

L I C E N S I N G   D I V I S I O N

- Athlete Agent • Collection Agency • Debt Management •
- Private Detectives • Non-Recourse Civil Litigation Funding Companies •
- Truth & Deception Examiners •

JOHN A. GALE  
Secretary of State

GRACE R. WILLNERD  
Licensing Director

**MEMORANDUM**

Date: November 5, 2012  
Re: Annual Report to Legislature: Non-Recourse Civil Litigation Funding  
To: Clerk of the Legislature and Judiciary Committee  
From: John A. Gale, Secretary of State

**INTRODUCTION**

Nonrecourse Civil Litigation Act, LB1094 of the One Hundred First Legislative Session, was signed by the Governor and became law on April 13, 2010, with an effective date of June 15, 2010. Neb. Rev. Stat. §25-3301 through §25-3309. As described by Senator Lathrop during the Judiciary Committee meeting held on February 11, 2010, Nonrecourse Civil Litigation Funding (CLFCs) has always been legal in Nebraska but was unregulated before the introduction of this bill. The renewal year for CLFCs runs from October 1 through September 30.

**NATURE OF THE BUSINESS**

After a catastrophic injury many consumers find themselves without the means to sustain their basic needs while their legal claim for damages is pending. Funding companies advance funds to consumers in return for an assignment of the claim that is currently being litigated. Funding companies evaluate the future worth of the consumers claim and advance money based on that calculation. Funds are only repaid if the consumer is awarded a monetary judgment.

**STATUS OF THE STATE REGISTRATION PROGRAM**

Five companies are currently registered as CLFCs. Four are based out of state and one is located in Omaha. They are:

1. ALFund Excelsior 3, LLC, 7820 Chicago Plaza, Omaha, NE, 68114
2. Covered Bridge Capital, LLC, 830 Penllyn Blue Bell Pike, Blue Bell, PA 19422
3. Injury Case Funding Services, L.L.C., 12140 Lackland Rd., St. Louis, MO 63146
4. Lifeline Funding, LLC, 1221 N. Church St., Suite 103, Moorestown, NJ 08057
5. Oasis Legal Finance, LLC, 40 N. Skokie Blvd., Suite 500, Northbrook, IL 60062

The Secretary's Licensing Division sent out renewal applications in August 2012. Two (2) licensed companies chose not to renew. Attached to the application was a form entitled "Annual Report of Activity in Nebraska" for each company to submit data mandated by Neb. Rev. Stat. §25-3309. The five data points are shown in the attached spreadsheet.

As reported by the registered CLFCs, \$277,162.00 was advanced to 122 Nebraska consumers and 77 consumers will be expected to repay. Of interest is that the Nebraska based company, ALFund Excelsior 3, LLC, did not fund any Nebraska consumers. Some of those cases on which funds were advanced were settled, paid, waived or written off during 2011-2012. From the information provided a total of \$7,238.27 was written off as a loss and 12 cases were settled for less than the company contracted.

#### **Annual Percentage Fee**

The annual percentage fee being charged by CLFCs to Nebraska consumers ranges from 7% to 43%. Each company gave a different range of annual percentage fees which are shown on the attached spreadsheet. Other fees being charged include an origination fee and a delivery fee.

2012 Annual Report for Non-Recourse Civil Litigation (August 2011-September 2012)	ALFund Excelsior 3, LLC	Covered Bridge Capital, LLC	Injury Case Funding LLC	Lifeline Funding LLC	Oasis Legal Finance, LLC	Totals:
Number of NonRecourse Civil Litigation Fundings:	0	5	8	4	105	122
Total amount of fundings:	0	\$16,000.00	\$8,002.00	\$88,500.00	\$164,660.00	\$277,162.00
The number of funding required to be repaid by the consumer:	0	5	all	0	64, plus 2 impaired, 39 closed	77
The amount charged to the consumer, including but not limited to, the annual percentage fee charged to the consumer and the itemized fees charged ot the consumer:	N/A	\$250 origination fee, \$30 delivery fee, Rates vary between 28%-33% for 5 funding	simple interest of 7% per month, no other fees	annual % fees range from 30%-39% with no additional fees	average \$42.89 fee per funding, average accrued fees of 0.43x the funded amount	range between 7% monthly to 43% annually, fees range from \$42.89 to \$250
The dollar amount and number of cases in which the realization to the company was less than contracted:	0	all cases reamin open	all have been paid in full to date	\$0/0 cases	\$7,238.27 written off, 12 paid less than contracted	\$ 7,238.27

\*Two companies did not renew in 2012:

1. SMP Advance Funding, LLC
2. Cambridge Management Group, LLC