



RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

MONDAY, 13 FEBRUARY 2017

LAUNCH OF BENTHAM IMF US INVESTMENT VEHICLE

- **Launch of US\$200 million US focused litigation finance funding vehicle**
- **IMF to invest up to US\$50 million of equity**
- **IMF considers this to be a major enhancement to its capital management**

Overview

1. IMF Bentham Limited (**IMF**) is pleased to announce the launch of IMF's first investment vehicle, Bentham IMF 1 LLC (**Bentham IMF Funding Vehicle**).
2. A special purpose vehicle funded, advised and managed by affiliates of Fortress Credit Advisors LLC (collectively, **Fortress**) will invest up to US\$100 million by way of subscription for Class B stock (**Class B Stock**), with provision for a further US\$50 million of Class B Stock subject to the joint consent of IMF and Fortress.
3. IMF has committed to invest US\$33.3 million by way of subscription for Class A stock in Bentham IMF Funding Vehicle (**Class A Stock**), with provision to increase this investment to US\$50 million subject to the joint consent of IMF and Fortress.
4. IMF is, at the present time, intending to fund its capital commitment to Bentham IMF Funding Vehicle from its internal cash resources.
5. Bentham IMF Funding Vehicle is likely to draw down the capital over a three-year period, with minimum annual tranches applying. Such capital will be used to invest in US cases and matters. IMF will direct all US opportunities to the Bentham IMF Funding Vehicle for three years or such shorter period required to deploy the committed capital.
6. IMF engaged Mercury Capital Advisors as global placement agent and US law firm Katten Muchin Rosenman LLP as US legal advisers in relation to the transaction.

Transaction Terms Summary

7. The Class B Stock carries an entitlement to receive a capped priority return on invested capital and a further preferred return on committed but undrawn capital (together, **Priority Returns**). Upon satisfaction of the Priority Returns the Class A Stock held by IMF is entitled to a return

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(Manager Return). After satisfaction of the Priority Return and the Manager Return residual net cash flows are to be distributed 85% to the Class A Stock and 15% to the Class B Stock.

8. Bentham IMF Funding Vehicle will be managed by a board of managers appointed by IMF subject to certain restrictions and controls, which shall appoint Bentham Capital LLC (**Bentham Capital**), IMF's US operating subsidiary, to provide management services.
9. The Class B member has no right to redemption but may upon the occurrence of certain portfolio impairment levels step in management of Bentham IMF Funding Vehicle. Such a step in will not alter the distribution rights of IMF's Class A Stock.

Benefits

10. By leveraging its investments in the US, IMF is aiming to generate a return from the capital it invests in the Bentham IMF Funding Vehicle that is far superior to the return it would expect to achieve by investing the same amount directly into litigation funding assets.
11. IMF has identified the following as additional benefits of investing through the Bentham IMF Funding Vehicle:
 - a. diversification of risk via a larger investment portfolio;
 - b. satisfaction of capital requirements without recourse to debt or an equity capital raising in IMF; and
 - c. freeing up capital that would have otherwise be used for investments in the US for redeployment to other jurisdictions, including Australia, Asia, and potentially any future re-entry by IMF into Europe.

Strategic Aims

12. IMF refers to its announcement dated 18 November 2016 which noted that "*one of the key priorities for FY17 will be implementing a capital management plan to fund US investments.*"
13. IMF's key objectives in establishing the Bentham IMF Funding Vehicle are to:
 - a. obtain attractive economic terms for managing equity commitments from a single or multiple institutional investors;
 - b. make a material anchor investment to supplement management fees and performance fees or carried interest returns from the vehicle with investment returns; and
 - c. retain control over investment decisions within certain thresholds.
14. The structure of the Bentham IMF Funding Vehicle seeks to achieve each of the above objectives.

Overview of Fortress

15. Fortress is an affiliate of Fortress Investment Group LLC (**Fortress Investment Group**), a publicly traded investment management company, listed on the New York Stock Exchange (NYSE: FIG). Additional information about Fortress Investment Group can be found on the company's web site: www.Fortress.com.

Current US Portfolio and Historic Performance

16. Bentham Capital LLC (**Bentham Capital**) has, since its establishment approximately 5 years ago, concluded 14 of the 45 investments it has made, and achieved an average internal rate of return

(IRR) of 83%, a multiple on invested capital (MOIC) of 1.18¹x, a success rate of 64% and an investment period of 1.4 years.

17. Bentham Capital will retain its 31 current investments and manage these matters to maturity. These matters are reflected in IMF's most recent quarterly Portfolio Report.

IMF Global Portfolio and Historic Performance

18. IMF has commenced and completed 187 matters since inception in 2001, including the above US matters, which have produced a MOIC of 1.55x, a success rate of 90% and an average investment period of 2.4 years.
19. Over the past 5 years to 31 December 2016, IMF has achieved an average IRR of 59%, MOIC of 1.5x, and an average investment period of 3.2 years.
20. IMF intends to explore opportunities to structure its capital management in similar ways for other jurisdictions, including the potential to launch a fund focussed on non-US investments in the next 12 months. Any such structures would be predicated on IMF achieving its commercial objectives in relation to the retention of control over investment decisions, and appropriate estimated economic returns.



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Disclaimer - Past Performance

Investors should note that past performance, including that noted in paragraphs 18, 20 and 21 of this announcement, is given for illustrative purposes only and cannot be relied upon as an indicator of (and provides no guidance as to) future IMF performance including future investment returns.

¹ A multiple of funds invested (MOIC) is net of the capital deployed in the investment, for example the gross revenue received on an investment of \$5M with a MOIC of 1.18x would be \$10.9M.