



LAKE AVENUE CAPITAL, LLC



Lake Avenue Capital – Class Action Settlement Claims Monetization

Lake Avenue Capital works with institutional investors who are currently in liquidation or returning capital to investors to structure a buy-out of their rights to potential future securities class action settlement claims. Although securities class action claims are typically a low priority for firms due to the unpredictable payout amounts as well as extended time frames for disbursement, they can be an important contributor to a fund's bottom line. Lake Avenue works with investors to value the claims and make a fair purchase offer, enabling funds to monetize future claims payments immediately.

Lake Avenue Capital, LLC

Lake Avenue Capital, LLC was founded in 2011 for the purpose of securities class action settlement claim purchasing. Lake Avenue enables firms to immediately monetize their securities class action settlement claims. Typically, firms monetize claims due to firm or fund liquidations as a result of closures or return of capital to investors. Lake Avenue conducts in-depth analysis of a fund's trading history and bids for the right to file and collect on the potential future receivables from securities class action settlements. Based on a proprietary valuation model, Lake Avenue is able to quantify a fund's claims portfolios and offers the fund immediate liquidity in exchange for potential future settlements payments. Once a transaction is executed, Lake Avenue Capital takes full responsibility for the complex claims recovery process over a number of years.

Our Process

After execution of a non-disclosure agreement, Lake Avenue obtains historical trading transaction data from the fund. If data is not available internally, Lake Avenue will facilitate data retrieval from the fund's custodian or administrator. Using our proprietary valuation model, we analyze the firm's transactions against our extensive database of securities class action litigations. After researching the extent to which claims have previously been filed, we determine the potential eligibility for future claim payments. Based on this analysis, we then provide the fund with a purchase offer. Due to the highly automated nature of our transaction processing and claims valuation process, we typically present offers very quickly, with complete transactions being executed in as little as a week.

Advantages of Selling Claims for Funds Returning Outside Investor Capital

For funds in the process of liquidation or returning capital to outside investors, monetizing potential future claim payments enables the fund to fulfill its fiduciary duty by acting in its investors' best interests and properly compensating investors for their share of potential future class action settlements that are derived from losses incurred while they were

shareholders of the fund. The fund can provide specific start and end dates for eligible trading to be included in the bid process, which allows the fund to properly compensate investors for claims in securities that were traded while they were invested in the fund.

The Securities Class Action Litigation Market

Each year, over 200 securities class action litigations are initiated in the US alone. As these cases move through the legal process, they are either dismissed or settled, with an extremely small number progressing to trial. In the cases that settle, damaged investors are eligible to receive a portion of the settlement. In order for investors to collect the settlement funds to which they are entitled, they must file claims forms with the claims administrator for each case and provide proof of their claim to the court. Each settlement is distributed in accordance with its Plan of Allocation, which is a court document that outlines the parameters that must be met in order to be eligible for settlement funds.

Due to the complexity of the Plans of Allocation, the long lead time from stock price drop to eventual settlement fund distribution (multiple years) and the technological challenges inherent in modern day trading, firms face a significant challenge in effectively executing a comprehensive claims filing and recovery effort. The litigation process and extended timelines make tracking cases, along with the status of each, an impossible task for institutional investors.

Due to the sheer volume of account and trade data typical in today's markets, the ability to accurately and comprehensively determine securities class action claims eligibility is incredibly complex. Each securities class action settlement has its own unique set of terms that must be applied to historical trade data. Lake Avenue Capital utilizes a proprietary valuation methodology in order to present funds with an offer to purchase its rights to potential future class action settlement claims, enabling them to properly close out a fund or portfolio and monetize future claims for investors.

For more information, please contact us at:

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Frequently Asked Questions

How does the buyout process work?

The buyout process is comprised of a number of steps.

1. Execution of Non-Disclosure Agreement
2. Acquisition of trading transaction data
3. Lake Avenue analyzes data and determines fair valuation
4. Lake Avenue presents firm with purchase offer
5. Execution of Purchase Agreement and Payment

How long does the buyout process typically take?

The buyout process can take as little as one week from beginning to closing the transaction. However, the time frame is dependent on the availability of a firm's trading data. If data is not immediately available internally, Lake Avenue will work with relevant external parties such as fund administrators or custodians to obtain the data. Lake Avenue's analysis can be completed within a day or two of data acquisition.

Does Lake Avenue purchase entire portfolios or specific claims?

In general, Lake Avenue purchases portfolios in their entirety, enabling sellers to maximize the buyout amount. Lake Avenue is not limited in its capacity to bid, however, and is able to purchase particular claims, for instance an individual fund or account. Funds do not need to close in order to monetize claims. If a fund manager would like to immediately monetize claims, Lake Avenue will make a purchase offer tailored to the particular situation.

What information does Lake Avenue require to make a purchase offer?

Lake Avenue requests transaction data for trading activity as far back as possible, to a fund's inception, if it is available. If transaction history is not available since inception, Lake Avenue requests as much data as possible. Upon execution of the non-disclosure agreement, Lake Avenue will provide details of the transactions we need to conduct our analysis, including specific fields and holdings positions. The more data we have, the better, as these typically result in larger bids.

How long does the purchase process take?

As soon as the non-disclosure agreement is executed, and the transaction data is obtained, a formal purchase offer can be presented within a day. The data analysis process typically happens very quickly but the acquisition of data may vary due to the location of the data, whether internally available or at an outside provider. A complete transaction can take as little as one week or a few weeks on the longer side.

How does Lake Avenue value the potential claims?

Lake Avenue, through the use of its proprietary valuation model, examines the currently available settlements as well as the breadth of the portfolio, to determine potential eligibility for future settlement payments, and makes a bid based on this analysis.

What happens to claims that have already been submitted on behalf of my fund?

Claims that have already been submitted, either internally or by a service provider, will be taken into account during the bid process and will be assigned to Lake Avenue upon execution of a purchase agreement. Third party providers will be compensated for their services according to any existing agreements, if applicable.

What happens to the proceeds from the buyout?

Once a purchase agreement is executed, Lake Avenue Capital will allocate the purchase funds according to the firm's specifications. Lake Avenue Capital will provide a detailed accounting showing dollar amounts for each account and proceeds can be wired directly to those accounts.

Is selling the rights to future recoveries legal?

Yes, the process of executing an agreement to purchase the rights to future recoveries is fully in compliance with all applicable laws.