



NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

For a Meeting of Holders of IMF Bentham Bonds to be held on Monday 3 December 2018 at 9:00am (AEDT) at Gilbert + Tobin, Level 35, 200 Barangaroo Ave, Barangaroo NSW 2000

This is an important document and requires your immediate attention.

You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Special Resolution.

If you are in any doubt as to what you should do, you should consult your broker, financial adviser or legal adviser immediately.

Holders of IMF Bentham Bonds are urged to attend or vote by lodging the proxy form accompanying this Notice of Meeting

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Notice of Meeting of Holders

IMF Bentham Ltd ABN 45 067 298 088 (Issuer)

1 Notice of Meeting

Notice is given by the Issuer that a Meeting of Holders of IMF Bentham Bonds is to be convened at 9:00am (Sydney time) on Monday, 3 December 2018 at the offices of Gilbert + Tobin, L35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000.

2 Purpose of the Meeting

The Issuer has called the above Meeting to request Holders of IMF Bentham Bonds to consider and, if thought fit, to pass the Special Resolution referred to in this Notice of Meeting.

3 What is this document?

This Notice of Meeting has been prepared and issued by the Issuer to allow Holders of IMF Bentham Bonds to vote in favour of the Special Resolution referred to above.

The explanatory memorandum set out in Schedule 1 of this Notice of Meeting (**Explanatory Memorandum**) has also been prepared and issued by the Issuer to provide Holders of IMF Bentham Bonds with an explanation of the Special Resolution to be proposed and considered at the Meeting. This Notice of Meeting should be read in conjunction with the Explanatory Memorandum.

Before making a decision to vote in relation to the Special Resolution, Holders of IMF Bentham Bonds should carefully consider all of the information in the accompanying Explanatory Memorandum.

Terms and abbreviations used in this Notice of Meeting and in the Explanatory Memorandum that are not otherwise defined, have the meanings given in Attachment A to the Explanatory Memorandum.

4 Special Resolution

All Holders of IMF Bentham Bonds are requested to consider and, if thought fit, to approve the following Special Resolution proposed by the Issuer:

“That the Holders of IMF Bentham Bonds irrevocably and unconditionally:

- (a) consent to and approve the variation of their rights attaching to the IMF Bentham Bonds by an amendment to the terms of the Trust Deed on the terms set out in section 2.1 of the Explanatory Memorandum;*
- (b) consent to each of the Issuer and the Trustee entering into all documents necessary, and directing the Registry to take such steps as are necessary, to give effect to the matters in (a) above; and*
- (c) acknowledge that terms used in this Special Resolution shall have the meanings given to them in the Explanatory Memorandum.”*

5 Entitlement to vote

Holders of IMF Bentham Bonds are entitled to vote at the Meeting if they are shown in the Register of IMF Bentham Bonds to be a Holder of IMF Bentham Bonds at 7:00pm on Monday, 25 November 2018 (being 8 calendar days before the date of the Meeting).

Holders of IMF Bentham Bonds are entitled to vote at the Meeting in one of two ways:

- by attending the Meeting and voting, in person; or
- by appointing a proxy to attend the Meeting and vote on their behalf, using the proxy form accompanying this Notice of Meeting.

6 Proxy Forms

If a Holder of IMF Bentham Bonds wishes to appoint a proxy to attend and vote on their behalf at the Meeting, they can do so by completing the proxy form accompanying this Notice of Meeting, and returning it by delivery in person, mail or fax to Link Market Services Limited ABN 54 083 214 537 (in its capacity as the IMF Bentham Bond Registry) at Level 12, 680 George Street, Sydney, NSW 2000 or +61 2 9287 0309 by 9:00am on Sunday, 2 December 2018 (being 24 hours before the commencement of the Meeting).

If a proxy form is signed by the attorney or corporate representative of a Holder of IMF Bentham Bonds, the original or an original certified copy of the authority under which the attorney or corporate representative was appointed, as applicable, must accompany the proxy form.

For further instructions on voting by proxy, please refer to the proxy form.

7 No investment advice

The information contained in this Notice of Meeting and Explanatory Memorandum is provided by the Issuer, which does not, and is not required to, hold an Australian financial services licence. The information contained in this Notice of Meeting and Explanatory Memorandum does not constitute financial product advice however, to the extent financial product advice is provided, such advice is general advice only and has been prepared without taking into account any Holder of IMF Bentham Bonds' objectives, financial situation, taxation position or needs. Before acting on any such advice or making any decision on how to vote on the Special Resolution, Holders of IMF Bentham Bonds should consider whether the advice is appropriate for their circumstances. Where available, Holders of IMF Bentham Bonds should obtain a copy of, and consider, this and any other relevant disclosure documentation before making any decision in relation to IMF Bentham Bonds.

Neither the Issuer nor the Trustee is providing any taxation, legal or other advice regarding the proposed amendments or Special Resolution. It is important that you read this Notice of Meeting and Explanatory Memorandum in their entirety before making any decision on how to vote on the Special Resolution contained within. If you are in any doubt, you should consult your professional adviser and make (and shall be taken to have made) your own independent investigation as to the suitability of the proposed amendments in your own particular circumstances.

8 Trustee not responsible

The Trustee has not received the Explanatory Memorandum on behalf of the Holders of IMF Bentham Bonds and:

- makes no representation to the Holders of IMF Bentham Bonds in respect of; and

- does not accept any responsibility or liability for,
the accuracy of the information set out in this Notice of Meeting or the Explanatory Memorandum.

9 Questions

If you have any questions about your holding of IMF Bentham Bonds or this Notice of Meeting and/or the Explanatory Memorandum, please consult your own professional adviser. Alternatively, please contact the following:

- if you wish to contact the Registry, Link Market Services Limited, for further information, contact Lee Marshall by telephone on +61 2 9375 7856 or by email at lee.marshall@linkmarketservices.com.au; and
- for questions regarding the process (including the submission of a Proxy Form) or this Notice of Meeting, please email Jeremy Sambrook at jsambrook@imf.com.au.

Holders of IMF Bentham Bonds may also contact Emma Simson, Acacia Partners Pty Limited ABN 49 607 046 391, (AFSL 480585), by email at esimson@acaciapartners.com.au or by telephone: +61 3 9639 1920.

This Notice of Meeting is dated 6 November 2018.

SIGNED for and on behalf of IMF Bentham Limited

by

Signature ▶



Company Secretary

Print name Jeremy Sambrook

Date 6 November 2018

Schedule 1 Explanatory Memorandum

6 November 2018

Dear IMF Bentham Bond Holder,

IMF Bentham Limited (**IMF**) is inviting you to attend a meeting of Holders of IMF Bentham Bonds to be held on Monday, 3 December 2018 to consider and vote on a proposal to restructure the terms of the IMF Bentham Bonds (**Restructure Proposal**). In the event the vote is passed, but you no longer wish to hold your IMF Bentham Bonds, IMF is also offering you an option to have your IMF Bentham Bonds redeemed early, as part of the Restructure Proposal.

As you would be aware, the IMF Bentham Bonds are scheduled to mature on 30 June 2019. The Directors of IMF considered a range of proposals to repay or refinance these bonds and also to secure additional debt funding. The Restructure Proposal was chosen by the Directors of IMF as the most suitable option available.

The effect of the Restructure Proposal is to:

- extend the maturity date of the IMF Bentham Bonds from 30 June 2019 to 22 December 2022;
- introduce issuer call dates on 8 January 2022 (after which an interest rate step up would apply) and each subsequent interest payment date, on which IMF will have the option to elect to redeem some (on a pro rata basis) or all of the IMF Bentham Bonds then outstanding;
- recognising that different Holders of IMF Bentham Bonds may have different investment preferences, we are also offering you the opportunity to have some or all of your IMF Bentham Bonds redeemed on 6 December 2018 if the vote on the Restructure Proposal passes, but you do not wish to continue to hold your IMF Bentham Bonds under their restructured terms;
- increase IMF's secured debt limit covenant to allow IMF more flexibility to use borrowings to pursue its growth strategy and reflecting the growth in the scale and diversity of its operations since the IMF Bentham Bonds were initially issued;
- introduce a one-off make whole payment equal to \$2.37 for each IMF Bentham Bond that you hold;
- amend certain investor protections for the benefit of Holders of IMF Bentham Bonds; and
- amend the notice provisions to improve their effectiveness and update the address details for the Issuer and the Trustee.

The one-off make whole payment will be made to all Holders of IMF Bentham Bonds on 6 December 2018 and is calculated to compensate Holders of IMF Bentham Bonds for the value of margin that will be foregone by Holders of IMF Bentham Bonds that elect to have their bonds redeemed early.

If implemented, the Restructure Proposal has the following key benefits:

- you will receive a make whole payment of \$2.37 for each IMF Bentham Bond that you hold at 10:00am on 23 October 2018;
- you can continue holding your investment in IMF Bentham Bonds and receive quarterly interest payments until at least the first Issuer Call Date, being 8 January 2022 (and subject to certain early redemption events already incorporated within the Terms);
- if IMF Bentham does not exercise its right to repay IMF Bentham Bonds on the first Issuer Call Date, you will receive a step up in the interest rate of 1.0% per annum from (and excluding) the first Issuer Call Date, being 8 January 2022; and

- the liquidity in trading of the IMF Bentham Bonds on ASX may improve as a result of additional IMF Bentham Bonds being issued (although IMF Bentham Bonds are expected to have limited liquidity).

As well as the benefits listed above, you should consider the potential disadvantages of the Restructure Proposal, as set out in section 4 of the explanatory memorandum which this letter forms part of (**Explanatory Memorandum**), which include that the price of the IMF Bentham Bonds post the restructure could fall. Holders of IMF Bentham Bonds are encouraged to read and consider all the information provided before making a decision on whether to vote in favour of the Restructure Proposal.

If the Restructure Proposal is approved, IMF expects to issue additional IMF Bentham Bonds to eligible institutional investors on or around 7 December 2018, such that immediately following the issue, total IMF Bentham Bonds on issue will then be up to \$78 million. See section 1 of the Explanatory Memorandum for further details.

The IMF Board has considered a range of alternatives available to IMF to manage the upcoming maturity of IMF Bentham Bonds having regard to the interests of the Holders of IMF Bentham Bonds, IMF's ordinary shareholders, IMF's financial position, IMF's rights under the terms of the IMF Bentham Bond Trust Deed and IMF's capital structure. Based on this assessment, we believe that the Restructure Proposal is the most suitable option available.

The Board unanimously recommends that you vote in favour of the Restructure Proposal, and those Directors who hold IMF Bentham Bonds have committed to vote their IMF Bentham Bonds in favour of the Restructure Proposal.

Holders of IMF Bentham Bonds representing in excess of 50% of the outstanding IMF Bentham Bonds have committed to vote their IMF Bentham Bonds in favour of the Restructure Proposal.

Your vote is important. The Board strongly encourages you to vote either by attending the meeting in person or by appointing a proxy to attend the meeting and vote on your behalf, using the proxy forms accompanying the Notice of Meeting.

If, having read the Explanatory Memorandum, you would like your IMF Bentham Bonds to be redeemed you may opt for this by delivering a Notice of Exercise of Optional Redemption to Link Market Services Limited ABN 54 083 214 537 (in its capacity as the IMF Bentham Bond Registry) no later than 5:00pm on Friday, 30 November 2018. Note that IMF Bentham Bonds will only be redeemed if the Restructure Proposal is approved.

IMF will keep Holders of IMF Bentham Bonds informed of any material developments in relation to the Restructure Proposal through releases to ASX (which will also be published on IMF's website).

If you have any questions in relation to the Restructure Proposal, please email Jeremy Sambrook at IMF at jsambrook@imf.com.au or visit <https://www.imf.com.au/shareholders/imf-bentham-bonds>.

Yours sincerely



Michael Kay
Chairman, Board of Directors
IMF Bentham Limited

IMPORTANT INFORMATION

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the Holders of IMF Bentham Bonds in connection with the meeting to be held on Monday, 3 December 2018. The purpose of this Explanatory Memorandum is to provide the Holders of IMF Bentham Bonds with important explanatory information that IMF believes to be material to deciding whether or not to approve the Special Resolution detailed in the Notice of Meeting.

This Explanatory Memorandum forms part of the accompanying Notice of Meeting and should be read in conjunction with it.

Board of Directors

In considering whether to vote in favour of the Special Resolution, the Board of Directors of IMF encourages you to:

- carefully read the whole of this Explanatory Memorandum;
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Restructure Proposal and obtain taxation advice on the effect of the Restructure Proposal being implemented.

They also encourage you to attend the meeting and vote in person or by proxy.

Not an offer

This Explanatory Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The IMF Bentham Bonds have not been, and will not be, registered under the United States Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Definitions

Terms and abbreviations used in the Notice of Meeting and Explanatory Memorandum are defined in Attachment A to this Explanatory Memorandum.

1 Important Information on the Restructure Proposal

1.1 The Restructure Proposal

IMF is putting forward a proposal (**Restructure Proposal**) which provides an opportunity for Holders of IMF Bentham Bonds, among the other changes detailed below, to have the term of their IMF Bentham Bonds extended so that they will mature on 22 December 2022 instead of 30 June 2019. A Meeting of Holders of IMF Bentham Bonds will be held to vote on changes to the rights of Holders of IMF Bentham Bonds that will be necessary to implement the Restructure Proposal.

To give Holders of IMF Bentham Bonds maximum flexibility, as part of the Restructure Proposal, IMF is also offering you the opportunity (**Optional Holder Redemption Opportunity**) to opt to have some or all of your IMF Bentham Bonds redeemed on 6 December 2018 (**Optional Redemption Date**), in the event that the vote is passed, but you do not wish to continue to hold your IMF Bentham Bonds on the restructured terms. However, this Optional Redemption Holder Opportunity will only be available if the vote is passed.

1.2 Summary of changes

A summary of the changes that will be made to the rights of Holders of IMF Bentham Bonds, if the vote is passed, follows:

- the Maturity Date will be extended from 30 June 2019 to 22 December 2022;
- IMF's secured debt limit covenant will be increased from \$150 million to \$300 million;
- you will receive a one-off make whole payment equal to \$2.37 for each IMF Bentham Bond you hold at 10:00am on 23 October 2018 (**Make Whole Payment**); such Make Whole Payment will be payable on 6 December 2018;
- you will have the right to have all or some of your IMF Bentham Bonds redeemed early on 6 December 2018;
- IMF will have the right to redeem early some (on a pro rata basis) or all of your IMF Bentham Bonds as at 8 January 2022, and each interest payment date thereafter (each an **Issuer Call Date**);
- from (but including) 8 January 2022, the interest rate on any outstanding IMF Bentham Bonds will step up by 1.0% per annum;
- certain investor protections will be amended, for the benefit of Holders of IMF Bentham Bonds, to better align with the changed structure of IMF's operations under its fund management business model; and
- the notice provisions will be amended to improve their effectiveness and update the address details for the Issuer and the Trustee.

The Make Whole Payment has been calculated based on the margin that would have been paid under the existing Terms for the period from (and excluding) 6 December 2018 to (and including) 30 June 2019. The Make Whole Payment will only be payable if the Restructure Proposal is approved.

1.3 Why is IMF proposing these changes?

The purpose of the Restructure Proposal is to effectively refinance the IMF Bentham Bonds early, deferring IMF's obligation to repay the face value for 3.5 years. The changes also provide flexibility on the timing of future repayment (by introducing an option to repay early) and on the ability of IMF to use borrowings to pursue its growth strategy once the secured debt limits under its other borrowings cease to apply.

1.4 What choices are open to Holders of IMF Bentham Bonds if the vote passes?

If the Special Resolution to approve the Restructure Proposal is passed, you will have the option of electing to:

- maintain your current holdings of IMF Bentham Bonds; or
- redeem all or some of the IMF Bentham Bonds that you currently hold.

If the Special Resolution to approve the Restructure Proposal is passed you will receive a one-off Make Whole Payment of \$2.37 on 6 December 2018 for each IMF Bentham Bond you hold at 10:00am on 23 October 2018, whether or not you opt to have the IMF Bentham Bonds that you hold redeemed.

1.5 How do I participate in the Optional Holder Redemption Opportunity in the event the vote is passed?

To take advantage of the Optional Holder Redemption Opportunity, in the event that the vote is passed, you must have delivered a Notice of Exercise of Optional Redemption to Link Market Services Limited ABN 54 083 214 537 (in its capacity as the IMF Bentham Bond Registry) by no later than 5:00pm on 30 November 2018, to redeem all or some of the IMF Bentham Bonds which you hold. You will only be entitled to payment of the optional redemption amount if you are an eligible optional redemption holder as at 5:00 pm (Sydney time) on 2 December 2018. This means that you must have continuously held the relevant IMF Bentham Bond from 10:00am (Sydney time) on 23 October 2018 to (and including) 5:00pm (Sydney time) on 2 December 2018.

You may not deal with, transfer, dispose of or create any encumbrance in any IMF Bentham Bond the subject of a Notice of Exercise of Optional Redemption once that Notice of Exercise of Optional Redemption has been given.

1.6 This Notice of Exercise of Optional Redemption is irrevocable once given. What happens if the vote is passed and you did not participate in the Optional Holder Redemption Opportunity?

If the vote is passed and you did not participate in the Optional Holder Redemption Opportunity, the maturity date of each IMF Bentham Bond that you hold will be extended to 22 December 2022.

You will also receive a Make Whole Payment of \$2.37 for each IMF Bentham Bond that you hold on the IMF Bentham Bonds register as at 10:00am on 23 October 2018. You can continue holding your investment in IMF Bentham Bonds and receive quarterly interest payments until at least the first Issuer Call Date, being 8 January 2022 (and subject to certain early redemption events already incorporated within the Terms). If IMF does not exercise its right to repay IMF Bentham Bonds on the first Issuer Call Date, you will receive a step up in the interest rate of 1.0% per annum from (and excluding) the first Issuer Call Date.

In addition, if the Restructure Proposal is approved, IMF expects to issue additional IMF Bentham Bonds to eligible institutional investors on or around 7 December 2018, such that immediately following the issue, total IMF Bentham Bonds on issue will then be up to \$78 million (**Conditional Placement**).

IMF Bentham Bonds issued as part of the Conditional Placement (**Conditional Placement Bonds**) will be in the same class, rank equally and be fully fungible with existing IMF Bentham Bonds listed on ASX under the code "IMFHA".

The Conditional Placement is being managed by Acacia Partners subject to the terms of an offer management agreement. The Conditional Placement is not underwritten.

1.7 What happens if the vote does not pass?

If the vote is not passed, you will not have the option to redeem your IMF Bentham Bonds and will not be entitled to the Make Whole Payment. The maturity date will remain unchanged at 30 June 2019.

In addition, if the vote is not passed, the Conditional Placement will not proceed.

1.8 Board recommendation

As explained further in section 4.1 below, the IMF Board unanimously recommends that you vote in favour of the Restructure Proposal. You are not obliged to follow the unanimous recommendation of the Board. Sections 3 and 4 set out various advantages and disadvantages which the IMF Board encourages you to read in considering how to vote.

1.9 Directors' and key management personnel interests

Section 6.3 sets out certain interests that the Directors and key management personnel of IMF have in IMF securities.

1.10 Impact of the Restructure Proposal on IMF if the vote is passed

The Restructure Proposal, if approved, will provide IMF with greater financial flexibility to fund its growth strategies through deferring the repayment of the IMF Bentham Bonds and increasing the potential amount of debt that IMF can raise, once secured debt limits that apply under its other borrowings cease to apply.

In addition, if the Restructure Proposal is approved, IMF expects to issue additional IMF Bentham Bonds to eligible institutional investors on or around 7 December 2018, such that immediately following the issue, total IMF Bentham Bonds on issue will then be up to \$78 million following the Conditional Placement.

1.11 IMF Bentham Bond Holder approval

Implementation of the Restructure Proposal will require a variation of the rights attached to the IMF Bentham Bonds, which can only proceed with the approval of Holders of IMF Bentham Bonds by way of Special Resolution.

Section 2.1 sets out the Special Resolution which, if passed, will allow for the Restructure Proposal to go ahead by amending the rights attached to the IMF Bentham Bonds under the Trust Deed. The Special Resolution requires approval by a majority of 75% or more of votes cast on the resolution by Holders of IMF Bentham Bonds who are present at the Meeting (in person or by proxy).

1.12 Timing

The indicative timetable for the Restructure Proposal is as follows (all times are Sydney times):

Event	Date
ASX announcement of Restructure Proposal	Tuesday 23 October 2018
Notice of Meeting issued to Holders of IMF Bentham Bonds	Tuesday 6 November 2018
Start date for lodging a Notice of Exercise of Optional Redemption (if any). IMF Bentham Bonds nominated for redemption (if any) will not be able to be dealt with, transferred, disposed of or made subject to an encumbrance	Tuesday 6 November 2018
Deadline for lodging a Notice of Exercise of Optional Redemption (if any)	5:00pm Friday 30 November 2018
Deadline for lodging Proxy Forms	9:00am Sunday 2 December 2018
Meeting of Holders of IMF Bentham Bonds	9:00am Monday 3 December 2018
ASX announcement of outcome of vote on the Restructure Proposal	Monday 3 December 2018
Redemption of eligible IMF Bentham Bonds and payment of applicable Optional Redemption Amounts and Make Whole Payments, subject to the Special Resolution having been passed	Thursday 6 December 2018
Settlement of IMF Bentham Bonds to be issued under Conditional Placement, subject to the Special Resolution having been passed	Friday 7 December 2018

IMF reserves the right to amend this timetable at any time and for any reason. Any amendments will be notified to Holders of IMF Bentham Bonds via an announcement to ASX.

2 Special Resolution

2.1 Amendments to be approved by Special Resolution

The proposed amendments to the Trust Deed to implement the Restructure Proposal, which are to be approved by Special Resolution, are set out below. For ease of reference, a consolidated version of the Trust Deed marked-up with the proposed amendments can also be accessed at <https://www.imf.com.au/shareholders/imf-bentham-bonds>.

3.1 Trust Deed amendments

On and from the Effective Time:

(a) **(New Margin and Settlement Date adjustment):**

- (i) clause 2.2(b) of Schedule 2 to the Trust Deed (Terms of the IMF Bentham Bonds) is deleted and replaced with the following:

“(b) The Interest Rate applicable to an IMF Bentham Bond for each Interest Period is calculated according to the following formula:

Interest Rate = Market Rate + Margin

where

Market Rate means the Bank Bill Rate in respect of the relevant Interest Period.

Margin means:

- (i) subject to paragraph (ii) below, 4.2% per annum; or
- (ii) in respect of each Interest Period commencing on or after 8 January 2022, the Step-Up Margin.”
- (ii) the definition of “Settlement Date” in clause 1.1 of Schedule 1 of the Trust Deed (Definitions) is deleted and replaced with the following:

“**Settlement Date** means:

- (a) subject to paragraph (b), the Business Day immediately preceding the Issue Date; and
- (b) in respect of IMF Bentham Bonds issued on or after the initial Interest Period, the first day of the Interest Period in which the relevant IMF Bentham Bonds are issued.”
- (iii) the following definition is inserted in alphabetical order in clause 1.1 of Schedule 1 of the Trust Deed (Definitions):

“**Step-Up Margin** means 5.2% per annum.”

(b) **(Extension of Maturity Date):**

- (i) clauses 18.1 (Payment of Principal) and 18.2 (Payment of interest) of the Trust Deed are deleted and replaced with the following:

“**18.1 Payments**

- (a) Subject to clause 3.10 of the Terms, clause 18.2 and paragraph (b) below, all payments in respect of an IMF Bentham Bond will be made to each person registered at 10.00 am on the relevant payment date as the Holder of that IMF Bentham Bond.

- (b) *Subject to clause 18.2, all payments in respect of an IMF Bentham Bond that is to be Redeemed on the Optional Redemption Date in accordance with clause 3.6 of the Terms will be made to each Eligible Optional Redemption Holder registered at 5.00 pm on 2 December 2018 as the Holder of that IMF Bentham Bond.”*

18.2 Payment of interest

Payments of interest in respect of an IMF Bentham Bond will be made to each person registered at 5.00 pm on the Record Date as the Holder of that IMF Bentham Bond.”

- (ii) *clause 3.1 of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds) is deleted and replaced with the following:*

“3.1 Redemption on Maturity Date

Each IMF Bentham Bond must be Redeemed by the Issuer on the Maturity Date at its Face Value (together with any interest accrued but unpaid on the IMF Bentham Bond) unless:

- (a) *the IMF Bentham Bond has been previously Redeemed; or*
- (b) *the IMF Bentham Bond has been purchased by the Issuer and cancelled.”*

- (iii) *the definition of “Maturity Payment Date” in clause 1.1 of Schedule 1 is deleted;*

- (iv) *the following definition is inserted in alphabetical order in clause 1.1 of Schedule 1 of the Trust Deed (Definitions):*

“Eligible Optional Redemption Holder *in respect of an IMF Bentham Bond, means any person that is registered as the Holder of that IMF Bentham Bond on each consecutive day during the period from (and including) 10.00 am on 23 October 2018, to (and including) 5.00 pm on 2 December 2018.”*

- (v) *the definitions of “Interest Payment Date”, “Record Date” and “Maturity Date” in clause 1.1 of Schedule 1 of the Trust Deed (Definitions) are deleted and replaced with the following:*

“Interest Payment Date *means:*

- (a) *in respect of an IMF Bentham Bond, each 8 July, 8 October, 8 January and 8 April in each year from its Issue Date to (and including) the Maturity Date or any Redemption Date or Repurchase Date;*
- (b) *the Maturity Date;*

(c) any Redemption Date; and

(d) any Repurchase Date,

adjusted, if necessary, in each case in accordance with the Modified Following Business Day Convention.

Maturity Date means 22 December 2022.

Record Date means:

(a) subject to paragraph (b) below, the date which is eight calendar days before the applicable Interest Payment Date (calculated exclusive of the applicable date on which such interest is payable); or

(b) such other date as is determined by the Issuer in its absolute discretion and communicated to the ASX and the Trustee not less than eight calendar days before the Record Date which would have been determined under paragraph (a) above, or such other date as may be required by, or agreed with, the ASX.”

(vi) clause 3.2(b)(iii) of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds) is deleted and replaced with the following:

“(iii) the proposed Redemption Date nominated by the Issuer is an Interest Payment Date falling on 8 July, 8 October, 8 January or 8 April in any applicable calendar year.”

(c) **(Issuer undertakings):**

(i) the definition of “Secured Debt Limit” in clause 1.1 of Schedule 1 of the Trust Deed (Definitions) is deleted and replaced with the following:

“**Secured Debt Limit** means the aggregate amount (without double counting) of:

(a) the secured Financial Indebtedness which the Issuer is permitted to incur under this Deed; and

(b) the Financial Indebtedness of each Wholly Owned Subsidiary,

being \$300,000,000 (excluding any accrued but unpaid interest on such Financial Indebtedness which is in accordance with the terms of the applicable governing documents) or such higher figure as the Issuer and the Trustee may agree, the agreement of the latter being conditional upon the prior approval of Holders by way of Special Resolution.”

(ii) clause 4.3(a) of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds) is deleted and replaced with the following:

- “(a) *The Issuer undertakes that whilst any IMF Bentham Bond remains outstanding the Issuer:*
- (i) shall not, save for any Permitted Encumbrance or encumbrance mandatorily created by the laws of any jurisdiction, create or permit to subsist any Security over any Secured Property as security for any Financial Indebtedness which ranks equally to or in priority to the IMF Bentham Security; and*
 - (ii) shall ensure that no Wholly Owned Subsidiary will:*
 - (A) save for any Permitted Encumbrance or encumbrance mandatorily created by the laws of any jurisdiction, create or permit to subsist any Security over the assets of the relevant Wholly Owned Subsidiary for any Financial Indebtedness other than the IMF Bentham Bonds, unless such Security also secures the IMF Bentham Bonds so that they rank equally to or in priority to such other Financial Indebtedness;*
 - (B) guarantee any Financial Indebtedness (other than the IMF Bentham Bonds) or incur any unsecured Financial Indebtedness (other than Financial Indebtedness owed to the Issuer or another Wholly Owned Subsidiary), unless in each case the relevant Wholly Owned Subsidiary also provides a guarantee of all amounts owing on the IMF Bentham Bonds then outstanding in favour of the Trustee (on behalf of Holders of IMF Bentham Bonds from time to time), which guarantee must rank equally with, or in priority, to the relevant Wholly Owned Subsidiary’s obligations in relation to such other unsecured or guaranteed Financial Indebtedness; or*
 - (C) hold cash on its balance sheet in an amount which at any time exceeds the Subsidiary Cash Limit at that time for a period of more than 30 consecutive calendar days, unless the relevant Wholly Owned Subsidiary has provided an unconditional guarantee (on terms that are market standard for similar guarantees) of all amounts owing on the IMF Bentham Bonds then outstanding in favour of the Trustee (on behalf of Holders of IMF Bentham Bonds from time to time); and*
 - (iii) shall not make a Distribution, where the Current Resources of the Issuer Group are, or would be, following the completion of such Distribution less than or equal to 75% of the Issuer Group Indebtedness.”*

- (iii) *clause 4 of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds) is amended by the insertion of the following new clause 4.5 after clause 4.4 of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds):*

“4.5 Financial Covenants

The Issuer undertakes to the Trustee that whilst any IMF Bentham Bond remains outstanding, the Issuer shall:

- (a) *in its annual and semi-annual Financial Statements:*
- (i) *provide a breakdown of the cash, deposits, financial instruments and Receivables comprising the Current Resources of the Issuer Group as at 30 June and 31 December in each calendar year; and*
 - (ii) *confirm that it has complied with clause 4.3(a)(ii)(C) at all times during the previous six months (or provide reasonable detail of its non-compliance with clause 4.3(a)(ii)(C) at any time during the previous six months (including any relevant figures and calculations) and the steps being taken to remedy the same); and*
- (b) *ensure that no Fund will incur any borrowing, other than:*
- (i) *short term loans provided to the Fund by the Issuer or a Wholly Owned Subsidiary for the purpose of providing short term bridging of the Issuer’s funding commitments in respect of the relevant Fund; or*
 - (ii) *with the prior approval of the Holders by way of Holder Resolution.”*
- (iv) *the reference to “clause 4.3(a)(i)” in clause 9.4(b) of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds) is deleted and replaced with “clause 4.3(a)”.*
- (v) *the words after paragraph (i) of the definition of Financial Indebtedness are deleted and replaced with the following:*

“other than any indebtedness (including any indebtedness of the kind referred to in paragraphs (a) to (i) above):

- (j) *of one member of the Issuer Group to another member of the Issuer Group, to the extent of the proportion that such indebtedness bears to the percentage equity share held by the Issuer in such Issuer Group member; or*
- (k) *where the indebtedness does not represent more than 10% of the Total Assets of the Issuer, on terms where that liability*

to pay or repay such indebtedness is limited in recourse to the realisation of an asset or assets of the Issuer and such asset or assets did not form part of the Total Assets as at the date of the Trust Deed and there is no recourse against the Issuer or any other member of the Issuer Group; or

- (l) incurred as a result of a Wholly Owned Subsidiary guaranteeing the obligations of the Issuer or any other member of the Issuer Group.”

- (vi) the following definitions are inserted in alphabetical order in clause 1.1 of Schedule 1 of the Trust Deed (Definitions):

“Fund means each of Bentham IMF 1 LLC, IMF Bentham (Fund 2) Pty Ltd, IMF Bentham (Fund 3) Pty Ltd and any other investment fund managed by the Issuer.

Subsidiary Cash Limit at any time means 10% of the aggregate of:

- (a) the cash held by the Issuer on its balance sheet at that time; and
- (b) the cash held by each Wholly Owned Subsidiary on their respective balance sheets at that time.”

- (d) **(Optional Redemption):**

- (i) clause 3 of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds) is amended by the insertion of the following new clauses 3.5 and 3.6 after clause 3.4 of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds), and the renumbering of clauses 3.5 and 3.6 as clauses 3.7 and 3.8 respectively (and all references to such clauses accordingly):

“3.5 Optional Early Redemption by the Issuer

- (a) Subject to paragraph (b) and clause 3.9 below, the Issuer may Redeem all or some of the IMF Bentham Bonds in whole on any Issuer Call Date by payment of the aggregate Face Value of the IMF Bentham Bonds so Redeemed (together with any interest accrued but unpaid on such IMF Bentham Bonds, to (but excluding) the relevant Redemption Date).
- (b) The Issuer may only Redeem the IMF Bentham Bonds under paragraph (a) above if the Issuer has given at least 10 Business Days’ (and no more than 45 Business Days’) notice to the Trustee, the Registry, the Holder and ASX (and any other securities exchange or other relevant authority on which the IMF Bentham Bonds are listed) of the Redemption and the proposed Redemption Date.

3.6 Optional Early Redemption by a Holder

- (a) Subject to paragraphs (b) and (c) below and clause 3.9 below, an Eligible Optional Redemption Holder in respect

of IMF Bentham Bonds may require the Issuer to Redeem all or some such IMF Bentham Bonds by payment to the relevant Eligible Optional Redemption Holder of the Optional Redemption Amount in respect of such IMF Bentham Bonds on the Optional Redemption Date.

- (b) To exercise its rights under paragraph (a), a Holder must deliver to the Registry (as agent for the Issuer) a duly completed and signed Notice of Exercise of Optional Redemption in respect of all or some of its holdings of the IMF Bentham Bonds, at any time during the Optional Redemption Period.*
- (c) Subject to the passing of the Relevant Special Resolution, if a duly completed and signed Notice of Exercise of Optional Redemption is delivered by a Holder in accordance with paragraph (b) above, and that Holder is an Eligible Optional Redemption Holder as at 5.00 pm on 2 December 2018 in respect of the IMF Bentham Bonds the subject of such Notice of Exercise of Optional Redemption, the Issuer must Redeem all of the IMF Bentham Bonds the subject of such Notice of Exercise of Optional Redemption on the Optional Redemption Date in accordance with paragraph (a) above.*
- (d) No Holder may deal with, transfer, dispose of or create any Encumbrance in any IMF Bentham Bond the subject of a Notice of Exercise of Optional Redemption once that Notice of Exercise of Optional Redemption has been given.”*

- (ii) clause 3 of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds) is amended by the insertion of the following new clause 3.9:*

“3.9 Partial Redemptions

If only some of the IMF Bentham Bonds are to be Redeemed under clause 3.6, the IMF Bentham Bonds to be Redeemed will be specified in the relevant notice. Where only some of the IMF Bentham Bonds are Redeemed by the Issuer under clause 3.5, the IMF Bentham Bonds to be Redeemed will be specified in the relevant notice and selected:

- (a) pro-rata across all Holders of IMF Bentham Bonds or in a fair and reasonable manner; and*
- (b) in compliance with any applicable law or directive.”*

- (iii) The following definitions are inserted in alphabetical order in clause 1.1 of Schedule 1 of the Trust Deed (Definitions):*

“Issuer Call Date means 8 January 2022 and each Interest Payment Date thereafter falling on 8 April, 8 July, 8 October or 8 January, until (but excluding) the Maturity Date.

Notice of Exercise of Optional Redemption means a notice in the form of the notice described as such and attached to the Notice of Meeting.

Notice of Meeting means the notice of meeting dated on or around 6 November 2018 and issued by the Issuer for the purpose of allowing the Holders to approve certain amendments to this Deed by Special Resolution.

Optional Redemption Amount in relation to any IMF Bentham Bonds, means the aggregate Face Value of such IMF Bentham Bonds, together with any interest accrued but unpaid on such IMF Bentham Bonds, to (but excluding) the Optional Redemption Date.

Optional Redemption Date means 6 December 2018.

Optional Redemption Period means the period commencing on and including 6 November 2018 and ending on and including, 5:00pm (Sydney time) on 30 November 2018.

Relevant Special Resolution means the Special Resolution set out in the Notice of Meeting.”

(e) (Make Whole Payment):

(i) clause 3 of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds) is amended by the insertion of the following new clause 3.10:

“3.10 Make whole payment

Subject to the passing of the Relevant Special Resolution, the Issuer must, on the Make Whole Payment Date, pay to each person that is registered at 10:00 am on 23 October 2018 as the Holder of an IMF Bentham Bond, an amount equal to \$2.37 for each IMF Bentham Bond held by such Holder as at that time.”

(ii) the following definition is inserted in alphabetical order in clause 1.1 of Schedule 1 of the Trust Deed (Definitions):

“Make Whole Payment Date means 6 December 2018.”

(f) (Notices):

(i) clause 22.2 (Notices to the Trustee or the Issuer) of the Trust Deed is deleted and replaced with the following:

“22.2 Notices to the Trustee or the Issuer

All notices and other communications to the Issuer, the Trustee or any other person (other than Holders) must be in writing and may be sent by fax, email or prepaid post (airmail if appropriate) to, or left at, the address below or such other address as is agreed between those parties from time to time and notified by them to the Holders:

(a) **Issuer**

Address: IMF Bentham Limited
Level 18, 68 Pitt Street
Sydney NSW 2000
Fax: +61 2 8223 3555
Attention: Company Secretary
Email: legal@imf.com.au

(b) **Trustee**

Address: Australian Executor Trustees Limited
Level 3, The Bond
30 Hickson Road
Millers Point NSW 2000
Attention: Relationship Manager
Email: sfas@aetlimited.com.au

- (ii) clause 22.4 (Deemed Notice – postal, fax or email) is amended by the insertion of the following new paragraph (f):

“(f) If left at the address for the Holder in the Register, on the date it is delivered to the relevant address specified in the Register (in the case of deliveries to Holders) or the address specified in clause 22.2 (in the case of any delivery to the Issuer or Trustee, as applicable).”

- (g) **(Calculation of time period):** the following new clause 25.2(k) (Calculation of period of time) is inserted after clause 25.2(j) (Inconsistency with Terms) of the Trust Deed:

“(k) Calculation of period of time

If:

- (i) notice of a meeting or any other action must be given within a certain period of days; or
- (ii) a certain number of days’ notice of a meeting or any other action must be given,

the day on which the relevant meeting is to be held or other action is to be taken, is not to be counted in calculating that period or the relevant number of days, and references to a day are to a calendar day.”

- (h) **(Issuer Group definition):**

- (i) the definition of "Issuer Group" in clause 1.1 of Schedule 1 of the Trust Deed (Definitions) is deleted and replaced with the following:

"Issuer Group means:

- (a) subject to paragraph (b), the Issuer and each of its Subsidiaries and any entity (including, without limitation, any partnership

whether limited or otherwise) which is subject to the control of the Issuer or a Subsidiary of the Issuer, as such term is defined in section 50AA(1) of the Corporations Act; and

- (b) *for the purpose of the following provisions, means the Issuer and any Wholly Owned Subsidiary:*
 - (i) *paragraph (a)(i) of the definition of “Permitted Secured Finance Arrangement” set out in this clause 1.1;*
 - (ii) *each of clause 4.3(a)(iii), 4.5(a) and 9.4(a) of Schedule 2 of the Trust Deed (Terms of the IMF Bentham Bonds); and*
 - (iii) *clause 14.8(a) of the Trust Deed.*

For the avoidance of doubt, the reference to “Issuer Group” in the definition of “Issuer Group Indebtedness” in this clause 1.1 has the meaning given in paragraph (a) above.”

- (ii) *the following definition is inserted in alphabetical order in clause 1.1 of Schedule 1 of the Trust Deed (Definitions):*

“Wholly Owned Subsidiary means a Subsidiary of the Issuer where:

- (a) *the Issuer holds 100% of the issued share capital of the Subsidiary; or*
- (b) *the Issuer is in a position to cast, or control the casting of, 100% of the votes that might be cast at a general meeting of the Subsidiary; or*
- (c) *the Subsidiary is a Wholly Owned Subsidiary of a Wholly Owned Subsidiary of the Issuer.”*

2.2 Copy of Amending Deed

Subject to the Special Resolution having been passed, the amending deed implementing the above changes (**Amending Deed**) will take effect prior to the Conditional Placement. IMF will provide a copy of the Amending Deed free of charge to any IMF Bentham Bond Holder who requests a copy.

2.3 Summary of key proposed amendments

To further assist, the following table summarises the key amendments to be implemented by the Amending Deed, subject to the Special Resolution having been passed.

Current term	Proposed amendment	Rationale
The interest rate applicable to an IMF Bentham Bond is the sum of the applicable market interest rate and the margin described in	If IMF does not exercise its right to redeem all of the IMF Bentham Bonds on 8 January 2022 (being the first Issuer Call Date), the Margin on the IMF Bentham Bonds outstanding	To compensate Holders of IMF Bentham Bonds through a higher rate of interest in the event that IMF chooses not to

Current term	Proposed amendment	Rationale
the prospectus for the IMF Bentham Bonds, being 4.20% per annum.	after this date will increase by 1.0% per annum, until their maturity on 22 December 2022.	redeem the IMF Bentham Bonds on 8 January 2022.
The settlement date for the Conditional Placement Bonds following their issue will be 7 December 2018. This is also the date from which interest will commence accruing on the Conditional Placement Bonds.	To amend the settlement date for the Conditional Placement Bonds to 1 October 2018, which aligns with the date on which interest will commence accruing on the IMF Bentham Bonds currently outstanding, in respect of the next interest payment date.	To ensure that Holders of Conditional Placement Bonds will receive the same amount of interest as existing Holders of IMF Bentham Bonds, and therefore form part of the same class, and be fully fungible with, the IMF Bentham Bonds currently outstanding.
The maturity date for the IMF Bentham Bonds is currently 30 June 2019. The maturity payment date is currently 8 July 2019.	To change the maturity date for the IMF Bentham Bonds to 22 December 2022 and change the due date for payment of the redemption amount so it is payable on the maturity date.	To defer IMF's obligation to repay the Face Value of the IMF Bentham Bonds for approximately 3.5 years.
Payments of principal are currently owing to each person registered as a Holder of IMF Bentham Bonds at 10:00am on the relevant payment date.	To expand the scope of this provision so that it applies to all payments (other than interest), subject to the specific requirements of the Optional Holder Redemption Opportunity and Make Whole Payment terms.	To align the new maturity date and related terms with the operational requirements of the Registrar and ASX.
Payments of interest are currently owing to each person registered as a Holder of IMF Bentham Bonds on the record date. The record date is currently 7:00pm in the place where the register is maintained on the eighth calendar day before the relevant payment date.	To require entitlements to interest to be determined at 5:00pm to accommodate the Registry's operational requirements. In addition, changes have been made to the definition of Record Date to allow IMF to move this date on appropriate notice where required, in line with market terms. The amendments include consequential changes in respect of the definition of Interest Payment Date and the interest entitlement provisions of the Trust Deed (clause 18.2).	In line with market practice, to clarify that the record date applies to interest payments only, with entitlements on this date determined as at 5:00pm. It also provides greater flexibility for the record date to be adjusted where required (e.g. for operational reasons).

Current term	Proposed amendment	Rationale
<p>The total amount of secured financial indebtedness which IMF is permitted to incur is \$150,000,000 (Secured Debt Limit).</p>	<p>To increase the Secured Debt Limit to \$300,000,000.</p>	<p>To allow IMF more flexibility to use borrowings to pursue its growth strategy, once secured debt limits that apply under its other borrowings cease to apply.</p>
<p>N/A</p>	<p>If the vote is passed, to provide all Holders of IMF Bentham Bonds with the benefit of a one-off Make Whole Payment equal to \$2.37 for each IMF Bentham Bond held at 10:00am on 23 October 2018.</p>	<p>To compensate Holders of IMF Bentham Bonds for the value of margin that will be foregone by Holders of IMF Bentham Bonds. So that all Holders of redeeming IMF Bentham Bonds are treated equally, continuing Holders of IMF Bentham Bonds will receive the same Make Whole Payment as redeeming Holders of IMF Bentham Bonds.</p>
<p>N/A</p>	<p>To grant Holders of IMF Bentham Bonds a new optional right to redeem all or some of their IMF Bentham Bonds before their maturity date by giving notice in the form of an Optional Redemption Exercise Notice to the Registry.</p>	<p>To recognise that different Holders of IMF Bentham Bonds may have different investment preferences.</p>
<p>N/A</p>	<p>To grant IMF a new optional right to redeem early some (on a pro rata basis) or all IMF Bentham Bonds on any Issuer Call Date.</p>	<p>To provide IMF flexibility around the timing of repayment of the IMF Bentham Bonds.</p>
<p>Certain investor protections, including limitations on incurring secured indebtedness, granting security, making distributions and issuing additional bonds, are currently determined by reference to the Current Resources of the IMF group, which includes all IMF's subsidiaries,</p>	<p>For the purposes of the relevant investor protections, to limit the definition of Current Resources of the IMF group to the Current Resources of IMF and its wholly owned subsidiaries, which would exclude the funds managed by IMF.</p> <p>In addition, to address structural subordination issues and restrict the ability of IMF's wholly owned subsidiaries to incur financial</p>	<p>To align the relevant investor protections, for the benefit of Holders of IMF Bentham Bonds, with the changed structure of IMF's operations under its fund management business model.</p>

Current term	Proposed amendment	Rationale
including each Fund managed by IMF.	<p>indebtedness or grant guarantees or security in respect of financial indebtedness.</p> <p>IMF will include confirmation of compliance with certain structural subordination protections in its half year and annual financial reports, together with a breakdown of cash, deposits, financial instruments and receivables included within the Current Resources of the IMF group as calculated for the purposes of the above investor protections, including the definition of “Permitted Secured Financing Arrangement” (as defined in the Trust Deed).</p> <p>In addition, IMF also undertakes to ensure no Fund will incur any borrowing, other than short term loans provided to the Fund by IMF or a wholly owned subsidiary of IMF for the purpose of providing short term bridging of the IMF’s funding commitments in respect of the relevant Fund.</p>	

3 Key reasons to vote in favour of the Special Resolution

3.1 Board recommendation

The Board unanimously recommends that you vote in favour of the Special Resolution. In reaching their recommendation, the Board has considered:

- the advantages of the Restructure Proposal, as set out in section 3;
- the disadvantages of the Restructure Proposal, as set out in section 4; and
- the other relevant considerations set out in this Explanatory Memorandum.

Hugh McLernon, Michael Bowen and Christine Feldmanis, each of whom hold IMF Bentham Bonds have indicated that they intend to vote their IMF Bentham Bonds in favour of the Restructure Proposal.

3.2 You will receive the Make Whole Payment

You will receive a Make Whole Payment equal to \$2.37 for each IMF Bentham Bond that you hold.

3.3 Current Resources

You will have the benefit of investor protections relating to the Current Resources definition that are better aligned with the changed structure of IMF's operations under its fund management business model.

3.4 You will continue to receive interest payments

You will continue to hold an investment in IMF Bentham Bonds and therefore be entitled to receive quarterly interest payments until the new maturity date or the Issuer Call Date in the event IMF Bentham Bonds are redeemed early. In the event IMF does not exercise its option to repay some or all the IMF Bentham Bonds early, the interest rate will step up by 1.0% from the first Issuer Call Date until maturity.

3.5 Market liquidity

If the vote is passed, IMF expects to issue additional IMF Bentham Bonds, which may improve liquidity in the trading of IMF Bentham Bonds (although IMF Bentham Bonds are expected to have limited liquidity).

4 Reasons why you may consider voting against the Special Resolution

4.1 Disagree with the recommendation of the Board

Despite the unanimous recommendation of the Board to vote in favour of the Special Resolution, you may believe that the Restructure Proposal is not in your best interests having regard to your individual circumstances and professional advice. You are not obliged to follow the unanimous recommendation of the Board.

4.2 Fall in the price of IMF Bentham Bonds

You may believe that the price of the IMF Bentham Bonds could fall as a result of the Restructure Proposal.

The fact that you have 21 days to consider the Restructure Proposal before you are required to vote will allow you to assess whether post-announcement changes in the trading price of IMF Bentham Bonds indicates favourable market support for IMF Bentham Bonds notwithstanding the Restructure Proposal.

4.3 Priority

If the vote is passed, the IMF Bentham Bonds will mature two years after the date on which the notes (**Notes**) issued by IMF under its wholesale note program are due to mature. As a result, if IMF has sufficient funds at the time, holders of Notes will be repaid their principal on their Notes before Holders of IMF Bentham Bonds will receive their principal on the IMF Bentham Bonds. Any IMF funds available after repaying the Notes will then be available to redeem the IMF Bentham Bonds on their maturity, as well as meet other liabilities of IMF. Depending on whether IMF has sufficient funds at the time, it is possible that Holders of IMF Bentham Bonds will receive either a partial payment or no payment at all on the maturity of the IMF Bentham Bonds, which may result in Holders of IMF Bentham Bonds receiving less than they may have if they had been repaid at the same time as the holders of Notes.

5 Taxation Considerations

5.1 Introduction

The following taxation summary has been prepared as a general guide based on Australian tax legislation and practices of the Australian Taxation Office (**ATO**) and each state revenue authority current as at the date of this Explanatory Memorandum, both of which may change in the future (including with retrospective effect) without notice.

This section is not intended to be and should not be taken as a comprehensive taxation summary of, or advice on, the implications of the Restructure Proposal for a Holder of IMF Bentham Bonds, and addresses only some of the key Australian tax implications that may arise for a Holder of IMF Bentham Bonds as a result of the Restructure Proposal. You should seek your own professional tax advice having regard to your particular circumstances.

5.2 Taxation of gains on redemption for Australian Holders of IMF Bentham Bonds

Holders of IMF Bentham Bonds who are Australian tax residents, or who are non-residents that hold the IMF Bentham Bonds in carrying on business at or through a permanent establishment in Australia, will be required to include:

- any gain on redemption of the IMF Bentham Bonds (if applicable); and
- any Make Whole Payment,

in their assessable income.

Such Holders may be entitled to deduct any loss on redemption of the IMF Bentham Bonds.

The determination of the amount and timing of any assessable amount and deduction may be affected by specific provisions of the Tax Act, which provide for specialised regimes for the taxation of financial instruments.

5.3 Taxation of gains on redemption for offshore Holders of IMF Bentham Bonds

A Holder of IMF Bentham Bonds who is a non-resident of Australia and who has never held the IMF Bentham Bonds in the course of carrying on a business through a permanent establishment in Australia will not be subject to Australian income tax on gains realised on the redemption of the IMF Bentham Bonds, provided such gains do not have an Australian source. The source of income for Australian taxation purposes is ultimately a question of fact.

5.4 Taxation of Make Whole Payments

Some or all of any Make Whole Payment may be in the nature of interest and, as such, tax of up to 10% of that amount may be withheld from the payment to non-resident Holders of IMF Bentham Bonds. Such recipients may be entitled to a credit for the tax withheld in their country of residence.

5.5 Collection powers

The ATO and other revenue authorities in Australia have wide powers for the collection of unpaid tax debts. This can include issuing a notice to an Australian resident (including IMF) requiring a deduction from any payment (including the payment of a Make Whole Payment or an optional redemption amount) to a Holder of IMF Bentham Bonds in respect of unpaid tax liabilities of that Holder.

5.6 Stamp duty

No stamp duty should be payable on the redemption of the IMF Bentham Bonds.

5.7 GST

No GST should be payable on the redemption of the IMF Bentham Bonds.

6 Additional information

6.1 Disclosure of Information

IMF is subject to regular disclosure and reporting obligations under the ASX Listing Rules and the Corporations Act.

As a company listed on the ASX, IMF is under an obligation, subject to certain exceptions, to immediately disclose any information which IMF has that a reasonable person would expect to have a material effect on the price or value of IMF's securities.

Copies of information disclosed by IMF under its disclosure and reporting obligations is available on ASX's website at www.asx.com.au.

6.2 Directors' and key management personnel interests

The Directors and Key Management Personnel of IMF have relevant interests (held directly, indirectly, beneficially and including their personal related entities) in the following securities of IMF:

IMF – Directors' and Key Management Personal Interests

As at 30 September 2018	IMF Bentham Bonds	Shares	Performance rights	Notes
Andrew Saker	Nil	163,506	1,438,271	100
Hugh McLernon	7,500	5,099,045	1,356,276	Nil
Michael Kay	Nil	307,692	Nil	Nil
Michael Bowen	1,500	1,009,264	Nil	Nil
Karen Phin	Nil	23,256	Nil	Nil
Wendy McCarthy	Nil	Nil	Nil	Nil
Christine Feldmanis ⁽¹⁾	300	Nil	Nil	Nil
Clive Bowman	Nil	533,172	1,090,920	Nil
Charlie Gollow	400	467,058	707,622	Nil

Note: (1) Ms Feldmanis' appointment takes effect on 1 November 2018.

7 IMF Bentham Bond Holder Meeting and how to vote

7.1 IMF Bentham Bond Holder Meeting

IMF is holding a meeting of Holders of IMF Bentham Bonds at 9:00am on Monday 3 December 2018. At the Meeting, Holders of IMF Bentham Bonds will be asked to approve the Special Resolution. The terms of the Special Resolution to be considered at the Meeting are contained in the Notice of Meeting.

7.2 Am I able to vote at the Meeting?

You are entitled to vote at the Meeting if you are a Holder of IMF Bentham Bonds as at 7:00pm (Sydney time) on 25 November 2018 (being 8 calendar days prior to the date of the Meeting).

Instructions on how to attend and vote at the Meeting (in person or by proxy) are set out in the Notice of Meeting. Details of Holders of IMF Bentham Bonds' entitlements to vote at the Meeting are also set out in the Notice of Meeting.

Voting is not compulsory. However, the Board unanimously recommends that Holders of IMF Bentham Bonds vote in favour of the Special Resolution. Despite the unanimous recommendation of the Board to vote in favour of the Special Resolution, you may believe that the Restructure Proposal is not in your best interests having regard to your individual circumstances and professional advice. You are not obliged to follow the unanimous recommendation of the Board.

The results of the Meeting will be available as soon as possible after the conclusion of the Meeting and will be announced to ASX once available. The results will also be published on IMF's website at <https://www.imf.com.au/shareholders/imf-bentham-bonds>.

7.3 Special Resolution approval requirements

The Special Resolution requires approval by a special majority (75% or more) of votes cast on the Special Resolution of by Holders of IMF Bentham Bonds present and voting at the Meeting (either in person or by proxy).

The Restructure Proposal will only proceed if the Special Resolution is approved. However, as explained in section 1.1 above, if the Special Resolution is approved, Holders of IMF Bentham Bonds will have the option to have their IMF Bentham Bonds redeemed under the Optional Holder Redemption Opportunity.

8 Key Q&A

8.1 Q. Why are we proposing the Restructure now?

The Restructure Proposal is being proposed because your Board is being proactive in relation to managing IMF's repayment obligations in relation to the IMF Bentham Bonds. See section 1.3 for further details.

8.2 Q. What are the advantages and disadvantages of the Restructure Proposal for Holders of IMF Bentham Bonds?

Advantages (see section 3 for further details):

- The Make Whole Payment is an incremental payment that they would otherwise not receive;
- For Holders that choose to redeem their IMF Bentham Bonds, the redemption payment represents a prepayment of principal and margin that they would otherwise have received over the period to 30 June 2019;
- IMF expects to issue additional IMF Bentham Bonds, which may improve liquidity in the trading of IMF Bentham Bonds (although IMF Bentham Bonds are expected to have limited liquidity);
- The increase in the Secured Debt Limit will support IMF's growth strategy; and
- The changes to the financial covenant restrictions determined by reference to the Current Resources of the issuer group provide more protection to investors.

Disadvantages (see section 4 for further details):

- The price of IMF Bentham Bonds could fall; and
- The Face Value of your IMF Bentham Bonds may not be repaid until the new maturity date of 22 December 2022.

8.3 Q. How will IMF be affected if the resolution is passed?

If approved, the Restructure Proposal will provide IMF with greater financial flexibility to fund its growth strategies through deferring the repayment of the IMF Bentham Bonds and increasing the potential amount of debt that IMF can raise, once secured debt limits that apply under its other borrowings cease to apply.

8.4 Q. What happens if the resolution does not pass?

If the resolution is not passed, you will not have the option to redeem your IMF Bentham Bonds and will not be entitled to a Make Whole Payment. Instead you will receive the face value of each IMF Bentham Bond that you hold when it matures on 30 June 2019. See section 1 for further details.

If you have any questions in relation to the Restructure Proposal, please contact Jeremy Sambrook at jsambrook@imf.com.au or visit <https://www.imf.com.au/shareholders/imf-bentham-bonds>.

9 Important Notices

You should note the following important matters:

9.1 Currency of Information

The information contained in this Explanatory Memorandum is prepared as of the date it is issued and stated on the first page (**Preparation Date**). Neither the delivery of this Explanatory Memorandum nor any other action in respect of it at any time implies that the information contained in it (or incorporated by reference) is correct at any time subsequent to the Preparation Date or that any other information supplies in connection with the IMF Bentham Bonds is correct or that there has not been any change (adverse or otherwise) in the financial conditions or affairs of the Issuer as of any time subsequent to the Preparation Date.

9.2 Risks

Neither this Explanatory Memorandum nor any other information supplied in connection with the Restructure Proposal describes the risks of a continued investment in the IMF Bentham Bonds. All parties should consult their own professional, financial, legal and tax advisers about risks associated with an investment or decision in light of their particular circumstances.

9.3 Forward looking statements

This Explanatory Memorandum and the other materials provided in connection with the Restructure Proposal may contain forward-looking statements. All statements that address expectations or projections about the future are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. Neither IMF nor its directors, officers, employees, agents, affiliates, advisers or representatives nor any other person guarantees that these assumptions and expectations are accurate or will be realised. The actual results could thus differ materially from those projected in any such forward-looking statements. Neither IMF nor its directors, officers, employees, agents, affiliates, advisers or representatives nor any other person assumes any responsibility to amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.

9.4 No investment advice

The information contained in this Explanatory Memorandum is provided by IMF, which does not, and is not required to, hold an Australian financial services licence. The information contained in this Explanatory Memorandum does not constitute financial product advice however, to the extent financial product advice is provided, such advice is general advice only and has been prepared without taking into account the objectives, financial situation, taxation position or needs of any Holder. Before acting on any such advice or making any decision on how to vote on the Special Resolution, Holders should consider whether the advice is appropriate for their circumstances. Where available, holders should obtain a copy of, and consider, this and any other relevant disclosure documentation before making any decision in relation to IMF Bentham Bonds.

The Issuer is not providing any taxation, legal or other advice regarding the proposed amendments or Special Resolution. It is important that you read this Explanatory Memorandum and the Notice of Meeting in their entirety before making any decision on how to vote on the Special Resolution contained within. If you are in any doubt, you should consult your professional adviser and make (and shall be taken to have made) your own independent investigation as to the suitability of the proposed amendments in your own particular circumstances.

Attachment A **Glossary and interpretation**

1 **Definitions**

The meanings of the terms used in the Notice of Meeting and this Explanatory Memorandum are set out below.

ASX means as the context requires, ASX Limited ACN 008 624 691 or the securities market conducted by it.

ASX Listing Rules means the listing rules of the ASX as amended from time to time.

Board means the board of directors of IMF.

Corporations Act means *the Corporations Act 2001* (Cth).

Current Resources in relation to the issuer group means the aggregate of:

- (a) cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash on hand and which are subject to an insignificant risk of changes in value;
- (b) deposits with an original maturity of greater than three months to the extent readily convertible to cash;
- (c) financial instruments held by way of treasury investment in accordance with the treasury policy of the applicable member of the issuer group; and
- (d) receivables.

Explanatory Memorandum means this document, as set out in Schedule 2 to the Notice of Meeting, including the annexures to it.

Face Value means the nominal principal amount of each IMF Bentham Bond, being \$100.

Fund means each of Bentham IMF 1 LLC, IMF Bentham (Fund 2) Pty Ltd, IMF Bentham (Fund 3) Pty Ltd and any other investment fund managed by the Issuer

Holder of IMF Bentham Bonds means each person who is registered on the register of IMF Bentham Bonds as the holder of an IMF Bentham Bond.

IMF means IMF Bentham Limited ABN 45 067 298 088.

IMF Bentham Bond means the bonds issued under the Trust Deed known as “**IMF Bentham Bonds**”.

Issuer Call Date means 8 January 2022 and each interest payment date in relation to the IMF Bentham Bonds thereafter.

Meeting means the meeting of Holders of IMF Bentham Bonds to be held at 9:00am on Monday 3 December 2018 at Gilbert + Tobin, L35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000, at which Holders of IMF Bentham Bonds will vote on the Special Resolution.

Notice of Exercise of Optional Redemption means a notice in the form accompanying the Notice of Meeting.

Notice of Meeting means the notice of meeting relating to the Meeting to which this Explanatory Memorandum is attached.

Optional Holder Redemption Opportunity means the optional redemption opportunity described in section 1.1.

Optional Redemption Amount in relation to any IMF Bentham Bonds, means the aggregate Face Value of such IMF Bentham Bonds, together with any interest accrued but unpaid on such IMF Bentham Bonds, to (but excluding) the Optional Redemption Date *provided that*, notwithstanding anything to the contrary in clause 2.2(b) or elsewhere in this Deed, any such interest is calculated to accrue as if the margin in respect of the Interest Rate applicable to such IMF Bentham Bonds for each Interest Period is 4.20% per annum at all times.

Optional Redemption Date means 6 December 2018.

Proxy Form means the form accompanying the Notice of Meeting.

Registry means Link Market Services Limited ABN 54 083 214 537.

Restructure Proposal means the proposal to amend the terms of the IMF Bentham Bonds, as detailed in this Explanatory Memorandum.

Special Resolution means the resolution set out in the Notice of Meeting.

Terms in relation to an IMF Bentham Bond, the terms of issue of that IMF Bentham Bond as set out in Schedule 2 of the Trust Deed.

Trust Deed means the deed entitled "IMF Bentham Bonds Trust Deed" dated 7 April 2014 between the Issuer and the Trustee, as amended by the Deed of Amendments dated 15 May 2014, 9 January 2015 and 24 March 2016, in each case between the Issuer and the Trustee.

2 Interpretation

In this Explanatory Memorandum and the Notice of Meeting, unless the context otherwise requires or appears:

- (a) Other words and phrases not in the glossary have the same meaning (if any) given to them in the Corporations Act.
- (b) Words of any gender include all genders.
- (c) Words importing the singular include the plural and vice versa.
- (d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- (e) A reference to a Section or Annexure is a reference to a section or annexure of this Explanatory Memorandum as relevant.
- (f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (g) Headings and bold type are for convenience only and do not affect the interpretation of this Explanatory Memorandum.
- (h) A reference to time is a reference to Sydney time.
- (i) A reference to dollars, \$, A\$, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.