

## VPC Viewpoints



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## Legal Credit Strategy Highlight

### Tell us about VPC

Founded in 2007, VPC is an established private credit manager with an institutional foundation and a track record of innovation in the space. We recognized early on the persistent inefficiencies in the legal credit market, making it one of the many specialized strategies we offer. "We are a trusted credit provider with a long history of credit expertise," says Richard Levy, VPC Founder, CEO & Chief Investment Officer. "In our Legal Credit Strategy ("LC Strategy"), we approach the asset class through our asset-backed lending lens, primarily leading with debt or debt-like instruments, emphasizing downside protection and current income streams. This results in compelling risk-adjusted return profile."

### What is the VPC Legal Credit Strategy?

"VPC's LC Strategy is precisely what its name suggests—a credit fund focused on the legal sector," explains Chad Clamage, Managing Director at VPC. The strategy leverages VPC's uniquely constructed team that combines veteran litigators and legal finance investors with seasoned asset-backed credit professionals. This fusion allows VPC to identify and act on opportunities across the full spectrum of legal asset types and structures, thus enabling VPC to capitalize on market inefficiencies that other funders either do not see or are not equipped to pursue.

At its core, the LC Strategy prioritizes capital preservation and downside protection while delivering compelling risk-adjusted returns for investors. More specifically, unlike a traditional litigation finance strategy—where funders invest in cases on a non-recourse basis, have little rights as the cases play out, face a sizable chance of losing their entire investment, and are exposed to significant duration risk—the LC Strategy is a true credit strategy; the underlying assets are simply legal in nature. VPC employs credit underwriting processes, protective deal structuring, hands-on monitoring, and risk management controls.

By constructing a highly diversified portfolio of asset-backed legal assets with robust risk management controls, the LC Strategy is focused on insulating investors from frequently voiced complaints about traditional litigation finance investing like durational uncertainty, binary exposures, and concentration risks. VPC's disciplined and innovative approach creates resilience against market volatility and exemplifies VPC's ability to deliver value in an often-misunderstood asset class.

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### What is the market opportunity for legal assets?

Legal finance is a broad term encompassing a dynamic and fast-growing class of legal assets best known for the uncorrelated nature of the underlying legal collateral. The market for legal investing has grown exponentially in recent years; however, the asset class remains relatively uncrowded, with substantial barriers to entry and structural inefficiencies creating significant opportunities for disciplined and well-positioned investors.

"Restrictions on non-lawyer ownership of law firms and the limited availability of traditional financing options have created persistent inefficiencies in capital markets," explains Hugo Lestiboudois, VPC Principal. These inefficiencies, combined with rising legal expenses and an underserved demand for funding, amplify the potential for outsized returns. As institutional investors increasingly recognize the value in legal investing—driven by the wide-range of uncorrelated and resilient assets in the class—VPC's expertise and innovative approach position the firm to unlock value in this rapidly expanding market.

### What is an example of a legal asset that VPC is targeting for the LC Strategy?

VPC identifies and capitalizes on multiple sectors within the growing and evolving legal market. A non-comprehensive list of examples of the types of investments VPC is targeting include:

- Law firm loans secured by a firm's entire inventory of case collateral and often personal guarantees from the partners.
- Post-settlement investments secured by senior liens on recoveries owed to a law firm or claimant from settled cases.
- Insurance-backed investments secured by case proceeds and an insurance policy that pays out within a defined time in the absence of collected case proceeds.
- Legal claims purchases secured by ownership of litigation claims that are settled (or in settlement administration or on appeal) or claims that are trading at a material discount to inherent value.
- Secondaries and NAV loans secured by ownership stake in or liens on third-party investors' broad portfolios of legal assets.

- Portfolio and pool investments secured by a highly diversified pool of legal assets cross-collateralized to create a credit-risk profile with robust downside protection and opportunities for enhanced returns.

This diverse set of targets highlights VPC's ability to identify credit-investment opportunities across the full spectrum of legal asset types while providing innovative legal funding solutions and delivering desirable returns to investors.

### What are the benefits of investing in legal assets?

Investing in legal assets offers compelling benefits, including uncorrelated returns, principal protection, and diversification. With tangible and enforceable collateral, such as settlements or legal judgments, these assets provide predictability and robust risk-adjusted returns.

VPC's hands-on approach, which emphasizes tight control and active management, ensures the underlying assets remain well-monitored and secure. "By investing in legal assets, investors not only achieve compelling financial returns but also contribute to societal impact—supporting access to justice and equitable dispute resolution. The inefficiency in this market allows us to attract higher risk-adjusted returns, making these investments both financially and socially rewarding" says Hugo Lestiboudois. Legal assets are a cornerstone of VPC's strategy, offering resilience, scalability, and a meaningful path to value creation.

### How does VPC approach risk management in this asset class?

VPC employs a rigorous, high-touch approach to risk management and investment monitoring and believes its active investing approach is fundamental to its ability to achieve successful investment outcomes. "We prioritize over-collateralization and tight structural controls, ensuring each of our investments is backed by a collateral base that exceeds the loan value, creating a significant margin of safety" says Joel Hart, VPC Managing Director and Chief Risk Officer. VPC enforces strict eligibility standards for collateral, carefully and actively monitoring its performance to ensure adherence to risk thresholds.

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Structural protections—such as personal guarantees, control over bank accounts, and tailored legal agreements—are integral to the strategy. "We make it our business to know every detail about the portfolio companies we partner with," explains Chad Clamage, Managing Director. "From board-level access to granular collateral data reviewed daily, weekly, or monthly, our team maintains constant oversight." Regular internal reviews ensure risks are addressed proactively, enabling VPC to effectively safeguard investor capital.

### Why is VPC uniquely positioned to capitalize on these opportunities?

VPC is uniquely equipped to excel in the legal credit market through its credit-focused approach, experienced team, and extensive direct sourcing channels. Unlike traditional litigation finance, VPC applies structured credit principles to identify, underwrite, and manage legal investments with discipline and precision.

In addition to VPC's one-of-a-kind legal investment team that was specifically and deliberately constructed to identify and capitalize on growing market inefficiencies and opportunities, VPC also maintains a robust network and strong relationship advantages to drive consistent, high-quality deal flow. VPC utilizes an institutional and repeatable process to source deals from a diverse pipeline of worldwide relationships. "The VPC team has developed a robust network and ecosystem of strategic relationships in the U.S. and abroad, creating a wide funnel of sourcing channels and investment opportunities across many different segments of

the legal market" says Jason Brown, VPC Partner & Head of Sourcing. As a result, VPC maintains a steady stream of proprietary deal flow and unparalleled access to diverse legal asset opportunities providing access to diverse legal claim exposures and opportunities across the entire industry.

"We benefit from years of pattern recognition and strong partnerships with over 100 law firms, which enable us to uncover and execute on proprietary opportunities for our investors," says Richard Levy, VPC Founder, CEO & Chief Investment Officer.

With over \$1 billion deployed across 100+ transactions, VPC has demonstrated its ability to scale this strategy while maintaining a disciplined underwriting process and robust risk management. By combining its direct sourcing pipeline with credit expertise, VPC remains at the forefront of legal credit, solidifying its broader mission of innovation and excellence in private credit.



*"In our Legal Credit Strategy, we approach the asset class through our asset-backed lending lens, primarily leading with debt or debt-like instruments, emphasizing downside protection and current income streams. This results in compelling risk-adjusted return profile."*

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

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