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## The Seismic Disburse Fund – FAQs

### What is the regulatory status of this product?

The Company is an alternative investment fund registered with the FCA and managed by the Manager. The Company is not a collective investment scheme (as it is a closed-ended body corporate) and as the Notes meet the definition of an 'excluded security', is not subject to the marketing restrictions introduced by FCA in respect of 'non-mainstream pooled investments'.

### What is Litigation Funding?

Litigation funding is a term describing a broad market where claimants case costs are paid by a third party. Traditionally funding has covered the cost of both legal fees and disbursements, with those costs ultimately being repaid out of the damages or settlement recovered by the claimant.

### What are disbursements?

Disbursements are the costs, other than lawyers' fees, that can arise during a legal case. Examples include professional fees payable to an expert witness for a report, or court appearance.

### Where does the Seismic Disburse Fund fit into the market?

The Fund was set up specifically to pay for claimants' disbursement costs, not their legal costs.

The Fund concentrates on the currently underserved civil litigation market, providing access to justice by those hit hardest by the cuts to legal aid. Investors funds are not used to subsidise lawyers, but for the modest and predictable other costs that occur in a high volume of cases. Importantly, these are underwritten by an ATE insurance policy.

### What is ATE insurance?

An "After The Event", or ATE, insurance policy underwrites both the capital invested and the investor return, in the event of a case being lost. The ATE insurance policy premium is the first disbursement made on any funded case.

### What is the company we would be investing in and what form is the investment?

- You would be investing into the Seismic Disburse I Ltd (the Company) – a non-UCIS AIF
- The Company is an onshore business registered in England and Wales.
- The investment is in Loan Notes (providing a fixed return of 5.75%)

### So, we wouldn't invest in the equity of the company but would hold the loan note?

This is correct – although we have engaged Woodside Corporate Services Limited to act as Security Trustee to hold the Loan Notes, in a similar way to how a custodian holds equity shares for investors.



### Why don't I get equity and an equity return?

The majority of litigation funding models are not open to retail investors, and the returns are driven by the success of a small proportion of cases paying out large amounts. This mirrors a venture model of investing and consequently the equity risk requires equity participation, albeit without any tax breaks to provide downside risk protection.

Disburse is a retail investment product and is structured as a loan note. ATE insurance provides downside risk protection by ultimately underwriting investors' capital and base return.

### What are the redemption terms of the note, security etc?

The note is a three-year fixed rate non-transferrable loan note with a yield of 5.75%. Early redemption will be restricted by liquidity and at the Manager's discretion. There are early redemption penalties.

### Can you provide more information on the disbursement model explaining how it works with funds in, all the breakdown of costs (including insurance policy) and ultimate returns?

- Deploy £1m into c.50 cases across a variety of civil litigation cases,
- Case types include Cavity Wall, Mortgage Mis-selling & Undisclosed Commissions,
- Disbursements reach c.£20k per case, of which, the ATE policy consists c15% of total
- The investor's capital and return is achieved by insurance (in lost and cancelled cases) and by the settlement proceeds for cases won.

### Can you elaborate on the breakdown of Fund costs which ends up with the yield of 5.75%, based on the required minimum raise for the AIF structure to work – what is the base minimum needed to make this economic?

- Investor returns are stated net of all charges, fees and costs.
- There is an initial fee of 2% and an annual fee of 2% paid by the company.
- 95% of the funds raised are invested in cases.
- The minimum raise of £500,000 achieves economic performance.

### What are the selection criteria for Disbursement Funders?

- FCA Authorised for Consumer Credit; Newley is regulated by the FCA (FRN: 805416) with permissions to enter into regulated credit agreement as Lender
- Management Experience: Founders, Ewan and Jo Lloyd-Baker (an experienced CEO and insurance professional) have taken on the experienced management team of a civil litigation funding business.
- Capacity; funding growth in the litigation funding sector has bypassed civil litigation and the deficit caused by recent reductions in the legal aid bill remains unmet.



#### What is the experience and capacity of panel of law firms and insurers?

- The Law panel includes one of the UK's leading independent legal services business and a further 40 partner firms with over 600 staff. The panel combined, managed 25% of the UK's 2018 total civil litigation funding market. Capacity for 2019 is anticipated at 3-4,000 cases.
- The insurance panel includes insurers with credit ratings ranging from A to A+.
- The reinsurance policy of the insurers sets criteria for further maintaining or improving the overall credit rating of the policy.

#### What happens to the investors loan notes if either Disburse, the Manager, or the Disbursement Lender goes into administration?

Under such circumstances, the role of the Security Trustee is to step in and actively pursue the recovery of proceeds.