Burford Receives $26m From Innovative Investment

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BURFORD CAPITAL RECEIVES $26 MILLION FROM INNOVATIVE CORPORATE DEBT FACILITY BACKED BY ARBITRATION CLAIM

Ground-breaking use of pending claim to drive down corporate borrowing costs
expands potential of litigation finance market

Burford Capital Limited, the world's largest provider of investment capital and risk solutions for litigation, today announces that it received $26 million in proceeds from an innovative transaction where Burford[1] provided a corporate debt facility linked to an arbitration claim. Burford's counterparty was Rurelec PLC, a publicly-traded owner, operator and developer of power generation capacity internationally.

Burford's 2012 facility permitted Rurelec to monetize the value of its arbitration claim and use that value to obtain a conventional, fully recourse loan from Burford at a lower interest rate than would otherwise have been available to Rurelec in the debt markets. Rurelec used the Burford facility to expand its business while it awaited the outcome of its arbitration.

Commenting on the transaction, Rurelec's Chairman Colin Emson said: "We were able to use a pending arbitration claim to obtain innovative corporate financing from Burford that lowered our cost of capital and helped our business expand. The Burford team was smart, fast and decisive. The ability to monetize a pending claim is something that we could only have achieved with Burford."

The Rurelec transaction was profitable for Burford, which earned an $11 million net profit on a $15 million investment, generating a 73% return and a 34% IRR. However, what is noteworthy about this transaction is its innovative structure.

Litigation finance is often thought of as non-recourse financing to pay the costs of bringing a piece of litigation. The reality is considerably broader and more diverse, and Burford deploys capital in many different ways, all centered around evaluating and monetizing a contingent litigation asset.

In this case, Rurelec was pursuing an arbitration claim against Bolivia for the expropriation of one of Rurelec's power plants. Rurelec did not need capital to pay its lawyers. Rather, it needed capital to continue to grow its business - but lenders wanted very high interest rates. Unlike a traditional lender, Burford was able to evaluate the value of Rurelec's pending arbitration claim, and thus was able to provide the following facility:

- A fully recourse, secured $15 million senior loan at a 12% capitalized interest rate
- A contingent value right to receive a portion of the ultimate arbitration award, expressed on a sliding scale based on time and amount

Rurelec then won its claim, extracted payment from Bolivia, and paid off Burford.
The result was that Rurelec received the capital it needed at a reasonable price, and was able to monetize a contingent asset (its arbitration claim) for which its lenders and shareholders were not giving it financial credit. Meanwhile, Burford was able to earn appealing returns in a transaction with lower risk of loss by putting its specialized expertise to work.

[1] Burford Capital Limited and the relevant wholly-owned subsidiary, Salvia Investments Limited, will collectively be referred to as "Burford".

Burford is not usually permitted under the terms of its agreements with its counterparties to make any sort of public announcement or disclosure about individual investments. However, Rurelec's own disclosure obligations and its consent make this exception possible.

Burford is pleased to be able to share the details of this transaction publicly, both to advance understanding of the reality of litigation finance and to encourage other creative lawyers, bankers and financial managers to pursue the monetization of pending claims.

Christopher Bogart, Burford's CEO, commented: "Litigation finance is too often thought of in its most basic form, which does not reflect the range of innovative investment structures we are able to utilise. In this case, by recognising and assigning value to a pending arbitration claim, Burford was able to structure an investment which allowed Rurelec to pursue its expansion. This is a good demonstration that the benefits of litigation finance go far beyond that of simply helping to pay legal fees, and in many cases can provide an effective alternative method of financing to help companies achieve their strategic goals."

Rurelec was represented by Freshfields Bruckhaus Deringer in the arbitration proceeding and by Skadden, Arps, Slate, Meagher & Flom in the financing transaction. Burford performed its own internal evaluation of the arbitration claim with its own experienced team, and was represented by Latham & Watkins in the financing transaction.

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About Burford Capital

Burford Capital is the world's largest provider of investment capital and risk solutions for litigation with the largest and most experienced dedicated team in the industry. Burford is publicly traded on the London Stock Exchange's AIM market under the ticker symbol BUR. Burford provides a broad range of corporate finance and insurance solutions to lawyers and clients engaged in significant litigation and arbitration around the world.

For more information about Burford, visit www.burfordcapital.com.

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