APRIL 2020

Briefing

The LegalTech Fund

CONFIDENTIAL

DISCLAIMER

This presentation is intended for limited circulation and is provided to the recipient on a confidential basis so that they may consider an investment in The LegalTech Fund, L.P. (the Fund). The recipient expressly acknowledges and agrees that they will hold this information, this document, and all related documents and disclosures in the strictest confidence. This document is not intended for public use or distribution, and dissemination, publication, distribution, disclosure, copying or use of the information, documents, or disclosures contained herein is expressly prohibited.

These materials do not purport to be all-inclusive or to contain all the information that a prospective investor may desire in investigating the Fund. These materials are merely for preliminary discussion only and may not be relied upon for making any investment decision with respect to the Fund. Rather, prospective investors should rely upon the Fund's definitive agreement of limited partnership and their own independent investigation of the Fund. In the event that any of the terms of this presentation are inconsistent with or contrary to the agreement of limited partnership, such agreement shall control.

The limited partner interests in the Fund have not been registered under the United States Securities Act of 1933, as amended, or under any applicable state securities laws, nor have such limited partner interests been approved or disapproved by the United States Securities and Exchange Commission (the SEC) or the securities regulatory authority of any state or other jurisdiction. Neither the SEC nor any commissioner of any such state authority or other jurisdiction has passed upon the accuracy or adequacy of this presentation, and any representation to the contrary is unlawful. This presentation does not constitute an offer to sell or a solicitation of interest to purchase any securities or investment advisory services in any state or in any other jurisdiction in which such offer or solicitation is not authorized.

This presentation may contain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, as amended. Because such forward-looking statements involve risks and uncertainties, actual results of the Fund may differ materially from any expectations, projections or predictions made or implicated in such forward-looking statements. Prospective investors are therefore cautioned not to place undue reliance on such forward-looking statements. Any projected outcomes, proceeds and performance (the "Projections") included in this presentation represent a range of potential outcomes and are estimated by the firm's team members. These Projections are for illustration purposes only and prospective investors are cautioned not to rely upon the Projections. The Projections do not reflect any actual outcomes, proceeds and performance. Actual outcomes, proceeds and performance will be materially higher or lower than the Projections presented in this presentation and there can be no assurance that the Projections will be attained. This presentation speaks as of the date hereof and neither the general partner of the Fund nor any affiliate or representative thereof assumes any obligation to provide any recipient of this presentation with subsequent revisions or updates to any historical or forward-looking information contained in this presentation to reflect the occurrence of events and/or changes in circumstances after the date hereof.

This document is not an offer to sell securities nor should it be deemed to imply an offer of securities. Any securities offering can only be made to qualified persons (as defined under applicable law). The interests described herein shall not be offered or sold in any jurisdiction in which such offer, solicitation or sale would be unlawful until the requirements of the laws of such jurisdiction have been satisfied. While all the information prepared in this document is believed to be accurate, the Fund and its affiliates make no representation or warranty as to the completeness or accuracy of the information in this document and accepts no responsibility.

The case studies and the companies (including sample investments) profiled or discussed in certain sections of this presentation represent a subset of the firm's prior investments and may not be representative of the firm's investment experience or performance as whole. Please refer to the Private Placement Memorandum and/or other materials in the Datasite for details regarding the full investment performance.

An investment in the Fund is speculative and involves a high degree of risk. Opportunities for withdrawal and transferability of interests are restricted, so investors may not have access to capital when it is needed. There is no secondary market for the interests, and none is expected to develop. An investor should not make an investment unless it is prepared to lose all or a substantial portion of its investment. The fees and expenses charged in connection with this investment may be higher than the fees and expenses of other investment alternatives and may offset profits. Nothing presented herein is intended to constitute investment advice, and no investment decision should be made based on any information provided herein. Past performance is not indicative of future results.

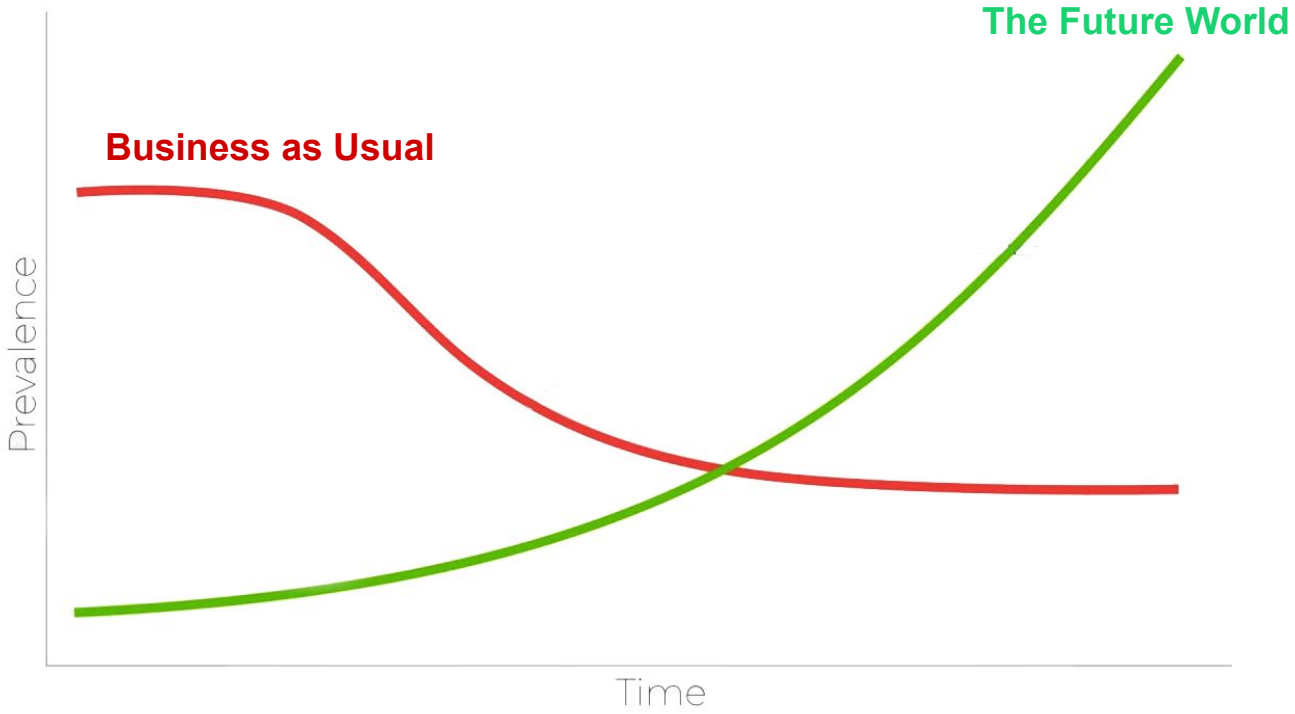
THE LEGALTECH FUND

We are a strategic venture capital fund that invests in companies that are reimagining the world of law.

CONFIDENTIAL

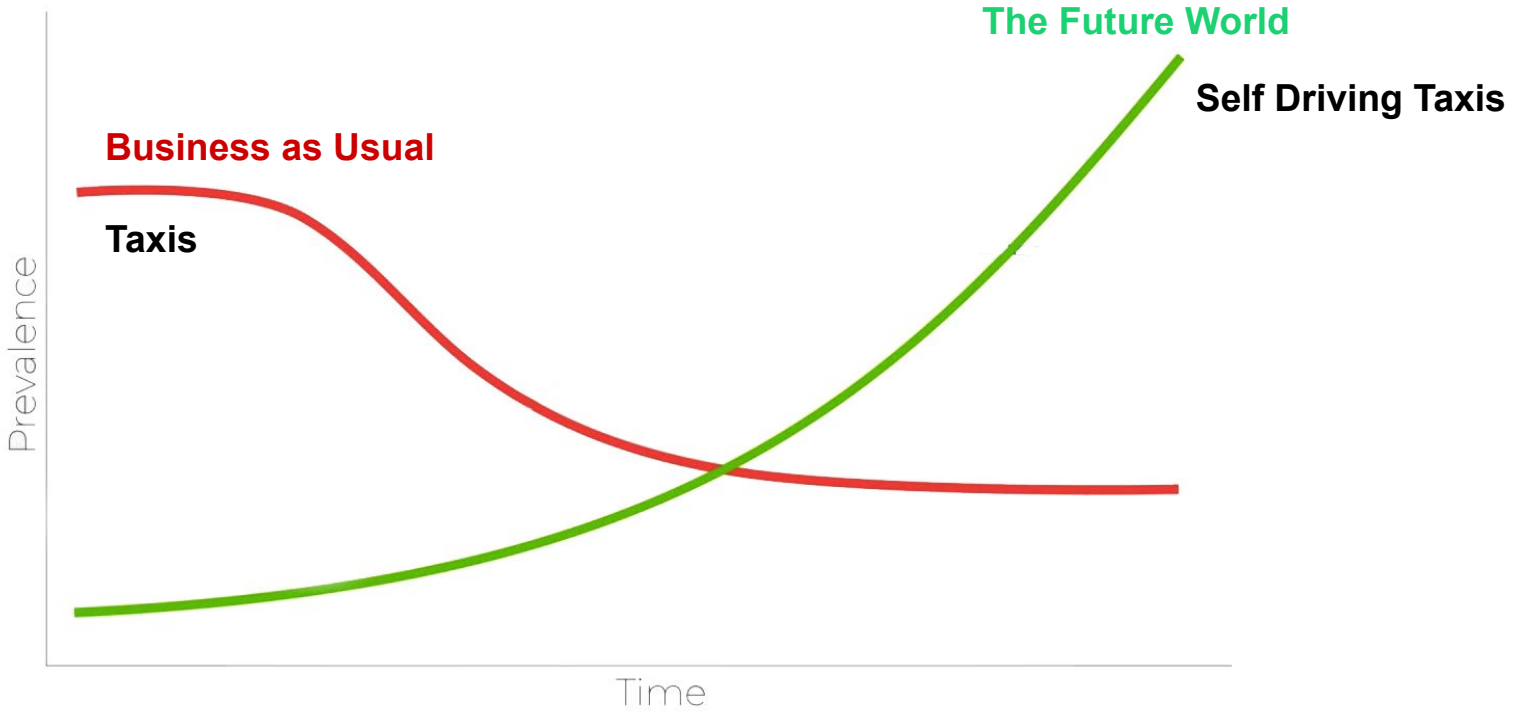
Agenda

1. The New Normal
2. Predictions
3. Investing Tailwinds



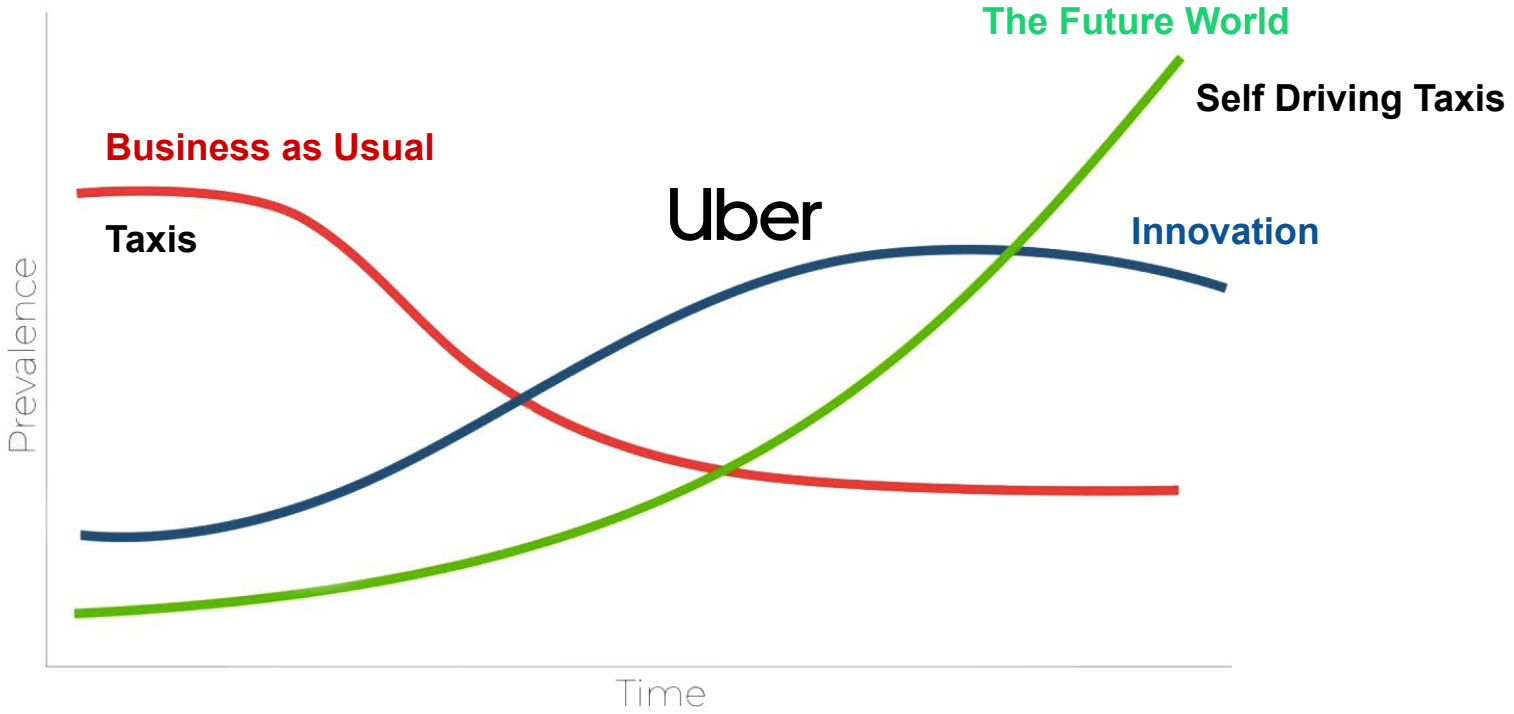
Source: Bill Sharpe, Three Horizons Framework

CONFIDENTIAL



Source: Bill Sharpe, Three Horizons Framework

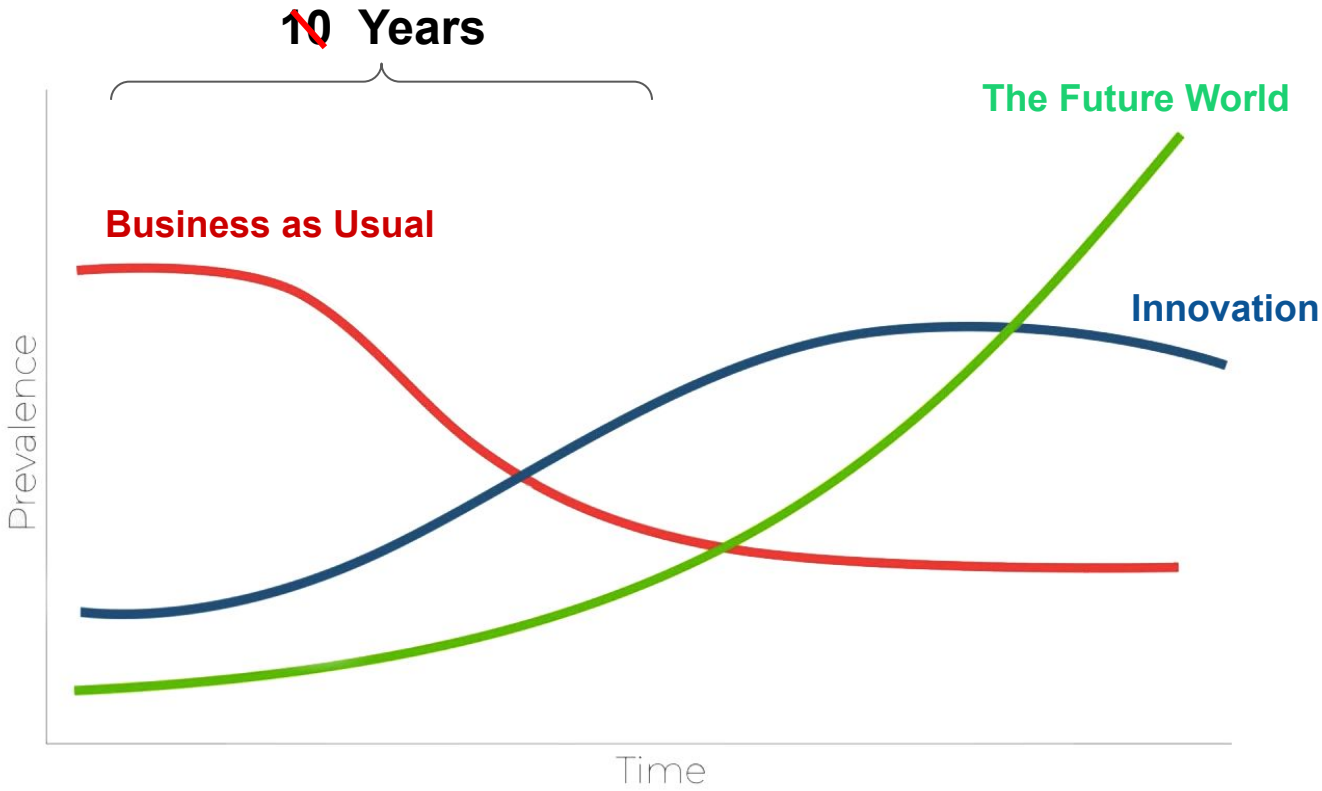
CONFIDENTIAL



Source: Bill Sharpe, Three Horizons Framework

CONFIDENTIAL

THE LEGALTECH FUND



Source: Bill Sharpe, Three Horizons Framework

CONFIDENTIAL

"There are decades where nothing happens, and weeks where decades happen."

– TYLER COWEN, AMERICAN ECONOMIST

CONFIDENTIAL

The New Normal

Accelerating to the future

- Inflection point re: shift online
- And re: on demand (including legal)
- Work from home is here to stay
- Business moves to devices
- From W2 to 1099
- Software & structured data disrupt
- GCs tighten budgets ➡️ turn to software
- Policy changes ➡️ turn to software
- New companies, products, and models
- Money continues to flow
- Software sticks
- Change is coming

CONFIDENTIAL

In-person trainings are canceled...

60% of organizations significantly increasing their use of virtual classroom training because of the COVID-19 coronavirus pandemic.

Sources: Institute for Corporate Productivity (i4cp), Chief Learning Officer

CONFIDENTIAL

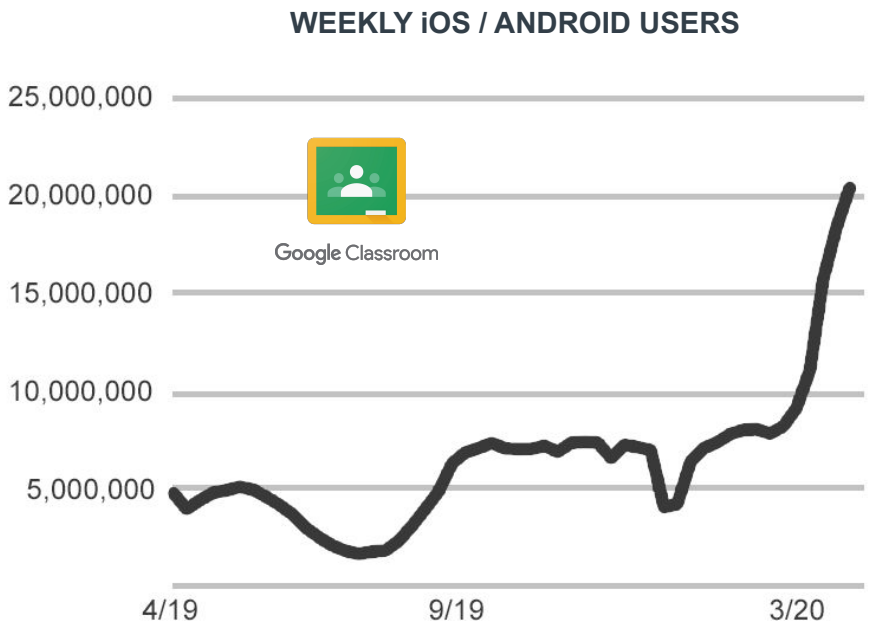
Inflection point: shift online

Education

65% of parents worried about children falling behind as schools go online

Worldwide university closures impact 1.57 billion students

Massachusetts may offer bar exam online



Sources: App Annie, EdTrust, MarketWatch, WeForum

CONFIDENTIAL

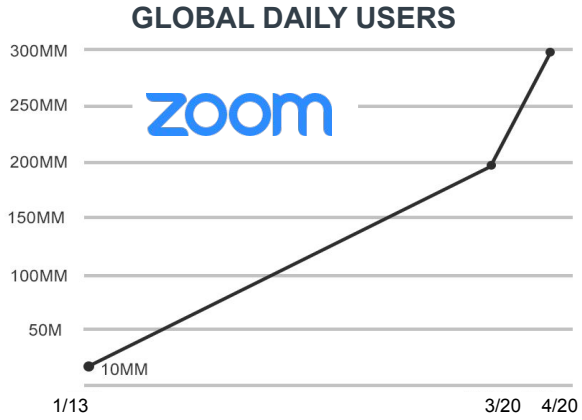
Inflection point: shift online

Work

20X+ demand for online meeting software and similar services

slack +200%

Microsoft Teams +50%



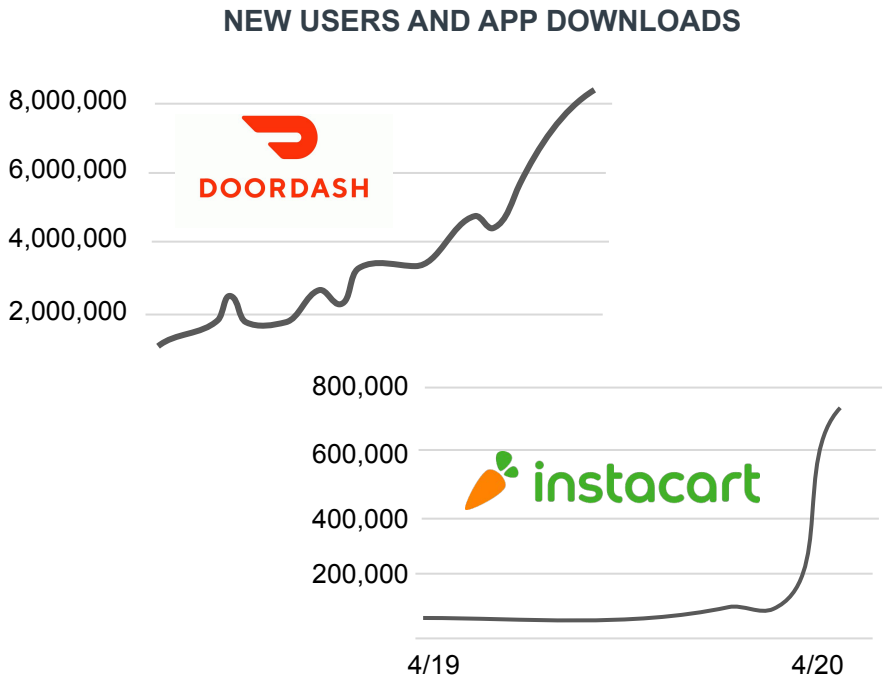
Sources: App Annie, MarketWatch, Company provided information

CONFIDENTIAL

Inflection point: on demand

Online delivery of home goods

7X growth in downloads



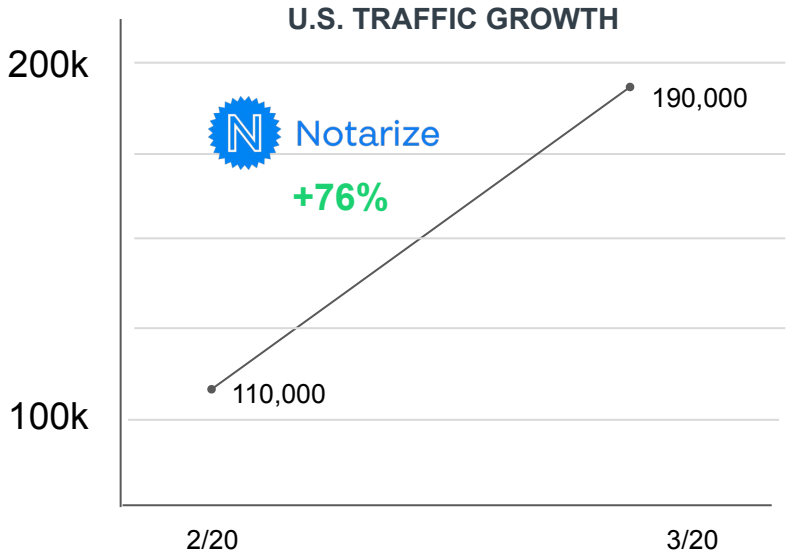
Sources: App Annie

...including legal services

70%+ traffic growth to online notaries in March as consumers seek online alternatives

online notary +400%

NotaryCam +71%



Sources: SimilarWeb, Google

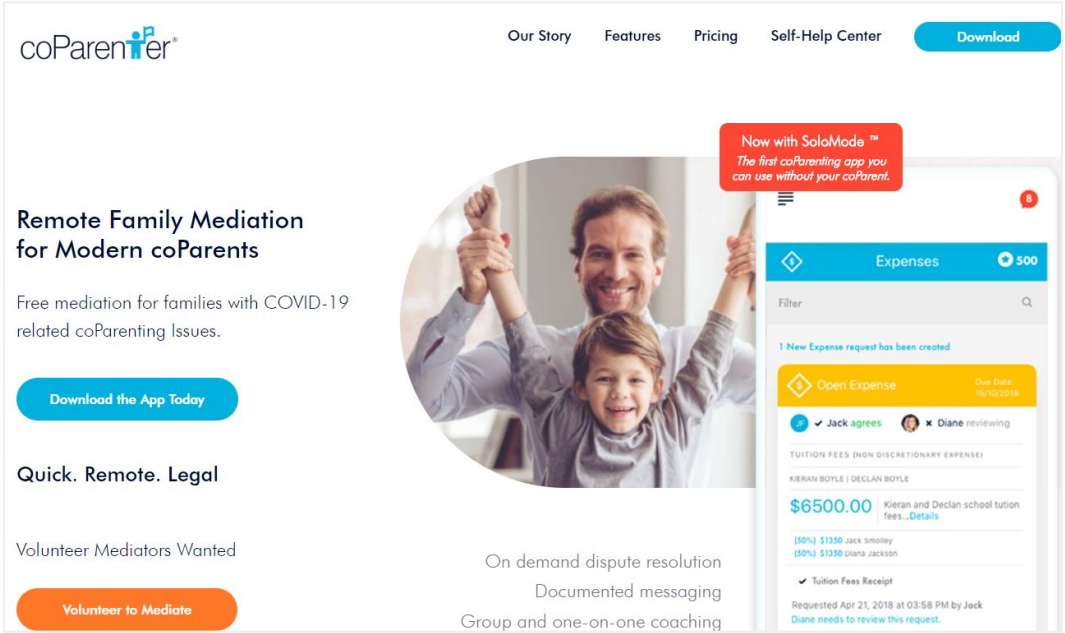
...including legal services

125% increase in mediation and coaching sessions

90% of sessions are Corona-related co parenting issues

Established network of retired judges for **free mediation related to coronavirus**

Accidental b2b model



Sources: Company provided information

CONFIDENTIAL

Work from Home is here to stay

74% of companies

Will have > 5% of workforce remain permanently remote
- Gartner, April, 2020

SMART DEVICES TURNED ON ACCIDENTALLY PER DAY

Up to 19 times

SECURITY REVIEWS RELATED TO LAW FIRMS: JAN FEB vs. MAR APR

PRIVVA

REMOTE / TELEWORK LEGAL APPLICATIONS

LAW FIRMS (BY CLIENTS)

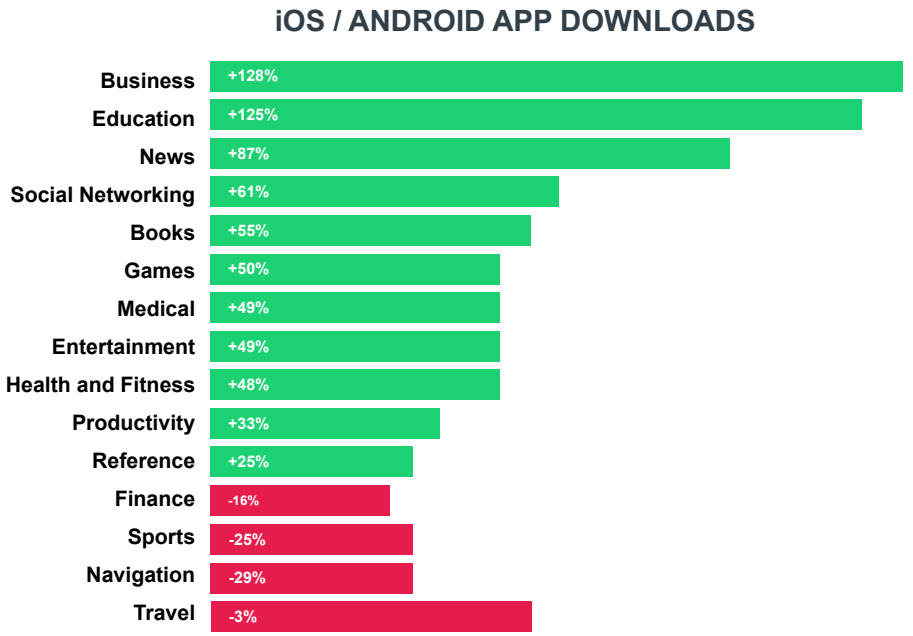
Sources: Gartner, Northeastern University, Privva

CONFIDENTIAL

Business Moves to Devices

App Switcheroo

Business Apps ⬆️ 128% in Q1 2020, leading all app store growth



Sources: Sensor Tower

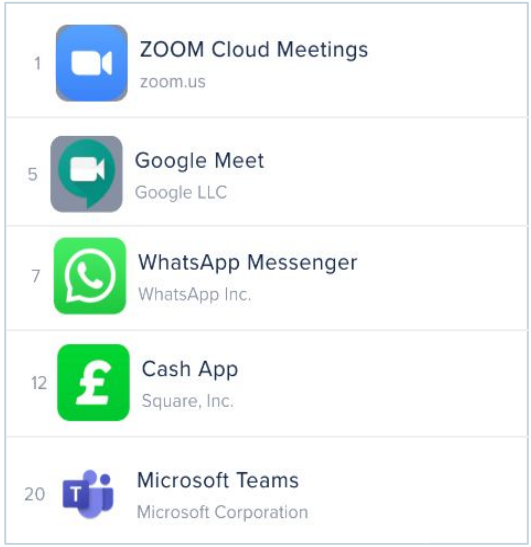
CONFIDENTIAL

Business Moves to Devices

Business Apps Gain Share

Business Apps represent five of the top twenty apps in April 2020 vs. zero of the top twenty for calendar 2019

TOP BUSINESS APPS IN APRIL



Sources: App Annie

CONFIDENTIAL

Business Moves to Devices

Legal Apps

Prospective customer inquiries ⬆️ 28% in the last 30 days

INCREASE IN PIPELINE ACTIVITY IN MARCH

+ 28%

ZERO

TRAFFIC INCREASE IN APRIL

+ 22%

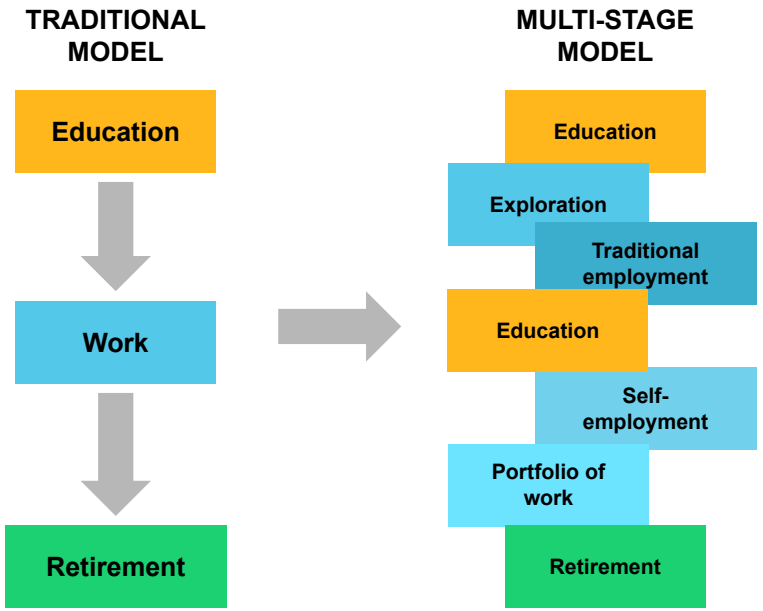
DocuSign®

Sources: Docusign, Zero

CONFIDENTIAL

From W2 to 1099

Moving away from Ages & Stages



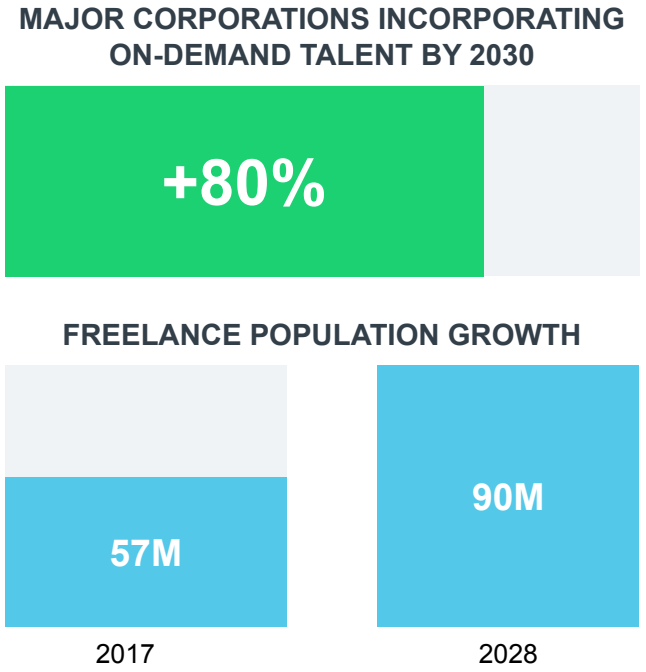
Sources: MIT Sloan School of Management

CONFIDENTIAL

From W2 to 1099

Corporates embrace freelance

As freelance population explodes, growing to 90M by 2028

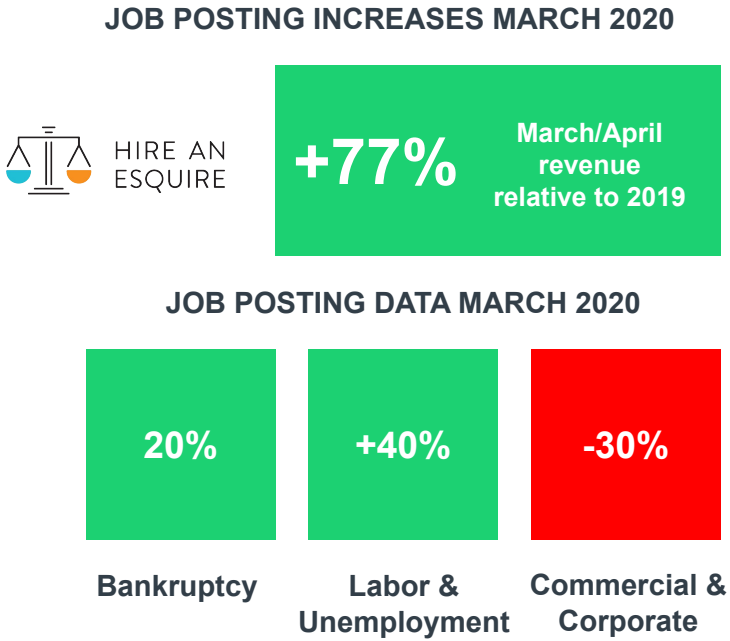


Sources: Intuit, Statista

CONFIDENTIAL

From W2 to 1099

Enables quick pivots based on circumstances



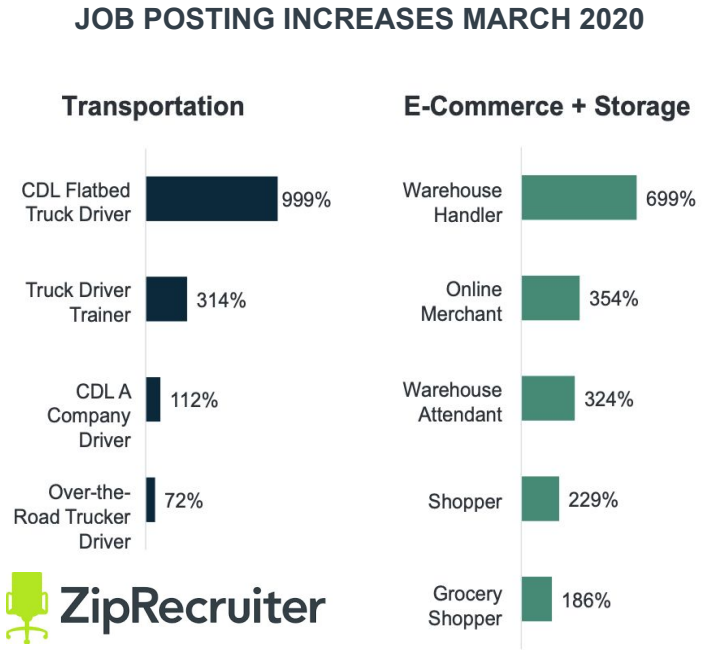
Sources: Hire an Esquire

CONFIDENTIAL

Labor Pool Reflects Online Demand

Labor Pool

Up to 10X increased need for transportation, e-commerce, storage, and healthcare workers



Sources: ZipRecruiter

CONFIDENTIAL

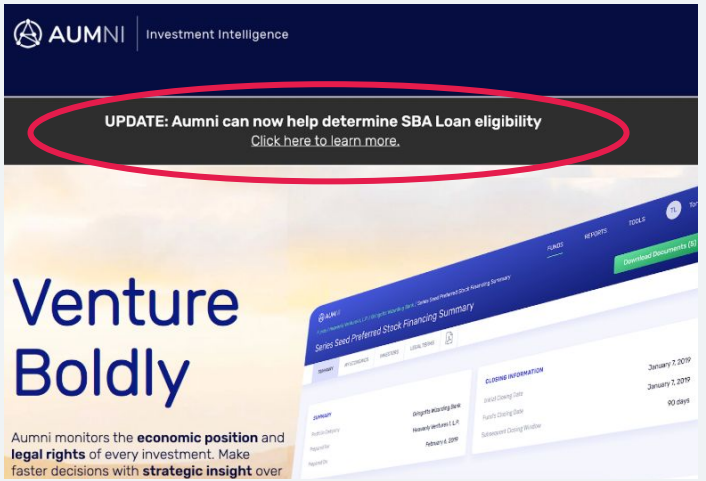
Hiring down across industries

Legal less affected with hiring down only ~2% in March and up ~4% in April.

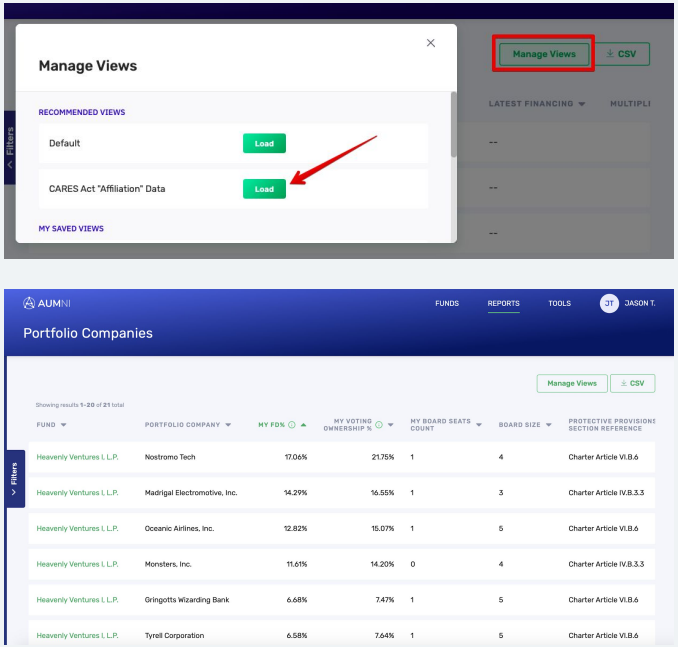
Sources: Vox

CONFIDENTIAL

Software & Structured Data More Important



Software & Structured Data More Important



Transaction data:

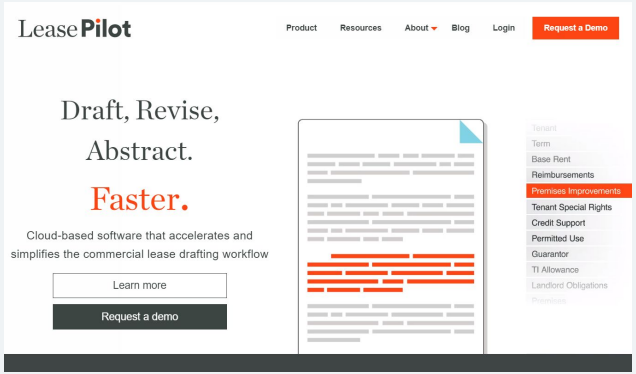
- 51% have a single investor holding a majority of a single preferred class of stock.
- 15%+ have a single investor holding a majority of all preferred stock classes (voting together).
- 11% of venture-backed companies have at least one single investor owning more than 20% (fully diluted).

Recent Δ's:

Participating preferred, full ratchet, etc. ⬆️

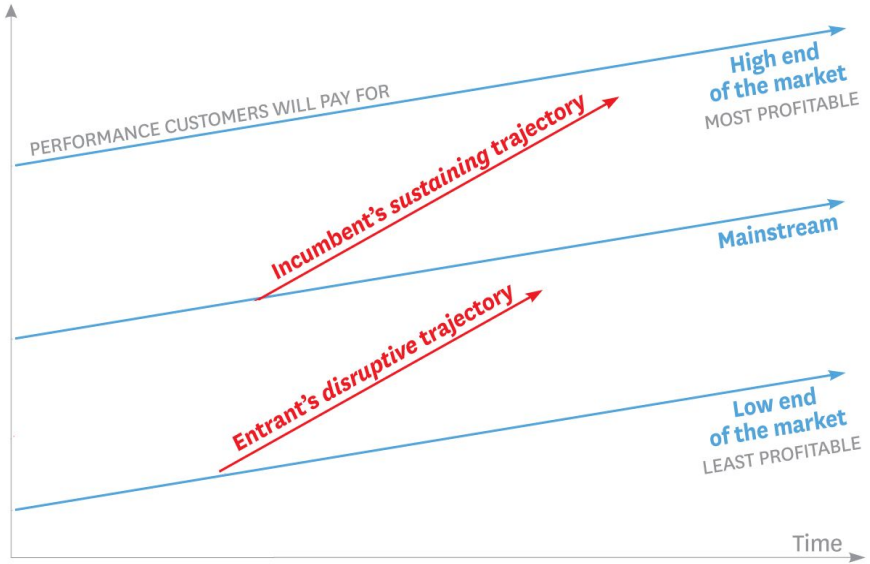
CONFIDENTIAL

The Power of Structured Data



"We are saving our clients weeks of time on Co-Tenancy Clauses alone."

– Gabby Safar, CEO LeasePilot

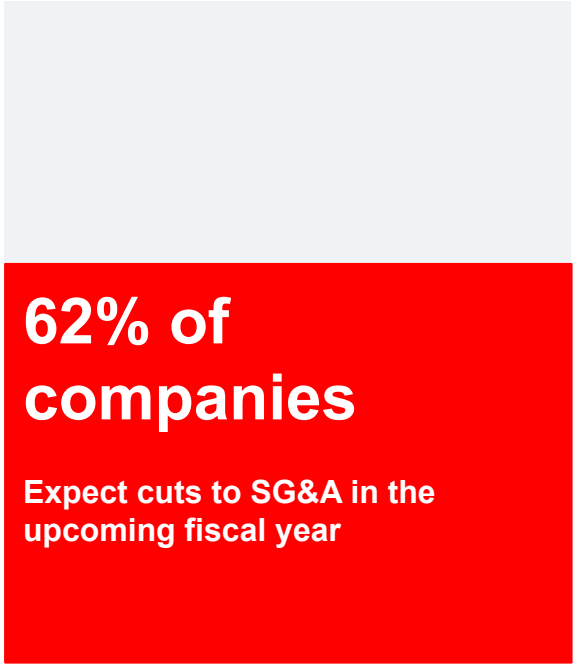


Clayton Christensen's Theory of "Disruptive Innovation"

Sources: Harvard Business Review

CONFIDENTIAL

Shrinking GC budgets = ⬆️ reliance on tech



1 out of 4 CFOs plan to cut legal spend by 10%+ in 2020

"**90%** of participants said **controlling outside counsel costs was a high priority**"

"...**leveraging technology and data** enables legal teams to work smarter, to better measure exposure, and to predict where problems might emerge, and this will enable managers to deploy their resources in optimal ways."

Sources: Gartner, Thomson Reuters

CONFIDENTIAL

Shrinking GC $s = Greater Cloud Adoption

Move to cloud

Nearly **9 out of 10** IT professionals anticipate moving to cloud systems from on-prem.

“This is the event that will force any law firms not adapted to remote, universal work to move to the cloud.”

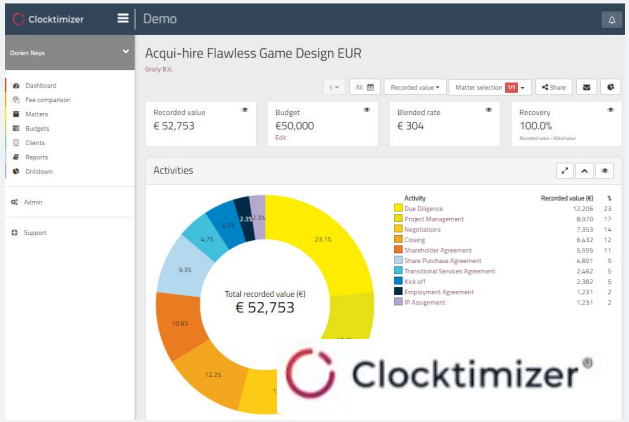
– LARRY PORT, ROCKET MATTER

Source: Gartner, INAP research report

CONFIDENTIAL

Including cloud software to shrink OC spend

Additional scrutiny on outside counsel spend



Firms drive down outside legal spend via RFPs

Sources: Company websites

CONFIDENTIAL

While policy advances...rapidly

The Washington Post
Democracy Dies in Darkness

Legal Issues

Federal courts shuttered by coronavirus can hold hearings by video and teleconference in criminal cases

SECTIONS SEARCH THE BALTIMORE SUN SUBSCRIBE 4 weeks for only 99¢

Gov. Hogan authorizes remote notarization for real estate professionals amid Maryland coronavirus outbreak

MARKETS BUSINESS INVESTING TECH POLITICS CNBC TV

POLITICS

Cuomo says New York will grant marriage licenses remotely: 'There is now no excuse when the question comes up'

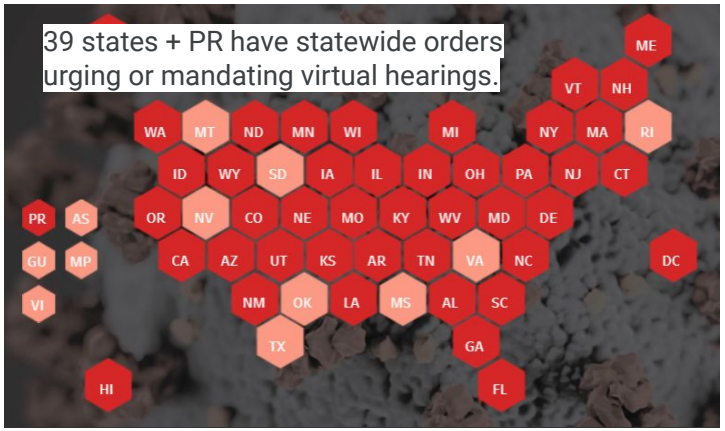
PUBLISHED SAT, APR 18 2020•1:21 PM EDT | UPDATED SAT, APR 18 2020•2:20 PM EDT

AXIOS

Supreme Court to hear cases by telephone in May

CNN US LIVE TV

Law school graduates can temporarily practice law in New Jersey without bar due to pandemic



Sources: CNN, The Washington Post, CNBC, The Baltimore Sun, Axios

CONFIDENTIAL

The Courtroom of the Future?

Issues warrants via slack

Gets signatures via HELLOSIGN

Schedules hearings via calendly

Sends text reminders via twilio

Makes sure people arrive to court via a partnership with UBER LAWDROID

Online court attendance via zoom

Total cost < $5k a year

ATTEND COURT ONLINE

VIDEO CONFERENCE-OFFICE VISIT

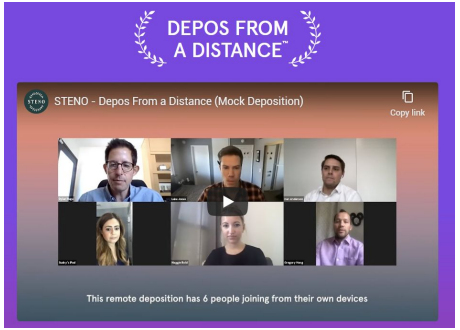
Judge Scott Schlegel,
24th Judicial Court
Jefferson Parish, State of Louisiana

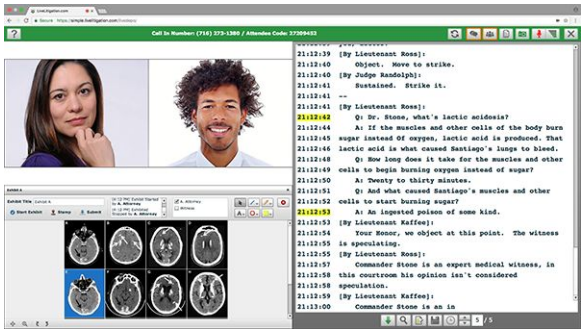
Leading to new tech companies and products

Distance depositions, courts, and more

STENO

LiveLitigation

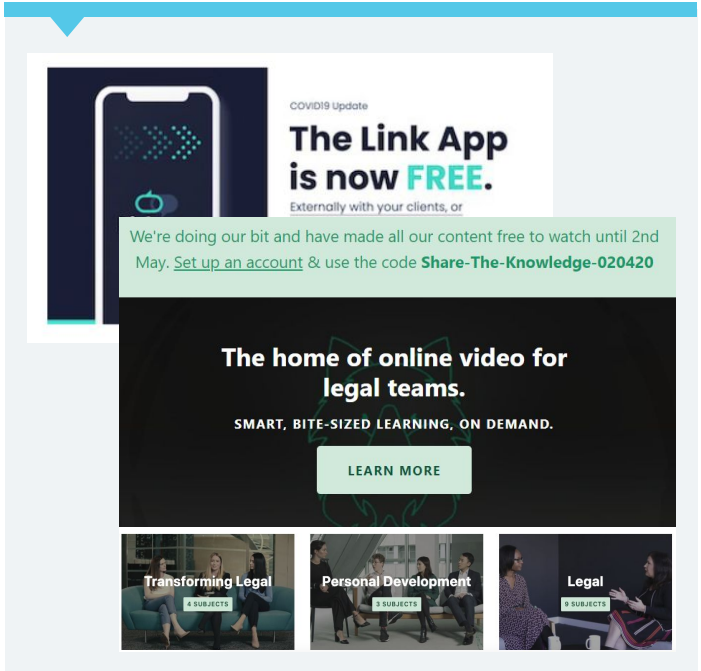


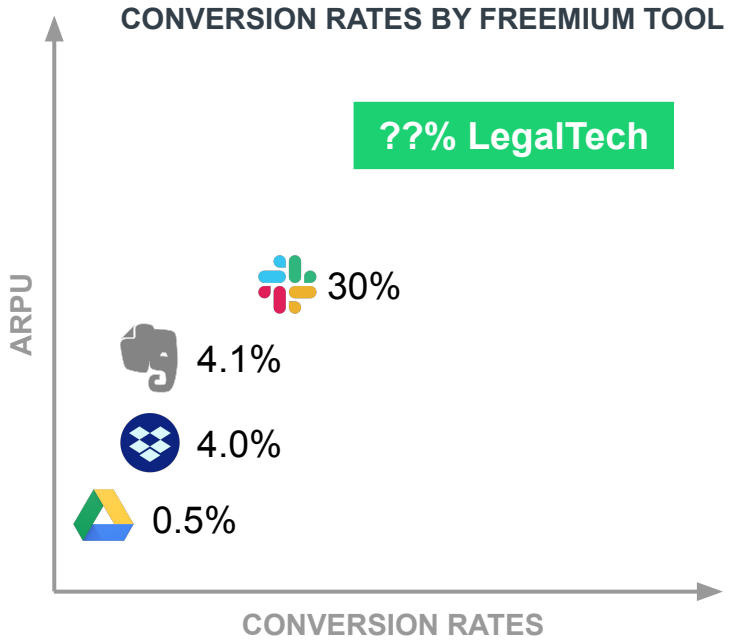


Sources: Company websites

CONFIDENTIAL

Adopting SaaS “freemium” models quickly



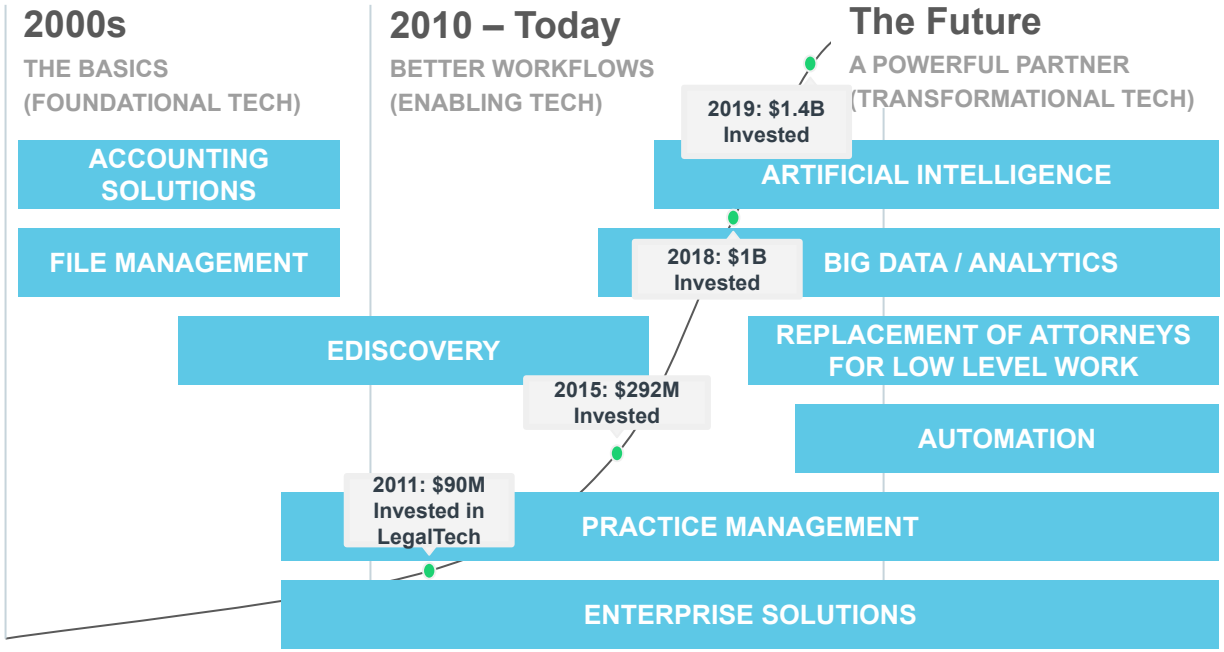


Sources: Company websites, Dejan Gajsek

CONFIDENTIAL

With the venture capital dollars

$292M invested in 2015 → $1.4B invested in 2019.



LegalTech is at the center of other industries

TOTAL INVESTMENT IN 2019

PropTech	$10B+
Privacy & Cyber	$9.9B
RegTech	$8.5B
InsurTech	$6.7B

The LegalTech Fund

Sources: CB Insights, CRETech, Pitchbook, RegTech Analyst, Tracxn

CONFIDENTIAL

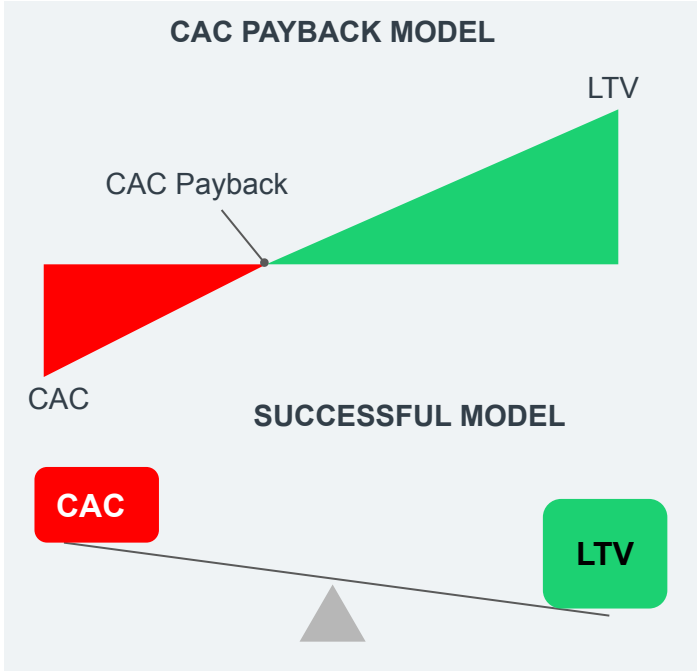
And create great experiences that keep customers & unit economics that work

6X more
expensive

Acquisition

Retention

		% of retained customers in lifetime									
		0	1	2	3	4	5	6	7	8	9
Jan-19	80	98%	94%	90%	88%	86%	84%	83%	83%	81%	80%
Feb-19	88	100%	98%	93%	89%	88%	86%	83%	82%	80%	
Mar-19	105	98%	98%	93%	90%	88%	86%	82%	78%		
Apr-19	110	97%	96%	93%	90%	88%	84%	82%			
May-19	115	99%	97%	91%	85%	84%	83%				
Jun-19	128	100%	95%	93%	90%	86%					
Jul-19	137	99%	94%	89%	86%						
Aug-19	151	99%	96%	89%							
Sep-19	161	98%	96%								
Oct-19	168	99%									
		99%	96%	91%	88%	87%	85%	82%	81%	80%	80%

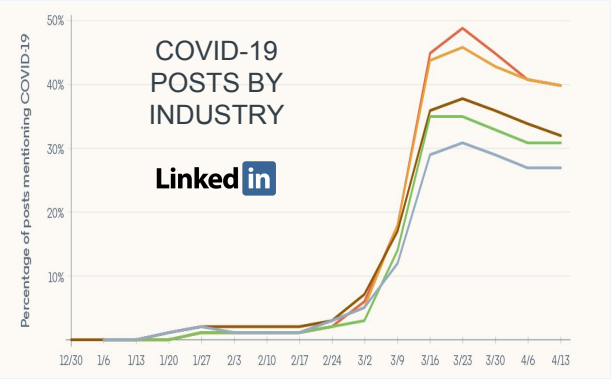


Sources: Implementation vs. Retention here, CAC info here.

CONFIDENTIAL

Change is coming

Legal industry #1 in online discussion about change.



COVID-19 crisis has “reframed legal services,” and in the course of that, “technology has become a lifeline.”

– ROBERT AMBROGI & JOANNA GOODMAN

Sources:

CONFIDENTIAL

Predictions

The LegalTech Fund

Coronavirus is changing the world.

Here's how it affects the world of law.

CONTRIBUTING AUTHORS FROM:

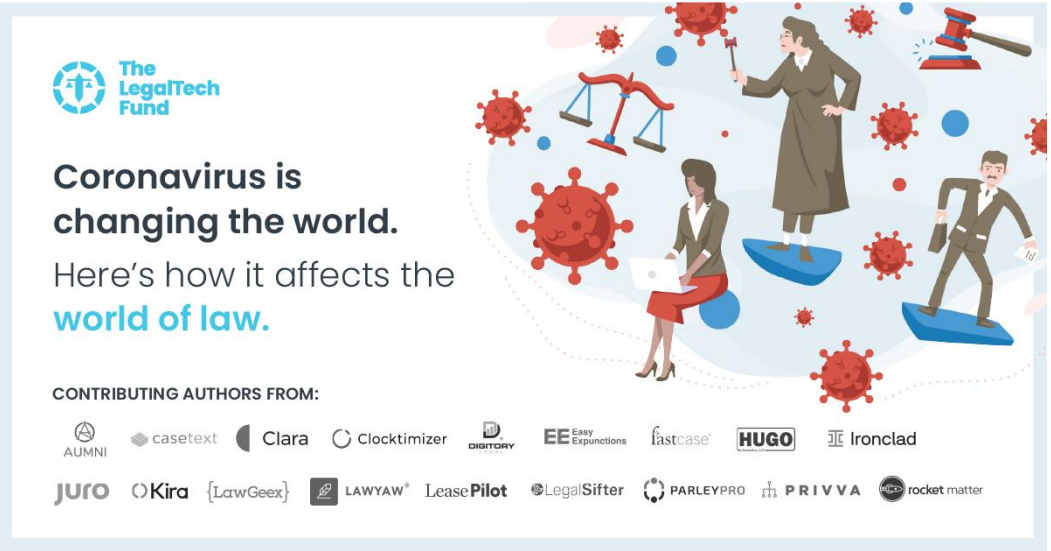
AUMNI · casetext · Clara · Clocktimizer · DIGITORY · EE Easy Expunctions · fastcase · HUGO · Ironclad

JURO · Kira · {LawGeex} · LAWYAW · LeasePilot · LegalSifter · PARLEYPRO · PRIVVA · rocket matter

CONFIDENTIAL

Top Five (+1) Takeaways

1. Courts will finally be services, not places.
2. Coronavirus will move everyone to the cloud.
3. Clients demand cost predictability and transparency.
4. Companies will double down on legal operations.
5. Security moves into the home.



Sources:

CONFIDENTIAL

Investing Tailwinds

"There are decades where nothing happens, and weeks where decades happen."

– TYLER COWEN, AMERICAN ECONOMIST

Sources:

CONFIDENTIAL

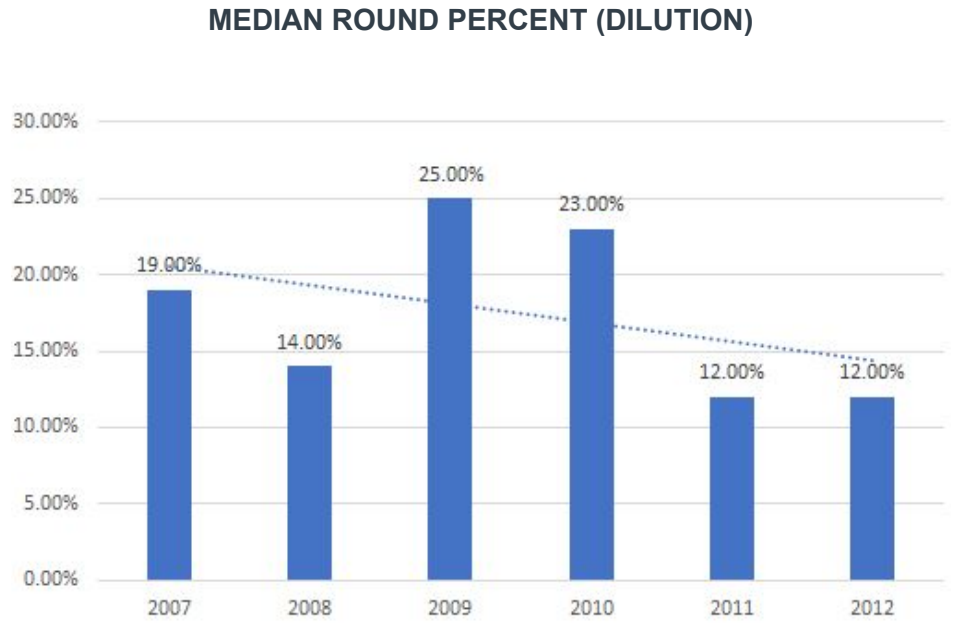
Company Valuations Fall

After 2008 Median Raises Trended Down for Years

50% reduction in median post-money valuation

Majority of 427 venture firms surveyed expect valuations will drop 21%+ across stages

	Series A Median Raise	Post-Money Valuation
2008	$4 million	$28.5M
2009	$3.5 million	$14.0M



Sources: App Annie, EdTrust, MarketWatch, First Republic

CONFIDENTIAL

Thanks!

Zach Posner

MANAGING PARTNER

zach@legaltech.com
+1.917.572.3667