

Draft US Budget Bill

Omni Bridgeway Limited (**Omni Bridgeway**) makes the following statement in relation to the draft US Budget Bill (**Bill**) and its potential implications for the US Legal Finance industry.

The Bill is currently in the US Congress legislative process. The US House of Representatives formally passed a version of the Bill that does not include any legal finance-specific elements. However, a draft reconciliation version of the Bill, as released on 16 June by the US Senate Finance Committee, does include a section that proposes to introduce a statutory tax on legal finance transactions. The proposal should be seen in the context of a longstanding US Chamber of Commerce and insurance industry lobbying effort to reduce access to justice by limiting access to legal funding.

This draft Bill has not been reviewed or voted on by the full US Senate, and even if passed, it would need to go through multiple further uncertain political reconciliation and negotiation steps with the US House of Representatives, prior to being ultimately enacted into law. Omni Bridgeway is actively working with ILFA (the International Legal Finance Association) to inform and steer the process, and based on current information, considers it unlikely that the legal finance specific tax provision as included in the Senate Finance Committee draft will ultimately be enacted into law.

In the unlikely event the legal finance tax provision is enacted, less than 25% in fair value of Omni Bridgeway's global investment portfolio might be potentially exposed to the tax. The tax provision as currently drafted is ambiguous in many respects and requires further IRS clarification and interpretation to fully assess its potential impact. In any event, Omni Bridgeway's legal finance agreements contain broad contractual and economic protections against an introduction of the tax in the form as proposed, which would fully or largely mitigate the impact of such tax.

It is premature to provide a full assessment of the tax provision's potential impact on the US legal funding market going forward. One thing which appears clear is that in the unlikely event the Bill is enacted in its current form, all legal finance providers in the US market will in principle be impacted in the same way, making legal finance and therefore access to justice more expensive in the US as the increased tax costs will inevitably be factored into market pricing. Omni Bridgeway currently does not anticipate a major negative impact on the market dynamics in the higher return single matter segment of the market where it primarily operates.

Omni Bridgeway's strategy of managing diversification across geographies, legal jurisdictions and areas of law, while limiting exposure to individual investments, ensures the portfolio is not overly vulnerable to any idiosyncratic risks.

Commercial Legal Funding levels the playing field and supports access to justice and accountability, which are key pillars for innovation, competition and ultimately economic development. Omni Bridgeway in this context also refers to the recently released [final report](#) on the 'Review of Litigation Funding' by the Civil Justice Council, the UK non-departmental public body that advises the Lord Chancellor on civil justice and civil procedure. The review was initiated after the so-called PACCAR decision in the UK that threatened the validity and economic viability of certain litigation funding agreements. The report is supportive and broadly concludes that litigation funding remains essential for access to justice, that legislation should be introduced to reverse the effect of PACCAR with prospective and retroactive effect, and that any light-touch regulation should be implemented without unduly harming the litigation funding market and hence access to justice.

These conclusions align with legislative studies and policies in the EU and other parts of the world.

Omni Bridgeway believes the US legislative process will be mindful of the public benefits that legal finance provides in relation to economic development, access to justice and accountability, and will come to similar conclusions.

This announcement is authorised for release to the market by the Disclosure Committee.

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