

# Investment in Legal Adjudications from Final Rulings (Sentencias)

Risk: REPUBLICA DE COLOMBIA (BBB-)

INFORMACIÓN ESTRICTAMENTE PRIVADA Y CONFIDENCIAL



May 21, 2020

# Executive Summary



Opportunity to invest in legal adjudications from final rulings (sentencias) in Colombia with an experienced team.  
Risk: Republic of Colombia – Expected IRR:  $\approx 20\%$

## Legal adjudications from Final Rulings (No legal recourse)

### Experienced team

In the last 10 years we have participated directly and indirectly in transactions involving final rulings for an accumulated value close to USD \$ 80 millions with fiduciaries, brokerage firms, family offices and individual investors without any claims having been filed to date, that is, they have all been paid from successful way.

### Custom portfolio

- Each final ruling is selected carefully by our team after its final instance, with no recourse available.
- Payment is subject to the government institution budget and It usually takes 30 to 40 months.
- The final ruling amount accrues the maximum legal interest rate ( $\approx 29\%$  per year) – (Only on principal)

### Contact information

All Communications in relation to your interest in this opportunity should be directed to the following persons

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# Sentencias (legal adjudications from final rulings)



## What IS a legal adjudications from a final ruling

- They are cash commitments in favour of the plaintiffs who have defeated an entity of the State in litigation, the latter being declared responsible for indemnifying for a specific amount of money the damages and losses that with its act or omission has caused the winning plaintiffs.
- There is no legal recourse available, thus constituting a *res judicata*, nor is there any possible legal action different from the payment proceeding.
- From the final ruling date until payment, the entity must pay the maximum interest allowed by law. (Processes started after July 2, 2012 pay DTF (90-day average rate for term deposit certificates) during the first 10 months, during which the entity prepares its budget and allocates resources).
- Given the high number of convictions and their amount against the national budget, on average entities take between 30 and 60 months to pay.

- **It's not a litigation**

## Market size

- The value of the claims against the Colombian State amounts to USD ≈\$100 billion in 2017, which represents about 25% of GDP.
- In the last 4 years between the Ministry of Defense, Police, Prosecutor's Office, Inpec and Invias, more than 2 billion pesos have been paid in legal adjudications from final rulings.
- 60% of the final rulings are ruled against the state, of these 80% arrive to payment process.

### PAGOS DE SENTENCIAS POR PARTE DE LA NACION

ENTIDAD	2015	2016	2017	2018	TOTAL
Ministerio de Defensa	\$ 279	\$ 492	\$ 231	\$ 219	\$ 1'220
Policia Nacional	\$ 147	\$ 234	\$ 113	\$ 107	\$ 600
Fiscalia	\$ 49	\$ 73	\$ 16	\$ 35	\$ 173
Inpec	\$ 29	\$ 33	\$ 10	\$ 23	\$ 95
Invias	\$ 6	\$ 55	\$ 57	\$ 52	\$ 171
<b>Total</b>	<b>\$ 511</b>	<b>\$ 888</b>	<b>\$ 429</b>	<b>\$ 436</b>	<b>\$ 2'265</b>

COP billions

Source: Ministerio de Hacienda y Crédito Público

# The Team

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## Assertive Services

Financial advisory firm established in the Republic of Panama that has been advising families with a high level of equity in financial, legal and strategic aspects among many others.

Since 2010, his team has participated in financial, real estate, and private equity transactions worth more than US \$ 300MM.

## Heritage Financial Advisors

Boutique investment banking, with experience in structuring investment projects, M&A and financing in almost all sectors of the economy. Its partners have participated in transactions worth more than US \$ 1,000MM.

## Relevant experience

- Structuring and implementation of the business model for the purchase of legal adjudications from final rulings for brokerage firms, family offices and individual investors for nearly US \$80 million.
- To date, no claim has been presented in the purchase of judgments

# Oportunity



## Credit Risk

Being in charge of the resources of the General Budget of the Colombian Government, legal adjudications from final rulings have the same credit risk as Colombian public debt.

AGENCIA	RATING	OUTLOOK	FECHA
MOODY'S	BAA2	Negativo	22-Feb-18
S&P	BBB-	Estable	12-Dec-17
FITCH	BBB	Estable	10-Mar-17

## Term

The ideal expected term is between 30 and 40 months, although there is uncertainty on the exact payment date. The fund can repurchase legal adjudications from final rulings each time it receives a payment.

30 – 40 months per  
average sentence

## Expected rerturn

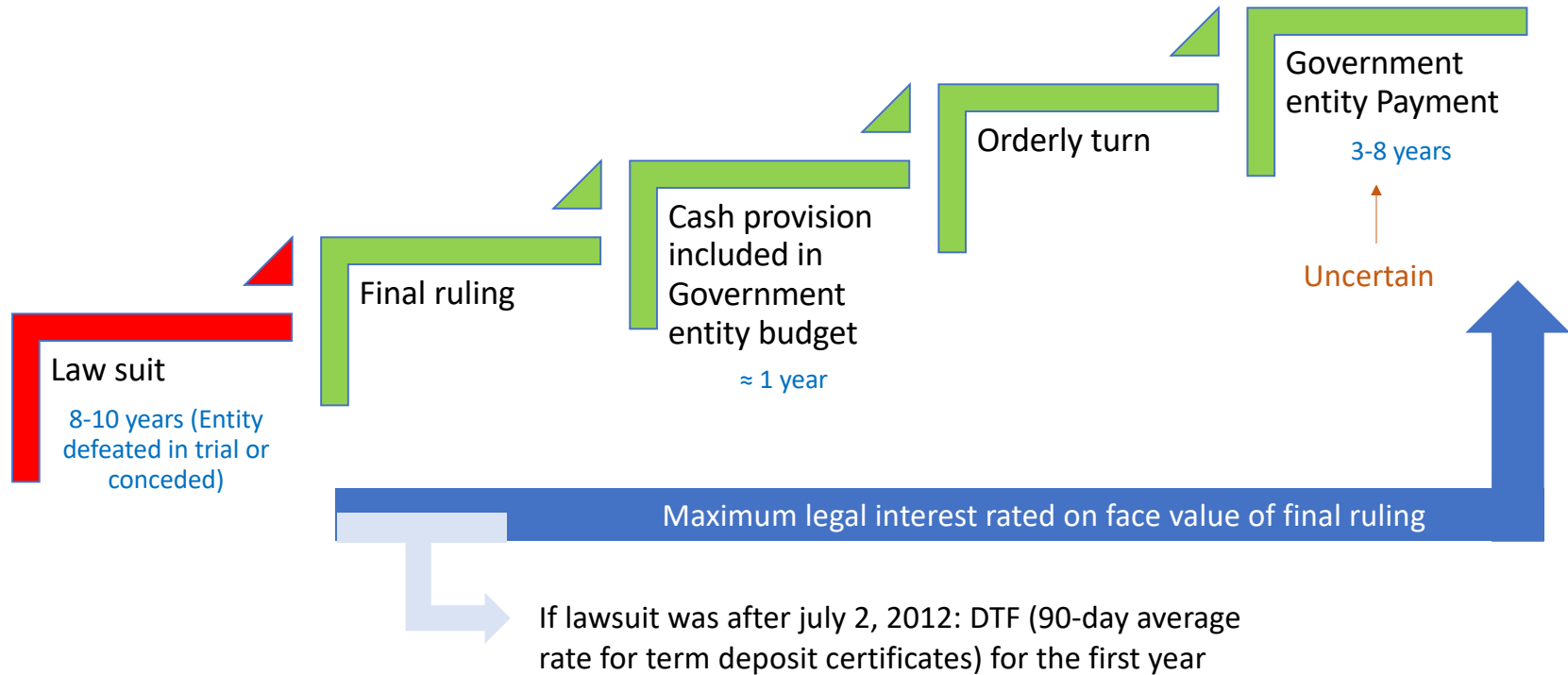
Since the maximum rate allowed by law ( $\approx 29\%$ ) is caused only on the principal and the payment is received in full (capital + Interest) at the end, the longer it takes to receive payment the lower the profitability. After the purchase of the judgment and the administrative cost, the fund can expect a return around 20%

## Who sells?

The plaintiffs and beneficiaries of the payment who have been in the judicial process for several years supported by their lawyers, who do the job of working the processes with success fees.



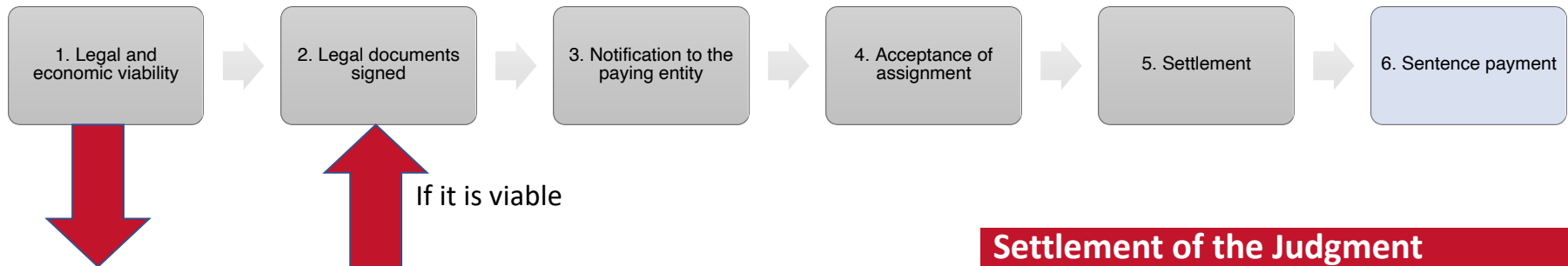
# Timeline



# Operational process



## Process



1. Presentation of a collection account on time having attached the documents that must be filed with a personal presentation note before a notary public.
2. Copy of the Approval of the conciliation or the first copy that lends executive merit.
3. Authenticated power with executed and current evidence.
4. Demonstration under the gravity of the oath that no other request for payment of the providence has been submitted.
5. Identification, telephone and address data of the beneficiaries and their attorneys.
6. Identification photocopy of the assignees
7. Current Bank Certification.

## Settlement of the Judgment

Processes initiated before July 2/2012:  
Recognize default interest calculated at the maximum legal rate allowed since the execution of the sentence. Subsequent processes recognize DTF (90 day average rate for term deposits certificates) the first 10 months before beginning to recognize default interests



# Heritage

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**Boutique Investment  
Banking firm**

**Fast results**

**Solid Academic  
Background**

**We crunch the  
numbers**

**Deep Experience**

**Simple Solutions to  
Complex Situations**

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