Account under the Topwater Documents, after deduction of all Company Expenses and Account Trading Expenses) and bear one hundred percent (100%) of its Net Losses (meaning the Company’s allocable share of net trading losses from the Managed Account under the Topwater Documents, together with all Company Expenses and Account Trading Expenses to the extent not offset by gains), shared among them in proportion to their relative capital accounts (each, a “Capital Account”, maintained for each Member in accordance with the Operating Agreement to track contributions, allocations of Net Profits and Net Losses, and distributions). The Manager holds the Class A Interest, is entitled to the remaining fifty percent (50%) of Net Profits as the Incentive Allocation, and serves as Manager.
Subscription Amount	Individual subscription amounts as accepted by the Manager. The Company is initially targeting aggregate Class B capital of up to

	\$10,000,000; the Manager may admit additional Class B Members and accept additional Class B capital, which may increase the aggregate (and the corresponding matched capital and Managed Account size) accordingly.
First-Loss Structure	The Company's capital (initially targeted at up to \$10,000,000 in the aggregate) is expected to be deployed substantially in full as first-loss capital with Topwater, which is matched approximately 9:1 (i.e., approximately \$90,000,000) to fund an approximately \$100,000,000 Managed Account traded by the Manager. The Company's capital bears the risk of first loss in respect of the Managed Account, up to the full amount of such capital.
Management Fee	None. The Company pays no management fee or asset-based fee.
Incentive Allocation / Profit Split	No Net Profits are allocated or distributed to any Member—Class A or Class B—unless the Managed Account is above its High-Water Mark (meaning, with respect to each Class B Member, the highest Net Asset Value attributable to such Member's Interest as of the end of any prior period in which an Incentive Allocation was made to the Manager, or if none, the Member's initial Capital Account balance); below that mark, gains only restore the Class B Members' Capital Accounts. Above the High-Water Mark, and after (and subordinate to) the allocation of the Company's share of net trading results under the Topwater Documents and the payment of Company expenses, Net Profits are allocated fifty percent (50%) to the Class B Members (as a class, shared pro rata in proportion to their relative capital accounts) and fifty percent (50%) to the Manager (the Manager's 50% being the "Incentive Allocation"), subject to a high-water mark applied separately to each Class B Member. Net Losses are allocated 100% to the Class B Members (first-loss), shared among them pro rata.
Liquidity	Monthly withdrawals on not less than ~30 days' prior written notice, subject in all respects to the liquidity, lock-up, gate, fee, holdback, and suspension terms of the Topwater Documents (meaning the agreements governing the Company's First-Loss Interest in Topwater, including any applicable subscription agreement, limited liability company agreement, and account investment advisory agreement) and to compulsory-withdrawal risk.
Custody / Execution	Interactive Brokers (at the Topwater / Managed Account level).
Eligibility	Accredited investors who are also qualified clients; not benefit plan investors. See "Investor Suitability."
Tax	The Company intends to be treated as a partnership for U.S. federal income tax purposes; investors receive a Schedule K-1.

THE FIRST-LOSS ARRANGEMENT AND THE STRATEGY

How the Arrangement Works

The Company will subscribe for a First-Loss Interest in Topwater. Under the Topwater first-loss program, the capital the Company contributes is matched with additional capital provided through the Topwater platform (approximately \$9 for every \$1 contributed by the Company) and the combined capital is traded in a dedicated Managed Account. The Manager acts as the “account adviser” with discretionary authority to trade only the Managed Account.

The defining feature of the arrangement is that the Company’s capital bears the risk of “first loss” in respect of the Managed Account, up to the full value of that capital, before the matched (non-first-loss) capital bears any loss. The Strategy’s returns are calculated on the full (approximately 10×) Managed Account, but the Company’s downside is the full amount of its first-loss capital. Because losses are absorbed first by the Company’s capital on a leveraged base, a relatively small percentage loss in the full Managed Account can cause a much larger percentage loss to the Company — and to the Investor.

Illustration (for illustration only — not a projection or guarantee)

Company first-loss capital (funded by the Investor)	\$10,000,000
Topwater matched capital (~9:1)	\$90,000,000
Managed Account traded by the Manager	\$100,000,000
If the Managed Account earns 10% in a year (gross)	+\$10,000,000
If the Managed Account declines ~10%	–\$10,000,000 (total loss of first-loss capital)

The figures above are illustrative only, are gross of the Incentive Allocation and the Company’s allocable Account Trading Expenses, and do not represent a projection or guarantee of any result. Leverage amplifies losses as well as gains. Because the Managed Account is leveraged approximately 10:1 relative to the Company’s committed first-loss capital, a gain of approximately 10% on the account corresponds to roughly 100% of that committed capital before the Company’s 50/50 profit split and expenses, and a decline of approximately 10% on the account would eliminate the committed capital in full.

The Catalyst+ Strategy

The Strategy is an event-driven, income-first options strategy. As described by the Manager, it seeks to trade time-bound catalysts (such as surges in stock and option volume and structural events that may force repricing) rather than market direction; uses income-first options techniques intended to generate cash flow and define risk in advance; and targets defined returns over multi-week windows with pre-defined exit guidelines and loss-management parameters. There is no assurance the Strategy will achieve its objectives or that losses will not exceed any targeted parameters, and options and event-driven strategies carry significant risks, including the risk of large or rapid losses. See “Risk Factors.”

RISK FACTORS

An investment in the Company involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with all other information in this Memorandum and the Fund Documents, before investing. The risks described below are not exhaustive. Any of these risks could result in a substantial or complete loss of an investor's investment.

Risks Relating to the First-Loss Structure

The Investor bears the risk of first loss and may lose its entire investment.

The Company's capital (funded entirely by the Investor's Subscription Amount) bears the risk of first loss in respect of the Managed Account, up to the full value of that capital. The Company's capital is the first layer of capital to absorb losses; the matched (non-first-loss) capital on the Topwater platform does not bear losses until the Company's first-loss capital is exhausted. As a result, the Investor may lose some, all, or substantially all of its investment, and should be prepared for a total loss.

Leverage dramatically amplifies losses; a small account loss can wipe out the Investor's capital.

Because the Company's first-loss capital supports an approximately 10× Managed Account, losses in the Managed Account are effectively magnified relative to the Company's capital. For illustration, a decline of approximately 10% in the full Managed Account could eliminate the Investor's entire Subscription Amount. Even minor adverse movements, brief periods of underperformance, or a single adverse event in the Managed Account could cause significant or total loss of the Investor's capital.

The Class B Members provide all of the at-risk capital but share only 50% of profits with the Manager, which contributes no capital and bears no first-loss risk.

Under the economics of the Company, Net Losses are allocated 100% to the Class B Members (shared among them in proportion to their relative Capital Accounts), while Net Profits—which are recognized only to the extent the Managed Account exceeds its High-Water Mark—are shared 50% to the Class B Members (pro rata) and 50% to the Manager. Below the High-Water Mark, gains merely restore the Class B Members' Capital Accounts and neither class receives profit. The Manager is not required to contribute any capital and does not bear first-loss risk on capital of its own. This is a fundamental asymmetry: the Class B Members assume the entire downside while receiving only half of the upside. In addition, because the Class B Members share a fixed fifty percent (50%) of profits as a class, the admission of additional Class B Members dilutes each Class B Member's relative share of that fifty percent (50%) (while the Manager's fifty percent (50%) is unaffected by the number of Class B Members). This structure may give the Manager an incentive both to pursue greater risk than it would if its own capital were exposed to first loss and to raise additional Class B capital. The High-Water Mark mitigates, but does not eliminate, the risk-taking incentive.

Cross-collateralization at the Topwater level could allocate losses from unrelated accounts to the Company.

Under the Topwater Documents, the assets and liabilities attributable to the various managed accounts within a Topwater trading master fund are generally not segregated. In certain circumstances, losses in a managed account that exceed both its associated first-loss capital and the related matched capital could be further allocated among the first-loss investors of other managed accounts in the same trading master fund. The Company could therefore be allocated losses arising from an account it does not control or trade. While the Topwater Documents provide for a "third-loss" reallocation in certain cases, there is no guarantee that assets will be available to satisfy it.

Compulsory withdrawal may force the Company to liquidate at a loss.

The Account Investment Advisory Agreement may be terminated by Topwater (or the Manager) at any time for any or no reason, and will terminate automatically if the Company's first-loss capital account at Topwater falls to or below 1% of the applicable Investment Account Value. A resulting compulsory withdrawal may occur while the Managed Account is experiencing losses, requiring the Company — and therefore the Investor — to withdraw at a loss that may be substantial or total. The Company may have little or no ability to prevent or control the timing of such an event.

The Company's liquidity is wholly dependent on Topwater.

The Company's only material asset is its First-Loss Interest in Topwater. The Company cannot honor withdrawals faster or in greater amount than it can obtain corresponding proceeds from Topwater, which are subject to monthly liquidity, advance-notice requirements, minimum-balance requirements, lock-up periods, gates, withdrawal fees, holdbacks, and the right of Topwater to suspend or delay withdrawals or valuations. The Investor may be unable to withdraw when desired, including during periods of market stress, and the value of the Interest at the effective withdrawal date may differ materially from its value when notice was given.

Risks Relating to the Strategy and Trading

Options and event-driven strategies carry significant risk of loss.

The Strategy involves writing and trading options and taking positions around catalysts and events. Options strategies, including income-oriented (premium-selling) strategies, can produce losses that are large relative to the income collected, and can be subject to sudden, sharp adverse moves ("tail risk"). Event-driven positioning depends on the occurrence, timing, and market reaction to anticipated catalysts, which may not materialize or may produce unexpected results. There is no assurance the Strategy will be profitable or will preserve capital.

Leverage, margin, and short positions increase volatility and risk.

The Managed Account may use leverage and margin and may hold short option positions. Leverage can magnify both gains and losses, can result in margin calls requiring the liquidation of positions at unfavorable prices, and can cause losses exceeding the income or gains anticipated from a position.

Concentration and limited diversification.

The Company holds a single investment (its First-Loss Interest in one Managed Account pursuing a single strategy). The Investor will have no diversification at the Company level, and adverse developments in the Strategy or the Managed Account will directly and fully affect the Company.

Limited or unaudited track record; no assurance of replication.

Any performance track record of the Strategy is limited and may not be representative of results in the leveraged first-loss context, in different market conditions, or net of the Incentive Allocation and Account Trading Expenses. Past performance is not indicative of future results.

Model, execution, technology, and operational risk.

The Strategy depends on the Manager's models, data, judgment, systems, and execution. Errors in models or data, technology or connectivity failures, trade errors, or operational failures (at the Manager, Topwater, the administrator, or the broker) could result in losses.

Market, liquidity, and counterparty risk.

The Managed Account is subject to general market risk, volatility, gap risk, and the risk that positions cannot be liquidated at expected prices or times. The Company and the Managed Account are exposed to the creditworthiness and performance of brokers (including Interactive Brokers), clearing firms, and counterparties, and could suffer losses if any of them defaults or becomes insolvent.

General equity-market and systematic risk.

The Managed Account's performance is exposed to broad movements in U.S. equity and options markets. Declines in the equity markets generally, and macroeconomic, monetary-policy, interest-rate, geopolitical, and investor-sentiment developments, can cause losses across the portfolio regardless of the Manager's skill or the design of the Strategy. The account may carry net long or net short exposure and remains subject to market beta, sudden volatility spikes, and abrupt regime shifts.

Short selling.

The Strategy may establish short exposure, including synthetically through options. Short positions have theoretically unlimited loss potential (as the price of the underlying can rise without limit), depend on the continued availability and cost of borrowing, and are subject to lender recalls, "buy-ins," short squeezes, and regulatory short-sale restrictions. A forced close-out at unfavorable prices can occur and magnify losses on the leveraged account.

Writing (selling) options.

The income-first Strategy involves selling options to collect premium. Losses on written options can substantially exceed the premiums received—very large for written puts and, for uncovered calls, theoretically unlimited—and the Company is subject to assignment and early-exercise risk, gap risk around catalyst events, margin increases, and exchange-imposed position and exercise limits. Premium income does not protect against a large adverse move in the underlying.

Trading halts, circuit breakers, and market disruptions.

U.S. securities and options markets are subject to trading halts, "limit up-limit down" controls, market-wide circuit breakers, exchange and clearing outages, auction imbalances, and settlement disruptions. These events can prevent the Manager from establishing or exiting positions, widen spreads, and cause losses; liquidity around the catalysts on which the Strategy depends can evaporate precisely when it is most needed.

Broker and custodial concentration; margin.

The Managed Account is held and executed primarily through a single broker (Interactive Brokers). The Company is exposed to that broker's insolvency, operational or technology failures, changes to margin, financing, or house-requirement policies, and broker-initiated liquidations. Broker and account protections (including SIPC coverage) are limited and may not cover all losses, and the leveraged account is highly sensitive to margin calls, which can force liquidations at disadvantageous prices.

Cybersecurity and business continuity.

The Company, the Manager, Topwater, the broker, the administrator, and other service providers rely on information and trading systems that are subject to cyberattack, data breach, fraud, and technology failure, as well as to business-continuity events (including natural disasters, pandemics, and geopolitical disruption). Any such event could impair trading, valuation, reporting, or access to the Company's assets and result in losses that may not be recoverable.

Portfolio turnover and transaction costs.

The Strategy may involve frequent trading and high portfolio turnover, generating significant commissions, financing and borrowing costs, exchange and regulatory fees, and bid-ask spreads. These costs reduce returns, are borne by the Company as Account Trading Expenses, and—together with the account's leverage—can accelerate losses.

Risks Relating to the Manager and the Company

Dependence on the Manager and key persons.

The Company depends entirely on the Manager and its principals for the implementation of the Strategy and the management of the Company. The loss of the services of one or more key persons, or the Manager's inability to retain qualified personnel, could materially and adversely affect the Company. The Investor has no right to participate in management or trading.

Conflicts of interest.

The Manager is subject to conflicts of interest, including that it (i) serves as both Manager of the Company and account adviser to the Managed Account; (ii) receives a 50% Incentive Allocation while contributing no capital and bearing no first-loss risk; (iii) may manage other accounts, funds, or first-loss arrangements (including with Topwater) that compete with the Company for time, opportunities, and capacity, and may allocate or aggregate trades among them; (iv) values the Company's assets (indirectly, by reference to Topwater valuations) on which its Incentive Allocation is based; and (v) determines expense allocations. See "Conflicts of Interest."

Limited operating history of the Company.

The Company is newly formed and has no operating history. The Company's success depends on the Manager's ability to execute the Strategy through the Topwater arrangement.

Exempt adviser; limited regulatory oversight.

The Manager operates as an exempt reporting adviser and is not registered as an investment adviser with the SEC. The Company is not registered as an investment company under the Investment Company Act of 1940 (the "Company Act"). As a result, investors are not afforded certain protections that registration would provide.

Valuation risk.

The value of the Interest, and the Company's reported Net Asset Value, are based primarily on valuations of the Company's investment in Topwater, which may be unaudited and estimated. Reported values may differ from amounts ultimately realized, which could affect the Incentive Allocation, withdrawal proceeds, and account statements.

Indemnification limits recourse.

The Fund Documents exculpate and indemnify the Manager and related persons except in cases of fraud, willful misconduct, or gross negligence, and indemnification is payable out of Company assets. These provisions limit the Investor's recourse against the Manager and reduce assets otherwise available to the Investor.

Reliance on third parties; no endorsement.

Topwater, Leucadia Asset Management LLC, Jefferies Financial Group Inc., Interactive Brokers, and the administrator are independent third parties whose involvement does not constitute an endorsement or

guarantee. The Company is subject to changes in their policies, terms, fees, and willingness to continue the arrangement, any of which could adversely affect the Company or force its liquidation.

Expenses without a management fee.

Although the Company pays no management fee, it bears its allocable share of Account Trading Expenses and Company-level expenses (legal, audit, administration, organizational, and offering expenses). These expenses reduce returns and, in periods of little or no profit, may erode the Investor's capital.

Side letters and preferential terms.

The Manager may enter into side letters or other arrangements with one or more investors that grant terms more favorable than those offered to other Class B Members—for example, as to information rights, liquidity, capacity, or the sharing of economics—without offering those terms to, or obtaining the consent of, other Class B Members.

In-kind distributions, holdbacks, and reserves.

Withdrawal and distribution proceeds may be delayed, paid in installments, or subject to holdbacks or reserves (including for contingent liabilities, expenses, and post-audit true-ups), and may, to the extent permitted and in the Manager's discretion, be satisfied in kind. Amounts ultimately received may differ from amounts reported as of the relevant valuation or withdrawal date.

No minimum offering; partial subscription.

There is no minimum aggregate offering amount and no assurance the Company will reach its \$10,000,000 target. The Company may hold one or more closings and may operate with substantially less capital, which could reduce diversification, increase the proportional impact of expenses, and reduce the matched capital and the size of the Managed Account.

Legal, Regulatory, and Tax Risks

Illiquidity and transfer restrictions; restricted securities.

The Interests are not registered, have no public market, and may not be transferred without the Manager's consent and compliance with securities laws. Investors must be able to bear the economic risk of the investment for an indefinite period.

Regulatory change.

Changes in securities, commodities, tax, or other laws or regulations (including those applicable to first-loss arrangements, options trading, leverage, or private funds) could adversely affect the Company, the Manager, or the Topwater arrangement, or could require restructuring, additional expense, or liquidation.

Commodities/derivatives regulation.

To the extent the Managed Account trades commodity interests or certain derivatives, the Manager, Topwater, or the Company may be subject to CFTC and NFA requirements or rely on available exemptions; changes in availability of such exemptions could increase costs or restrict trading.

Tax risks.

The Company intends to be treated as a partnership for U.S. federal income tax purposes. Investors will be allocated their share of Company income, gain, loss, and deduction (which may not correspond to cash distributions) and may owe tax on income they have not received in cash ("phantom income"). Schedules K-1 may be delivered after April 15 and may require investors to extend their returns. The character and

timing of items (including with respect to options and a first-loss arrangement) are complex and uncertain. Each investor should consult its own tax adviser.

Tax character of trading; Section 1256, straddles, and wash sales.

Trading in options and other instruments may generate short-term capital gain or ordinary income and may be subject to the “straddle,” “wash sale,” and “constructive sale” rules and, for certain listed options and other “Section 1256 contracts,” to a mark-to-market “60/40” regime. These rules can accelerate the recognition of income, defer or disallow losses, convert the character of gains and losses, and cause an investor to be allocated taxable income (reported on Schedule K-1) in excess of any cash distributed. Each investor should consult its own tax adviser.

Securities-trading regulation; position limits and short-sale rules.

The Managed Account’s trading is subject to the federal securities laws and exchange rules, including options position and exercise limits, Regulation SHO and other short-sale restrictions, large-trader and beneficial-ownership reporting obligations, and prohibitions on market manipulation and insider trading. Compliance may constrain the Strategy, and a violation (by the Manager, Topwater, or the Company) could result in penalties, forced position reductions, or liability that adversely affects the Company.

ERISA / benefit plan investors.

The Topwater Documents prohibit benefit plan investors from holding First-Loss Interests, and the Company prohibits benefit plan investors. An investor that is, or becomes, a benefit plan investor could cause adverse consequences and the Manager shall have the right, in its sole discretion, to compel such investor’s withdrawal on such terms as the Manager determines.

AML/OFAC compliance.

The Company, the Manager, and the administrator are required to comply with anti-money-laundering and sanctions laws and may be required to obtain identity and source-of-funds information, freeze accounts, withhold payments, or compel withdrawals to comply with such laws.

CONFLICTS OF INTEREST

The Manager and its affiliates are subject to conflicts of interest in connection with the Company, including those summarized below. By subscribing, each investor consents to these conflicts.

- **Dual roles.** The Manager serves as both the Manager of the Company and the discretionary account adviser to the Managed Account, and negotiates and administers the Company’s arrangements with Topwater on behalf of the Company.
- **Incentive Allocation without capital at risk.** The Manager receives 50% of Net Profits (above the Managed Account’s High-Water Mark) as an Incentive Allocation while contributing no capital and bearing no first-loss risk, which may create an incentive to take greater risk than would a manager whose own capital bore first loss. The High-Water Mark mitigates but does not eliminate this incentive.
- **Other accounts and capacity.** The Manager may manage Other Accounts (including other first-loss arrangements) pursuing the same or similar strategies, which compete for the Manager’s time, investment opportunities, capacity at Topwater or the broker, and capital, and among which the Manager allocates and aggregates trades.

- **Valuation.** The Manager determines the Company's Net Asset Value (by reference to valuations provided by Topwater and the administrator, which are based on broker statements from Interactive Brokers), which affects the Incentive Allocation, account statements, and withdrawal proceeds.
- **Expense allocation.** The Manager determines the allocation of expenses between itself and the Company and among accounts.
- **Affiliated service arrangements.** The Manager may engage affiliates or related persons to provide services to the Company.
- **Manager and affiliate co-investment as Class B Members.** The Class A Member is Johnson Randall LLC, and principals, members, employees, or other affiliates of the Manager may themselves subscribe for Class B Interests and invest alongside other investors as Class B Members, on the same or different terms (including pursuant to side letters) and subject to the same first-loss risk. While such co-investment aligns the Manager's principals with investors, it may also create conflicts—for example, in decisions regarding capacity, the timing of subscriptions or withdrawals, and portfolio risk—because those principals participate in the Class B economics in addition to the Manager's Incentive Allocation. Such co-investors are treated as Class B Members without preference and are not entitled to any portion of the Incentive Allocation.

USE OF PROCEEDS

The Company intends to use substantially all of the net proceeds of this offering (\$10,000,000) to fund its First-Loss Interest in Topwater, which will be deployed as first-loss capital supporting the Managed Account traded by the Manager pursuant to the Strategy. A portion of the proceeds (or of Company assets) may be used or reserved to pay Company Expenses, including organizational and offering expenses, legal, audit, administration, and the Company's allocable Account Trading Expenses. The Manager has broad discretion over the use of proceeds within the purposes of the Company.

FEES AND EXPENSES

Management Fee. None. The Company pays no management fee or asset-based fee.

Incentive Allocation. No Net Profits are allocated or distributed to any Member—Class A or Class B—for any period unless the Managed Account is above its High-Water Mark. Above the High-Water Mark, 50% of the Company's Net Profits is allocated to the Manager as the Incentive Allocation (subject to a High-Water Mark applied separately to each Class B Member) and the remaining 50% is allocated to the Class B Members as a class (shared pro rata in proportion to their relative capital accounts). Net Losses are allocated 100% to the Class B Members (first-loss), shared among them pro rata. The Incentive Allocation is determined after the allocation of the Company's share of net trading results under the Topwater Documents and the payment of Company Expenses. Following any period of losses, the first subsequent gains are applied to restore the Class B Members' principal (their reduced capital accounts) in full before the Manager earns any Incentive Allocation and before any profit is distributed to either class.

Company Expenses. The Company bears its allocable share of Account Trading Expenses (meaning brokerage commissions, transaction costs, financing and borrowing costs, exchange and regulatory fees, and bid-ask spreads attributable to trading the Managed Account) and all Company-level expenses ("Company Expenses", meaning legal, audit, tax, administration, custody, organizational, offering, insurance, and indemnification expenses). The Manager bears its own ordinary overhead.

INVESTOR SUITABILITY

An investment in the Interests is suitable only for sophisticated investors of substantial financial means who have no need for liquidity, can bear the economic risk of the investment for an indefinite period, and can afford a complete loss of the investment. Each investor must represent and demonstrate to the Manager's satisfaction that it is (a) an "accredited investor" under Rule 501 of Regulation D and (b) a "qualified client" under Rule 205-3 of the Investment Advisers Act of 1940 (the "Advisers Act"), and that it is not a benefit plan investor. The Manager is the sole judge of an investor's suitability and may reject any subscription in its discretion. Prospective investors must complete the Subscription Agreement and the confidential investor questionnaire (the "Confidential Investor Questionnaire") and provide any additional information requested.

ADDITIONAL INFORMATION

The Manager will make available to each prospective investor the opportunity to ask questions of, and receive answers from, the Manager concerning the Company, the Strategy, the Topwater arrangement, and the terms of this offering, and to obtain additional information to the extent the Manager possesses it or can acquire it without unreasonable effort or expense. Requests should be directed to:

Johnson Randall LLC

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This Memorandum is a summary and is qualified in its entirety by the Fund Documents, which should be reviewed in full with the investor's own legal, tax, and financial advisers before investing.