

FUNDING OVERVIEW

INTRODUCTION

Bentham IMF Capital Limited ("Bentham IMF") provides funding for litigation and capital to litigants for general commercial purposes. Bentham IMF also typically agrees to pay any court ordered costs in the event that the funded litigation is unsuccessful. This funding overview describes Bentham IMF's general funding process, the funding agreement, risks to consider and other matters associated with our litigation funding transactions.

THE FUNDING PROCESS

The investment process begins with the execution of a confidentiality agreement/non-disclosure agreement. Under this agreement, Bentham IMF will conduct an initial screening of the litigation to determine whether it makes sense for both sides to engage in the process.

Next, the parties will typically come to agreement on the initial economic terms for the transaction, by executing a non-binding term sheet (except that it is binding in giving Bentham IMF the exclusive right to conduct its due diligence for an agreed period of time - typically 30 to 60 days). The terms may change after due diligence and case evaluation, but it is important that the parties share a common view of the transaction.

At this stage we also normally provide our litigation funding agreement so that the funding terms and conditions are agreed upon in advance and time and cost is not wasted in due diligence where agreement on funding terms can't be reached between the parties.

DUE DILIGENCE

To assist us with our due diligence in assessing the matter, we usually ask the party or its counsel to discuss the case with us and to provide us with documents and other information. In general terms, Bentham IMF evaluates opportunities by assessing a number of factors, including the following:

- the type of case;
- the strength of the case;
- any time limitation issues;
- the jurisdiction in which the case will be heard;
- the strength of the documentary evidence supporting the case;
- the legal or factual risks;
- the range of potential damages;
- a realistic view of the settlement prospects;
- whether counsel is on a contingency fee arrangement (full or partial);
- the likely length of time to resolution;
- the number of defendants and the potential exposure to court ordered costs if the case is unsuccessful;
- the amount of capital required to successfully prosecute the case; and
- the defendant's ability to satisfy a judgment.

A Bentham IMF Investment Manager or Legal Counsel usually undertakes this assessment. In some circumstances, we may seek to engage external counsel to provide a second opinion. We will always discuss this with the party and their counsel before we do so.

BENTHAM IMF

THE LITIGATION FUNDING AGREEMENT

The terms and conditions of our funding are always set out in a written funding agreement, to be reviewed and approved by your counsel. In some circumstances court approval will also be sought.

Our funding is non-recourse, meaning a contracting party will generally have no liability to Bentham IMF beyond the recovery from the litigation itself. The agreements include a provision for registering a security interest to protect Bentham IMF's investment and a provision for termination under certain circumstances.

Under the funding agreement, Bentham IMF is entitled to its financial return when the party's case has been settled or the party has received a judgment in its favour. The funding agreement explains how that financial return is calculated in clear terms. Typically, counsel will disburse the agreed upon proceeds of the settlement or judgment directly to Bentham IMF.

If the party's case is unsuccessful, Bentham IMF will not be entitled to its financial return and the party will owe Bentham IMF nothing. Bentham IMF will also pay any court ordered costs pursuant to the terms of the funding agreement.

RISKS

Litigation is inherently risky. Although a transaction with Bentham IMF provides the contracting party with additional resources with which to prosecute its case, it does not otherwise improve the merits of the claim or the likelihood of a successful resolution. There is no guarantees of success.

Even if the litigation is successful, the defendant may not be able to pay the judgment. Although we evaluate the defendant's likely ability to satisfy a judgment when we conduct our assessment, we make no representations regarding its ability to pay.

Bentham IMF retains a termination right under the funding agreement. Bentham IMF may terminate for fraud, for material omissions or misleading statements in the due diligence process, or for an adverse, material change in facts or law. Upon termination, Bentham IMF will remain liable for any court ordered costs if the litigation is unsuccessful pursuant to the terms of the litigation funding agreement. In certain circumstances Bentham IMF may, notwithstanding termination of the agreement, be entitled to its principal investment and/or its return if the litigant later recovers a judgement or settlement.

Bentham IMF does not provide legal or tax information or advice on the funding transaction. Parties must obtain their own independent legal and taxation advice.

CONTACT

250 The Esplanade, Suite 127

Toronto, ON, M5A 1J2

T: +1 416 583 5720

E: cio@benthamimf.ca

This Overview was last updated on 9 Jan 2017