LAS VEGAS -- In an office park far removed from the local neon and nightlife, Perry Walton runs one of the hotter games in town.

Mr. Walton bets on lawsuits. He advances money to plaintiffs in personal-injury and other cases, helping them foot their legal bills. If they win, he wins -- usually big. If they lose, he does, too.

Lately, Mr. Walton has had money riding on a fraud suit against the investment bankers for a troubled California day-care center operator, and a sexual-assault suit against the owner of a National Basketball Association team. All told, his network, which includes a company called Resolution Settlement Corp., has invested in scores of suits around

Mr. Walton's unusual growth business underscores the debate over how well the nation's legal system really works. His fans say the 48-year-old Mr. Walton is helping the little guy take on big corporations and other powerful interests. Besides funding litigation, he lends his clients money for nonlegal expenses, such as car payments and Christmas gifts, while they await insurance checks or other settlements.

He also has taught others -- for a fee -- how to fill a financing niche he largely invented. Since 1998, Mr. Walton, who has no formal legal training, has conducted seminars, sharing his business plan with hundreds of aspiring entrepreneurs.

"We look at ourselves as the guys with the white hats," he says. "Equal access [to the courts] costs money." His supporters say he's not that different from contingency-fee lawyers who file lawsuits in exchange for a share of damage awards or settlements.

But Mr. Walton's system skirts the law in states that limit interest charges, and it runs counter to a long legal tradition of barring outsiders from investing in lawsuits.

Mr. Walton's help doesn't come cheap. He charges clients as much as 15% per month in interest on their outstanding balances, a practice he defends by pointing to the risks inherent in civil litigation. In other instances, he has agreed to finance lawsuits in return for a share of any future settlement, sometimes a large multiple of his investment in the case.

Douglas Durham, a Mather Field, Calif., defense lawyer, says he was recently involved in a case in which the successful plaintiff had agreed to pay Resolution Settlement $50,000 to cover a $20,000 advance that had been outstanding for barely a month. "I thought, 'Holy mackerel! Isn't this why they have usury laws?' " he says.
But Mr. Walton, who pleaded guilty to a felony three years ago in connection with another of his financing businesses, says that usury laws -- interest-rate ceilings some states impose on loans -- don't apply to his advances. He says that's because they are "contingent obligations" that don't have to be repaid if the plaintiff loses. His argument hasn't been challenged in court.

To cash-strapped plaintiffs, Mr. Walton can be a lifeline. Harry Toscano, 58, a Jacksonville, N.C., professional golfer, recently turned to Resolution Settlement after failing to persuade some of his golfing buddies to contribute to a lawsuit he was filing against the Professional Golfers' Association. The suit, now pending in federal court in Sacramento, Calif., alleges that the PGA's qualifying rules for its Senior Tour exclude some of the nation's best senior players in favor of those who are better known. The PGA says the action has no legal merit.

Resolution Settlement put $100,000 into Mr. Toscano's case. "I would like to think they invested out of the goodness of their heart," Mr. Toscano says. On the other hand, if he prevails in his lawsuit, which seeks damages of $36 million for lost income from tournaments and other opportunities, Resolution Settlement would get a sizable piece of his winnings.

Mr. Walton has never been a traditional lender. A onetime rock musician and mobile-home park developer in his native North Carolina, he moved west in the early 1990s and started lending money out of his home, offering instant cash through a business he called Wild West Funding.

Prosecutors say things got a bit too wild. In February 1996, police in suburban Henderson, Nev., began getting complaints from people who said they were being threatened after falling behind on loans made by Mr. Walton, at interest rates of as much as 15% a week. One reported a stranger banging on her door and leaving a threatening collection notice, and another fled the area, fearing for her life, says a police affidavit filed in state court in Las Vegas.

According to the affidavit, Mr. Walton told an undercover police detective who was checking out his operations that he worked for "loan sharks." It adds that the detective said Mr. Walton told him: "If you f with these people, you'll end up in the desert dead."

Mr. Walton denies threatening anyone or encouraging anyone else to do so, although he says he kidded one former client that he could wind up in the desert if he didn't pay off a loan. The notion that he ever had any ties to organized crime, he adds, is absurd. But in April 1997, he pleaded guilty to a state charge of "extortionate collection of debt" and got 18 months of probation.

He says he agreed to the plea after authorities seized his savings and some other assets, leaving him unable to mount an effective defense. He says he also was assured that, as a first-time offender, he would receive no jail time.

Las Vegas prosecutors say they aren't aware of Mr. Walton's current activities.

Mr. Walton says he got involved in funding lawsuits by chance a few years ago when his cleaning woman needed money to cover her living expenses after being laid up by an automobile wreck. She didn't have any collateral, but she had a decent case against the other driver. When her lawyer assured Mr. Walton that he would get paid when the case settled, he decided to roll the dice. Nineteen months later, he nearly tripled his investment of $1,100. Mr. Walton says he decided it was "a pretty cool" idea for a business.

It was also a centuries-old legal taboo. English common law long barred outsiders from investing in lawsuits. That convention arose from fears that unfriendly politicians might buy up peasants' legal claims against the crown and use them to harass the king. Until recent years, it lived on in U.S. law as a means of discouraging speculators from pursuing baseless litigation.

But as legal costs have soared, a growing number of states have relaxed the ban, out of concern that it might be keeping some legitimate cases out of court. Nevada is among the few states that still impose restrictions on the practice, such as prohibiting an outside financier from "officiously intermeddling" with a lawsuit's progress.

Mr. Walton says he feels his operation is legal under Nevada law because it takes a strictly hands-off approach to the litigation it finances. He adds that the law's aim of discouraging frivolous lawsuits doesn't apply to his cases because he has a financial incentive to fund only those that have legal value.
Through his Future Settlement Funding Corp., Mr. Walton has trained 400 people in his business, some paying as much as $12,400 for a two-day seminar in which he provides tips on marketing and networking. Along with the course, he has offered a service that helps those who want to start their own businesses to incorporate in Nevada, which sets no limit for interest rates on consumer debt.

After taking Mr. Walton's course last year, Roger Shields, a retired New York banker, hung out a shingle on the Internet, and has invested in a half-dozen or so cases so far. Other former students include lawyers, insurance adjusters and chiropractors, some of whom now complain that they didn't get their money's worth. In Nebraska, regulators ordered Future Settlement Funding to repay $8,500 to a student of Mr. Walton's, saying the company had failed to file a corporate-disclosure form required by state law. Another former student, who invested in Resolution Settlement, sued Mr. Walton and the company in Harris County, Texas, alleging that they fraudulently failed to disclose Mr. Walton's criminal record. Mr. Walton says neither he nor the company had any such disclosure obligation. The suit was ultimately settled.

The nerve center of Mr. Walton's network is a small warren of offices near the Las Vegas airport. Among the handful of employees who work there are a former defense lawyer, who helps evaluate cases, and an ex-Army intelligence officer, who occasionally administers polygraph tests to plaintiffs. Mr. Walton isn't an officer of Resolution Settlement, but a Walton family trust is the company's largest shareholder.

The company solicits business at attorney meetings, via its Web site, and, sometimes, in advertisements in The Wall Street Journal and other newspapers. Its ad in the Journal earlier this year depicted a cash gauge on empty and asked the question, "Has your lawsuit run out of cash?"

Plaintiffs' lawyers, who are forbidden to advance personal funds to clients, say they like Mr. Walton's concept. Indeed, some local bar associations lately have adopted rules that permit lawyers to steer clients to outside funding sources without violating their professional code of ethics. The money "helps us do a first-class job," says David Barry, a San Francisco lawyer. He got a $175,000 advance from Resolution Settlement to launch two lawsuits, including a suit on behalf of some San Diego real-estate brokers that accuses five local real-estate boards of fixing prices for a multiple-listing service.

Mr. Walton says Resolution Settlement has a proprietary method for identifying the most promising lawsuits. However, he says that as a general rule he prefers cases that have been on file for at least six months and plaintiffs whose attorneys have a track record. He says he avoids cases where the plaintiff sues strictly to punish an adversary because "those people will never settle," and thus he wouldn't get paid.

Last year, Resolution Settlement invested $50,000 in a suit filed by Children's Wonderland Inc., an Agoura Hills, Calif., day-care center operator, against its investment bankers. The suit alleged, among other things, that the bankers made false promises about their ability to raise capital for the company, causing financial problems for Children's Wonderland that contributed to a slide in its stock price.

Debby Bitticks, the company's chief executive, says she sought out the funding because she was unhappy with the slow pace of the suit. Thanks to the new war chest, her lawyers got busy, taking a blizzard of depositions, for example. Last spring, Ms. Bitticks's company settled for $1.5 million plus debt forgiveness, according to an internal accounting of the settlement circulated among creditors.

For its trouble, Resolution Settlement collected $275,000 on its $50,000 investment, the accounting shows. Some of the company's creditors, who were given the choice of stock or pennies on the dollar as part of a recent reorganization of Children's Wonderland, were livid when they learned of the funding deal and the bonanza Resolution Settlement had reaped.

Ms. Bitticks, who declines to comment on the settlement, citing a confidentiality order, says the Resolution Settlement deal helped keep Children's Wonderland afloat and adds that any criticism of it is "idiotic."

In other instances, some lawyers say, funding from outside sources such as Resolution Settlement has made it more difficult to settle cases because it inflates the sum plaintiffs need to recover to see any return after paying off their stiff finance charges.

Richard Harpootlian, a Columbia, S.C., lawyer, says one of his clients agreed before hiring him to interest charges of 15% a month on a $2,500 loan from a Walton disciple. He figures she will end up owing $10,000 in interest and
principal before trial. The suit, against a major drugstore chain for false arrest, is promising, Mr. Harpootlian says, but he figures it will be a challenge just to recoup her debt and his legal fees.

Last year, Resolution Settlement advanced $200,000 to Leslie Price, a Charlotte, N.C., woman suing the owner of the Charlotte Hornets basketball team for alleged sexual assault. With the money, Mrs. Price launched an aggressive case, hiring three different sets of lawyers over the course of the proceedings as well as a full-time private investigator.

Last December, a jury ruled for the defendant. "My only regret is that Mrs. Price didn't have to bear the expense herself," says William Diehl, the owner's lawyer. Mr. Walton says he has regrets, too: He misjudged the strength of Mrs. Price's case. She declines to comment.

The lawsuit involving Mr. Durham, the Mather Field defense lawyer, was filed by Rainbow Helicopters Inc., a chopper service based in Oregon, which had been grounded by a botched engine repair. Rainbow figured it had a good case against the mechanic, but it was fast running out of money as the case dragged on for nearly a year. It feared it would be forced to settle for less than it deserved.

Then, Donald Oliver, Rainbow's attorney, got a flier from one of Mr. Walton's lieutenants. After conducting a phone interview and reviewing court documents, Resolution Settlement agreed to cover some of Rainbow's operating expenses, as well as court costs, including expert witnesses, in the event the case went to trial. The agreement stipulated that the deal would be covered by the laws of Nevada, which doesn't have a usury statute.

Last February, barely a month after the financing deal, the parties agreed to have the case mediated by a retired judge. At first, says Mr. Oliver, the two sides were far apart, with Rainbow seeking $600,000, and the repair shop's insurer, Mr. Durham's client, offering $120,000.

Then, the plaintiff's lawyer pulled his trump card: Resolution Settlement, whose support would enable Rainbow to hold out for its day in court. The parties settled after two days of haggling, for $430,000, including $50,000 for Rainbow's angel investor.

Although Mr. Durham discounts Resolution Settlement's influence on the negotiations, Mr. Oliver says that there's no question in his mind its support gave him more negotiating muscle. "They got a lot of money, but it sure filled a need," he says, adding that the extra cash helped his client "stay in the game."