



December 2022

Law Firm Lending

In a year where the global economy has slowed and central banks have increased quantitative tightening, few investment markets have been unaffected. Coming into 2022, Preserver increased its fund's exposure to income-generating infrastructure assets and other strategies that seek to produce meaningful income without the price risk of public financial markets. One of these strategies is Law Firm Lending, a form of Litigation Finance.

Law Firm Lending provides working capital loans to law firms to service their legal cases. It is common for law firms to lack the necessary capital to finance their cases, and most law firm clients cannot afford to pay upfront legal fees. This gap in capital creates the opportunity for Law Firm Lending.

Due to the legal system's complexity and case diversity, there are no set rules or structures for Litigation Finance or Law Firm Lending. It is common for lenders to partner with certain law firms that specialize in underwriting certain case types. The non-standardization can make it hard to source attractive investment opportunities.

Preserver has invested in both Law Firm Lending and Litigation Finance for several years and has refined its investment criteria over time. Currently, Preserver has a partnership with a Law Firm Lender that focuses on downside risk management and social responsibility. The Lender has built an origination network to locate what it deems to be high quality law firms in need of capital. Once a firm is identified, the Lender performs underwriting of the law firm, its personnel, case history, current legal docket, work culture, stakeholders, and social impact. The Lender prefers to work with law firms that focus on personal injury cases as these cases tend to have fewer nuances and surprise judgements. If the law firm passes the Lender's underwriting, the Lender will offer the law firm a short duration loan.

In addition to the underwriting criteria, this Law Firm Lender also structures loans with first lien status over the law firm's assets and legal docket proceeds, along with obtaining equity partner guarantees. Each of these risk mitigants provides further downside protection.

This Law Firm Lending strategy has generated interest income with minimal volatility since Preserver's initial investment, and the strategy's positive performance has provided meaningful alpha in 2022.



Mick Clowers joined Preserver in 2018 as Senior Investment Associate, now Director of Research. He works with the Chief Investment Officer and Operational Due Diligence team to conduct investment research on new and existing investments. Prior to joining Preserver, Mick served as a Portfolio Manager (2011-2017) and the Director of Portfolio Management (2017-2018) at Legacy Wealth Management. He graduated from the University of Memphis with a B.B.A. in Finance. He obtained his Certified Financial Planner certification in 2014. He is also a CFA charterholder.

The information provided herein represents the opinion of the author and is not intended as a forecast or guarantee of future results. It is not a solicitation to invest in any investment products, nor is it intended to provide investment advice. It is intended for informational purposes only. Past performance is not a guarantee of future results. Inherent in any investment is potential for loss. As of November 30, 2022, Preserver, L.P.'s Law Firm Lending investments represented 6% of the Fund's total assets.
