

VPC Viewpoints



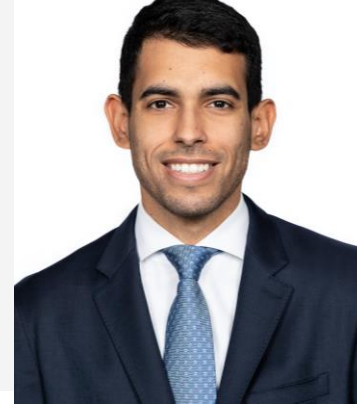
Richard Levy
Victory Park Capital
Founder, CEO & CIO



Luke Darkow
Victory Park Capital
Principal



Chad Clamage
Victory Park Capital
Principal



Ahmed Eltamami
Victory Park Capital
Vice President

Legal Finance Strategy Highlight

What is legal finance?

“Simply put, legal finance is the provision of third-party capital to law firms or to parties involved in legal disputes” says Luke Darkow, VPC Principal dedicated to the legal finance strategy. Legal financing comes in all sizes, from large-scale law firm loans to single cases, and the underlying disputes vary across claim types, including mass tort, high volume, workers’ compensation, personal injury, social security disability, commercial litigation, and international arbitration. Furthermore, loans are secured by underlying collateral representing various revenue streams, such as contingent fees owed to law firms, proceeds entitled to claimants upon the successful resolution of legal disputes, etc.

What is the market opportunity? Why is this strategy attractive?

Legal finance is an uncorrelated, inefficient, and growing asset class. The total annual global legal fees are approximately valued at \$825.0 billion¹, and the estimated annual U.S. legal spend is approximately \$445.0 billion². Law firms are looking for ways to lay off this legal spend and legal risk; however, the demand for legal funding continues to outpace the supply of capital. VPC anticipates this market to grow as the demand for legal finance continues to increase.

“Legal finance is a burgeoning asset class that is generally uncorrelated with the broader capital markets and macro-economic backdrop” says Chad Clamage, VPC Principal. He says, “Restrictions around non-lawyer ownership of law firms and a relative lack of traditional debt financing solutions have created and sustained capital markets-related inefficiencies.”

What are VPC's legal finance capabilities and experience in the space?

VPC has been investing in the legal finance space since 2018 and has a proven track record of providing investors with attractive risk-adjusted returns. VPC has deployed more than \$800.0 million into legal finance since 2018 across over 50 transactions. “We benefit from pattern recognition as a result of our investments in best-in-class legal platforms and credit exposure to over 100+ law firms. These long-term relationships allow us to identify attractive and proprietary investment opportunities on behalf of our limited partners. We are excited about partnering with new platforms and law firms and offering them innovative financial tools to execute on their business models” says Richard Levy, VPC Founder, CEO & Chief Investment Officer.

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Legal Finance Strategy Highlight

VPC pursues a hub-and-spoke strategy, in which it partners with best-in-class platforms across the asset class. “By providing these platforms with strategic investments, VPC secures proprietary sourcing channels with the companies that interact most frequently with the law firms and plaintiffs that are litigating cases” says Ahmed Eltamami, VPC Vice President.

How is VPC's approach to legal finance differentiated from competitors?

The legal finance strategy at VPC leverages the institutional infrastructure of the firm, along with all operational support. In terms of deal structuring, VPC's investments are viewed through a credit lens and feature structural protections, such as cross-collateralization and investment discretion, which limits VPC's downside risk while providing VPC with material upside potential and strong investment rights.

Notably, VPC's portfolio offers shorter-duration investments, with additional liquidity not currently available with traditional litigation funders. “Approximately 10% of our portfolio has turned over quarterly versus invested capital on average since 2018, which differs from traditional litigation funders where you may not see any realization activity for 3-5 years. In terms of risk, traditional litigation funding is more aligned with taking binary risk” says Luke.

How is VPC's approach to legal finance similar to its approach to other private credit deals?

VPC is an established private credit manager founded in 2007, with an extensive track record and institutional infrastructure. Legal finance is just one of several strategies for VPC, and the legal finance team adheres to the firmwide investment philosophy focused on proactive and ongoing risk management and constructing its portfolio with an emphasis on yield generation and capital preservation. “We are a trusted credit provider and have a long history of credit expertise. When it comes to our legal finance strategy, we view the legal finance asset class through a structured lens, primarily leading with a debt or debt-like instrument, placing an emphasis on downside protection and current income streams, which result in an attractive risk-adjusted return profile” says Luke.



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– Richard Levy, VPC Founder, CEO & Chief Investment Officer

Portfolio Company Spotlight:

Plaintiffs law firm (the “Company”)

The Company is a respected and trusted plaintiffs’ law firm headquartered in Washington DC. Since its founding in 1953, the Company has grown to become one of the most prominent injury firms in the country, with 50+ employees practicing throughout Washington DC, Virginia, and Maryland. Despite their growth, one thing has remained the same over the last 65 years: the Company’s commitment to helping individuals who have been injured or wronged.

Sourcing Advantage: The Company was sourced directly via an existing VPC platform relationship, an alternative non-bank lender to plaintiff firms.

Investment: VPC committed \$20 million to a four-year term loan in September 2021, with favorable underwriting and key provisions such as account and cash controls, perfected first lien on collateral, customary negative covenants, and events of default. VPC intends to grow the relationship and portfolio size over time.

VPC Investment Thesis:

The Company has strong brand recognition and a multi-pronged marketing approach, which will allow the company to continue increasing the size of its practice. Additionally, aligning with VPC’s diversification goals, the Company is underpinned by highly-diversified legal exposure across 7,000+ personal injury and mass tort claims.

At VPC, we are excited about the future with the Company and our continued partnership. With a strong management team and expanding ecosystem, the company is poised to be a leading, long-term player in the large and growing legal finance ecosystem.

VPC in the News

Learn more about VPC's recent announcements and press releases [here](#).

- [Victory Park Capital Named USA Lender of the Year at Americas M&A Atlas Awards](#)
- [Victory Park Capital Bolsters Team with New Hires, Recognizes Promotions](#)
- [PDI's 2022 Future of Private Debt Report: LPs look to explore niche strategies](#)
- [Demand for private debt is increasing rapidly. Here's why.](#)
- [Victory Park Capital Closing on \\$2.4 Billion for Asset Backed Opportunistic Credit Strategy](#)
- [Victory Park Capital Bolsters Legal Finance Team with Additions of Chad Clamage and Ahmed Eltamami](#)

Additional VPC Featured Articles

VPC Founder, Richard Levy, discusses how private credit is an increasingly attractive opportunity for investors.

Brendan Carroll, VPC Senior Partner & Co-Founder, shares his perspectives on the state of the private credit market.

Luke Darkow, lead portfolio manager of VPC's legal finance strategy, shares his perspectives on the opportunities in the rapidly growing legal finance space.

Upcoming Conferences

VPC will be attending the following upcoming conferences.

Legal Finance

IMN's Litigation Finance Conference

- **VPC Attendee(s):** Ahmed Eltamami (Mass Torts Panel Speaker)
- **Date:** June 7, 2023
- **Location:** New York, New York

Private Credit & Asset Backed Lending

Paris Fintech Forum

- **VPC Attendee(s):** Brendan Carroll (Panel Speaker)
- **Date:** May 30, 2023 – May 31, 2023
- **Location:** Paris, France

SuperReturn International

- **VPC Attendee(s):** Brendan Carroll (“Is private credit a bubble, or just a little frothy?” Panel Speaker)
- **Date:** June 6, 2023 – June 7, 2023
- **Location:** Berlin, Germany

Global ABS

- **VPC Attendee(s):** Jason Brown (Panel Speaker)
- **Date:** June 13, 2023 – June 15, 2023
- **Location:** Barcelona, Spain

SuperReturn Private Credit US

- **VPC Attendee(s):** Richard Levy & Brendan Carroll (Fireside Chat Participants)
- **Date:** November 6, 2023 – November 7, 2023
- **Location:** New York, New York

Opal's 2023 Innovations in Lending, Alternative Financing, Fintech & Private Credit Summit

- **VPC Attendee(s):** Brendan Carroll (Panel Speaker)
- **Date:** December 5, 2023 – December 7, 2023
- **Location:** Dana Point, California