

LITIGATION INVESTING - PALM BEACH CAPITAL ADVISORS, LLC

Sovereign Litigation Investment Trust (SLIT) III

Focus: factored government attorney fees

Strength: government agency liability; offers uncorrelated returns

Weakness: demand for investible capital is inconsistent and sometimes the states are late in paying

Opportunities: niche market, growth

Threat: cheaper sources of funds

Risk: low - government receivables, never a non-collection in 8 years

Sourcing: the attorneys come to the trust's manager for the service and often factor all their government cases to smooth out their cash flow

Ability to efficiently allocate capital: in theory this could pose a problem - if a trust targets returns of 12% pa - they would have to place "capital" to work regularly. They would be challenged by "quiet times" in demand. This is where management skills and having a well oiled network are crucial - as cases need to be found. The trusts is usually set up to pay the investors a priority return before management gets any incentive. So the 12% is not guaranteed if the capital can't be placed - but, then the trust receives no incentive fees until investors receive their return first.

No. of litigation cases held in trust - many, as the trust would factor as little as USD500
Avg. duration litigation case lasts, until claims are paid out: 60-140 days.

Reward: irrespective of whether the attorney wins or loses the case - debt is due from the state as the state hired the attorney

Sovereign Litigation Investment Trust (SLIT) V

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Ability to efficiently allocate capital: it is harder to earn enough to offer a 12% yield - 9-10% is more realistic (most people assume the risk is too high at 12%, and may do so at even at 10%, although both programs are nearly identical)

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Scope for litigation trusts: this is slated to develop into a growing industry due to relatively high yields offered

Barriers to entry: expertise; ability to raise capital; most investors have never heard of litigation investment - educational process involved.

Competition: limited thus far, but growing

Investment Criteria: Target audience - accredited investors under US Reg D requirements for US citizens and residents.
 access to investors: globally

Trust size: USD1 - 4mn

Liquidity provided: Need to be invested for the life of the trust - normally three years.
Transparency provided: Quarterly distributions when available

Authorities trust is regulated by: Formed as a Delaware Statutory Trust (ie a Business Trust) and Regulation D 506 offering documents under SEC private placement rules.