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Longford Capital Strikes $67M Litigation Finance Deal

In the latest example of potential portfolio appeal, the litigation financier is investing $67 million in a "leading litigation firm."

By Roy Strom
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Litigation funders have long said that law firms are interested in packaging multiple cases into one funding deal known as a "portfolio."

Providing more evidence for that argument, Longford Capital Management announced Monday that it had struck a $67 million portfolio deal with an unnamed "leading litigation firm." The Chicago-based litigation funder also said it had previously struck a $50 million portfolio deal and it has now spent more than two-thirds of a $500 million fund it raised one year ago.

The $67 million is already slated to be spent on attorney fees and other costs related to roughly 15 cases that Longford has already agreed to fund, said managing director and general counsel William Farrell Jr. The cases are on behalf of various clients; range in amount in dispute from $25 million to more than $100 million; and are being litigated by multiple lawyers at the firm, said Farrell, a co-founder of Longford. He declined to name the firm, citing privacy concerns for its clients.

"One of the objectives of this particular firm and many others is they want to be able to make this process easy," Farrell said. "They don't want to go through an RFP process. They don't want to have due diligence done by two or three or five different funders because it's distracting."

So-called portfolio deals are beneficial for litigation funders because they spread out the risk of losing capital among a number of cases. In turn, portfolio deals are a cheaper financing option for law firms and corporate litigants than one-off cases. Funders also said portfolio deals can be a

William Farrell Jr..

way for law firms to use financing in more creative ways than simply lowering their risk in contingency cases.

Portfolio deals can be structured in a number of ways. Some deals, like Longford's, are documented from the outset with a pre-arranged number of cases and potential returns. Others are more open-ended and can represent an agreement to fund cases up to a particular dollar amount in the future.

"We look at each and every case," said Farrell, a former partner at Chicago-based Neal, Gerber & Eisenberg. "We underwrite each case as if it were a single investment. It's a little more time consuming, but we really think we bring value to law firms in the process beyond the capital."

Still, there are only a handful of known portfolio deals. Burford Capital Ltd., which recently announced its half-year financial results, has said it invested $100 million in a global firm's commercial litigation cases; $50 million in another large firm's arbitration cases; and $45 million to fund cases for a company that press reports later identified as British Telecom. In May 2017 year, a new litigation boutique, now called Pierce Bainbridge Beck Price & Hecht, reported that it had received funding from Pravati Capital LLC for a number of its cases.

Burford's recent financial numbers showed that the London-based company invested $205 million in the first half of the year in portfolio deals. That represented 70 percent growth from the same period a year ago. Burford, which has continued to hire former Big Law litigators, invested $88 million in more traditional "one-off" litigation during that time.

For Longford, the $67 million deal is the biggest in the company's history. It is also larger than the first fund Longford raised for litigation finance, which was $56.5 million in 2014.

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