

## Legal Finance 101 and Glossary

Victory Park Capital Advisors, LLC ("VPC" or the "Firm")

### WHAT IS LEGAL FINANCE?

Legal finance is a relatively nascent and growing asset class focused on the provision of third-party capital to law firms or to parties in legal disputes. The asset class includes financing of all sizes, from large-scale law firm loans to single cases involving personal injury claims. The underlying disputes can involve various subject matters, such as mass torts, intellectual property, bankruptcies, and international arbitrations. Legal finance also has international reach, with most funding focused on the United States, but with significant activity in the United Kingdom, Europe, and Australia. Further, underlying investments may take a variety of forms, including non-recourse and recourse loans, as well as purchases of contingent future assets (proceeds from the litigation if the litigation succeeds).

### WHO ARE THE TYPICAL PARTIES INVOLVED IN LEGAL FINANCE?

#### Plaintiffs

A plaintiff is the party that initiates a lawsuit before a court.

#### Law Firms & Attorneys

Professional counsel obtained by the plaintiff to seek a court judgment or settlement.

#### Investors

Institutional and/or accredited high net worth (HNW) investors who commit capital to a dedicated legal finance vehicle to invest in this strategy.

### HOW DOES IT WORK?

Third-party capital is commonly provided to a plaintiff firm representing its clients on contingency or to plaintiffs paying their lawyers as work is performed. In both cases, the third-party capital helps to defray the expense and risk of litigation. In exchange, the capital provider receives an entitlement to proceeds as the underlying litigations conclude.

For investors, VPC believes the asset class is attractive for two key reasons:

- Investor returns in legal finance are generally uncorrelated to the broader market
- The asset class contains capital market-related inefficiencies due to demand for legal funding outstripping the supply of capital and restrictions on the practice of law and prohibitions around non-lawyer ownership of law firms

The asset class accordingly can deliver attractive risk-adjusted returns.

To learn more about Victory Park Capital's differentiated approach to Legal Finance, please reach out to Sora Monachino at [smonachino@victoryparkcapital.com](mailto:smonachino@victoryparkcapital.com).