

RNS Scheme of arrangement

## Correction - Scheme of arrangement improved terms

### CATCO REINSURANCE OPPORTUNITIES FUND LIMITED

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CATCo Reinsurance Opps Fund Ltd  
26 October 2021

*The following amendment has been made to the 'Markel CATCo Announces Commencement of Schemes of Arrangement and Improved Terms of Buy-Out Transaction for Investors in Markel CATCo Reinsurance Fund Ltd. and CATCo Reinsurance Opportunities Fund Ltd.' announcement released on 26 October 2021 at 7:00 under RNS No 2160Q.*

In the 'Buy-Out of Retro Fund Investors' section of the term sheet attached to the announcement, the accelerated return amount to Public Fund Investors holding Ordinary Shares and C Shares has been amended to reflect increased estimated return amounts of the following:

Public Fund Investors holding Ordinary Shares will receive an estimated accelerated return of approximately \$0.32 per Ordinary Share (totaling approximately \$48.3 million of Closing NAV (as of 31 August 2021) including an Early Consent Fee and Additional Consideration)

Public Fund Investors holding C Shares will receive an estimated accelerated return of approximately \$0.51 per C Share (totaling approximately \$42.2 million of Closing NAV (as of 31 August 2021) including an Early Consent Fee and Additional Consideration)

*All other details remain unchanged.*

*The full amended text is shown below.*

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION UNDER THE RETAINED UK LAW VERSION OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014 PURSUANT TO THE MARKET ABUSE (AMENDMENT) (EU EXIT) REGULATIONS 2019 (SI 2019/310).

### **Markel CATCo Announces Commencement of Schemes of Arrangement and Improved Terms of Buy-Out Transaction for Investors in Markel CATCo Reinsurance Fund Ltd. and CATCo Reinsurance Opportunities Fund Ltd.**

London, 26 October, 2021 - Markel CATCo Investment Management Ltd. (MCIM) today announced that, following the conclusion of the Early Consent Deadline of 22 October 2021 with respect to the Buy-Out Transaction announced on 27 September 2021, it has received a substantial level of investor support for the transaction, with investors representing over 90% of Markel CATCo Reinsurance Fund Ltd. (provisional liquidators appointed) (the Private Fund) and investors representing over 95% of CATCo Reinsurance Opportunities Fund Ltd. (provisional liquidators appointed) (the Public Fund, together with the Private Fund, the Funds) returning support undertakings or otherwise indicating their intention to support the Buy-Out Transaction.

Each of the boards of the Private Fund and Public Fund has resolved to proceed with the commencement of schemes of arrangement in Bermuda (Schemes) in order to implement the Buy-Out Transaction and will shortly issue a letter to all investors giving details of the matters to be addressed at the first court hearing for the Schemes, as well as further details regarding the Buy-Out Transaction (the Practice Direction Letter). The Practice Direction Letter will be distributed directly to investors and/or via the transaction website: <https://catcobuyout.alixpartners.com>.

As previously announced, the Buy-Out Transaction is being facilitated by Markel Corporation. Markel Corporation has agreed certain improvements to the terms of the Buy-Out Transaction which result in a significant increase in the return to all investors. The improved terms are set out in the term sheet attached to this announcement, with key terms including:

- an accelerated return of 100% of the net asset value (NAV) of the Funds on the closing date (including the Aquilo Fund and each of the other funds of the Private Fund), with (as originally proposed) investors retaining the right to any upside at the end of the applicable run-off period if currently held reserves exceed the amounts necessary to pay ultimate claims;
- an additional cash contribution of approximately \$54 million from Markel Corporation or one of its affiliates, which will be used to off-set transaction costs and go forward running costs of the funds, and to make additional pro rata distributions to investors; and
- an increase in the Early Consent Fee from 1% to 2% of each investor's proportional entitlement to the current NAV as at closing.

Markel Corporation has also agreed to pay a work fee to two investors, one in the Private Fund and one in the Public Fund, in consideration for their time spent negotiating the improvements to the Buy-Out Transaction announced today.

It is the Public Fund board's intention that post the completion of this transaction and once the funds released from the transaction have been returned to investors, the board will consult with investors with a view to establishing how the Public Fund should continue to operate and whether it should maintain its listing until the Private Fund has completed its liquidation.

To allow for investors who have not yet returned support undertakings to consider these improved terms, the deadline for investors to enter into an undertaking to support the Buy-Out Transaction **has now been extended to 11.59 p.m. ADT on 9 November 2021** (the Extended Early Consent Deadline).

Investors who have already agreed to be bound by the terms of a support undertaking prior to this announcement are not required to return another undertaking and will be entitled to the 2% Early Consent Fee provided that they remain in compliance with the terms of the support undertaking, including voting to approve the applicable Scheme. Investors who have not yet entered into a support undertaking may do so prior to the Extended Early Consent Deadline in order to be eligible for the Early Consent Fee.

The process for entry into a support undertaking by Private Fund investors and Public Fund investors remains the same as previously announced. Full details are available on the transaction website: <https://catcobuyout.alixpartners.com>.

Any questions in relation to the execution of the support undertaking by Private Fund Investors should be directed to Centaur at [investorservices.bda@centaurfs.com](mailto:investorservices.bda@centaurfs.com) or +441 405 2410.

Any questions in relation to acceptance of the support undertaking by Public Fund Investors should be directed to the registrar, Link Group at [operationalsupportteam@linkgroup.co.uk](mailto:operationalsupportteam@linkgroup.co.uk) or +44371 664 0321.

The person responsible for arranging release of this announcement is: Judith Wynne, Assistant Secretary to the Public Fund.

#### ***Disclaimers and important notices***

This announcement is for information purposes only and is not intended to, and does not, constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Buy-Out Transaction or otherwise. The Schemes will be made solely pursuant to the terms of the scheme documents to be sent to investors in the Funds in due course. The scheme documents will contain the full terms and conditions of the Schemes, including details of how to vote in respect of them. Any decision in respect of, or other response to, the Schemes should be made only on the basis of the information in those documents. The information contained in this announcement is for background purposes only and no reliance may or should be placed by any person for any purpose whatsoever on the information contained in this announcement or on its completeness, accuracy or fairness. Recipients of this announcement should conduct their own investigation, evaluation and analysis of the business, data and property described in this announcement. This announcement does not constitute a recommendation concerning any investor's decision or options with respect to the Buy-Out Transaction. The information in this announcement is subject to change.

The distribution of this announcement and the terms of the Buy-Out Transaction are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this announcement are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This announcement may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Funds that would or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of any securities.

Further to the above, the release, publication or distribution of this announcement in other jurisdictions may be restricted by law and therefore any persons who are subject to the laws of any applicable jurisdiction (including any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Buy-Out Transaction is sent or made available to investors in that jurisdiction (Restricted Jurisdictions)) should inform themselves about, and observe, any applicable legal or regulatory requirements. In particular, the ability of persons who are resident in such other jurisdictions or who are subject to the laws of another jurisdiction to participate in the Buy-Out Transaction may be affected by the laws of the relevant jurisdictions in which they are located or to which they are subject. Any failure to comply with applicable legal or regulatory requirements of any jurisdiction may constitute a violation of securities laws in that jurisdiction.

Copies of this announcement and any formal documentation relating to the Buy-Out Transaction are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Buy-Out Transaction (or the related Schemes).

Certain of the statements in this announcement or (and any related oral statements) may be considered forward-looking statements

This announcement (including information incorporated by reference in this announcement), oral statements made regarding the Buy-Out Transaction, information accessed through <https://catcobuyout.alixpartners.com> and other information published by

MCIM and the Funds contain statements which are, or may be deemed to be, "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of MCIM and the Funds about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this announcement include statements relating to the expected effects of the Buy-Out Transaction, the expected timing and scope of the Buy-Out Transaction and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "projects", "strategy", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although MCIM and the Funds believe that the expectations reflected in such forward-looking statements are reasonable, they can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to: the ability to complete the Buy-Out Transaction; the ability to obtain requisite regulatory and other required approvals and the satisfaction of other conditions on the proposed terms and schedule; as future market conditions, changes in general economic and business conditions, the behaviour of other market participants, the anticipated benefits from the proposed transaction not being realised as a result of changes in general economic and market conditions in the countries in which the Funds operate, weak, volatile or illiquid capital and/or credit markets, changes in tax rates, interest rate and currency value fluctuations, the degree of competition in the geographic and business areas in which the Funds operate and changes in laws or in supervisory expectations or requirements.

Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. Neither MCIM nor the Funds, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place any reliance on these forward-looking statements. Other than in accordance with their legal or regulatory obligations, neither MCIM nor the Funds is under any obligation, and they expressly disclaim any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This announcement speaks only as of the date issued.

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## SUBJECT TO CONTRACT

### INVESTOR BUY-OUT TERM SHEET

This Term Sheet sets out the proposed terms for the early return of Net Asset Value ("NAV") in the side pocket investments (the "**Side Pockets**") held at Markel CATCo Re Ltd. (the "**Reinsurer**"), together with a premium, for the benefit of investors (the "**Investors**") who hold shares in:

- a) funds of Markel CATCo Reinsurance Fund Ltd. (the "**Private Fund**"), which include direct investments made in each segregated account of the Private Fund other than the Aquilo Fund, including the Markel CATCo Diversified Fund (the "**Master Fund**"), Diversified Fund II, Limited Diversified Arbitrage Fund, Diversified Arbitrage Fund, GTL Diversified Fund, Markel Diversified Fund and QIC Diversified Fund (collectively, the "**Retro Funds**"), and such investors in the Retro Funds, the "**Retro Fund Investors**"),
- b) CATCo Reinsurance Opportunities Fund Ltd. (the "**Public Fund**," and such investors, the "**Public Fund Investors**"), which invests directly in the Master Fund, and
- c) the Aquilo Fund, a segregated account of the Private Fund (such investors in the Aquilo Fund, the "**Aquilo Investors**").

As set out in detail below, the early return of NAV to the Retro Fund Investors and Public Fund Investors on the Closing Date (as defined below) will be funded by (i) the Available Distribution Amount (as defined below), (ii) the Retro Fund Cash (as defined below) and (iii) the Buy-Out Amount (as defined below) provided by an affiliate of Markel Corporation (the "**Purchaser**", and the Markel Affiliates funding the Purchaser, the "**FundingCos**"). The early return of NAV to the Aquilo Investors will be funded through a combination of funding from the Purchaser (through the FundingCos) and the release of contractually trapped cash currently held by fronting reinsurers of the Aquilo Fund, which shall be made possible by Markel Corporation, through a wholly-owned designee, providing adverse development cover to the fronting reinsurer. The premium paid to all Investors will be the Additional Consideration described below and funded by Markel Corporation or one of its affiliates.

#### **Buy-Out of Retro Fund Investors**

The Investors in the Retro Funds will be entitled to a total return of 102% of Closing NAV (defined below) including an Early Consent Fee plus (i) a distribution in cash equal to their proportional entitlement to \$34 million (the "**Additional Consideration**") and (ii) any Upside.

At the date of completion (the "**Closing Date**"), Retro Fund Investors (including the Public Fund) will receive an aggregate accelerated return of the following proportion of Closing NAV for each Side Pocket:

- 100% for 2016 Side Pocket,
- 100% for 2017 Side Pocket,
- 100% for 2018 Side Pocket, and
- 100% for 2019 Side Pocket,

(the "**Accelerated Distribution Amount**"), plus their proportionate amount of the Additional Consideration and the Early Consent Fee, if applicable.

As a result of the payment of the Accelerated Distribution Amount, on the Closing Date:

- Public Fund Investors holding Ordinary Shares will receive an estimated accelerated return of approximately \$0.32 per Ordinary Share (totaling approximately \$48.3 million of Closing NAV (as of 31 August 2021) including an Early Consent Fee and Additional Consideration)
- Public Fund Investors holding C Shares will receive an estimated accelerated return of approximately \$0.51 per C Share (totaling approximately \$42.2 million of Closing NAV (as of 31 August 2021) including an Early Consent Fee and Additional Consideration)

**Closing NAV**

Closing NAV will be Current NAV,

plus \$15 million released from a current contingent reserve held by the Private Fund, which will be primarily applied to fund the payment of Transaction Costs (as defined below),

plus \$20 million cash contribution from Markel Corporation or one of its affiliates,

less the remaining Administrative Expenses (as defined below), which will be reserved on the Closing Date.

Additionally, for the Closing NAV with respect to the Public Fund, cash on hand will also be deducted.

"**Current NAV**" means the current NAV available as at the most recent month end prior to the Closing Date, provided that this amount may never be less than NAV as of 31 August 2021.

**Buy-Out Amount of Retro Fund Investors**

In order to fund the buy-out of Retro Fund Investors, the Purchaser will purchase shares in the Reinsurer from the Private Fund for a cash purchase price (the "**Buy-Out Amount**") equal to the Accelerated Distribution Amount:

- less the amount of funds, if any, that are available for distribution to Retro Fund Investors that have been released from each Side Pocket of the Reinsurer and approved for distribution by the Bermuda Monetary Authority but not yet returned to the Retro Fund Investors in that Side Pocket, as at the last day of the month prior to the Closing Date (the total of all such amounts across all Side Pockets of the Reinsurer in the aggregate, the "**Available Distribution Amount**"),
- less the aggregate amount of cash, if any, that is held at each Retro Fund (other than the Administrative Expenses) to cover operating and other costs of that Retro Fund (the total of amount of consolidated cash at the Retro Funds being the "**Retro Fund Cash**").

The Additional Consideration will be funded by Markel Corporation or one of its affiliates on the Closing Date.

**Return to Aquilo Investors**

Aquilo Investors will be entitled to a total return of 102% of Closing NAV plus (i) the Additional Consideration and (ii) any Upside.

On the Closing Date, Aquilo Investors will receive a distribution in cash equal to their proportional entitlement to 100% of Closing NAV of the Aquilo Fund (the "**Aquilo Accelerated Distribution Amount**") plus their proportionate amount of the Additional Consideration and the Early Consent Fee, if applicable.

**Aquilo Buy-Out Amount of Aquilo Fund Investors**

In order to fund the buy-out of Aquilo Fund Investors, the Purchaser will purchase shares in the Reinsurer from the Private Fund for a cash purchase price (the "**Aquilo Buy-Out Amount**") equal to the Aquilo Accelerated Distribution Amount less the amount of trapped cash released in connection with any adverse development cover provided by Markel Corporation, through a wholly-owned designee, to a fronting reinsurer in respect of the assets of the Aquilo Fund.

The Additional Consideration will be funded by Markel Corporation or one of its affiliates on the Closing Date.

**Administrative Expenses**

Administrative Expenses will be funded from cash reserves deducted from Current NAV on or before the Closing Date and allocated as set out below, including:

1. Transaction Costs: costs for implementation of the deal, which are currently estimated to be approximately \$15 million. 10% of these costs will be allocated pro rata to the Aquilo Fund with the remaining Transaction Costs allocated pro rata to each Side Pocket. Transaction Costs are estimates only and the actual amount of fees incurred will be paid.
2. Ordinary Course Fees: estimated operating and other fees for the remaining run-off of the Markel CATCo business, which are currently estimated to be approximately \$14 million. These costs will be allocated among the Aquilo Fund and each Side Pocket based on a weighted pro rata distribution determined by "time to run-off."
  - For example, Side Pocket 2019 is estimated to have the most time for final run-off, so will have a larger proportion of fees allocated to it.
  - Ordinary Course Fees related to the operation of the Public Fund are allocated among the Public Fund Investors only.
3. Reserve: an additional reserve of approximately \$5.8 million, which will be an amount equal to 20% of the total Transaction Costs and Ordinary Course Fees allocated to the Aquilo Fund and each Side Pocket.

After closing, no additional fees or expenses will be deducted from distributions of Closing NAV and there will be no continuing management fees charged by the Manager (any such fees will have been accelerated and included in the Ordinary Course Fees for the run-off of the Funds).

After closing, additional fees or expenses arising in respect of the Aquilo Fund that are not covered by the reserve will be deducted from distributions to Aquilo Fund Investors.

Any amounts reserved for Administrative Expenses remaining after wind down of the Public Fund, the Private Fund, the Manager and the Reinsurer will be returned to relevant Investors.

**Upside Distributions**

After the Closing Date, if and when any capital is released (i) in excess of the Buy-Out Amount allocable to a particular Side Pocket of the Reinsurer or (ii) in excess of the Aquilo Buy-Out Amount allocable to the Aquilo Fund, and in each case approved for distribution by the Bermuda Monetary Authority, each relevant Public Fund and Private Fund Investor shall be entitled to receive the amounts distributed. Distributions, if any, will occur one time per annum or more at the discretion of the Manager.

Upon receiving a return from the Private Fund as contemplated in this provision, the Public Fund will distribute the proceeds to the Public Fund Investors in accordance with its ordinary practices.

**Information Rights**

Investors will receive monthly Manager's Reports setting out remaining NAV for each Side Pocket at the relevant month end and the amount of capital released, including the amount that will be used to repay the Buy-Out Amount and the amount that will be returned to Investors.

**Early Consent Fee**

Investors that support the proposal set out in this Term Sheet by agreeing to the terms of the Investor Deed of Undertaking, in accordance with the instructions accompanying the Undertaking, shall receive on the Closing Date a cash fee in an amount equal to 2% of their proportional amount of Current NAV at the Closing Date (provided that they comply with the terms of their undertaking) (the "**Early Consent Fee**").

**Work Fee**

(i) Funds managed by PKA A/S and (ii) Almitas Capital will be entitled to a cash fee in an amount equal to 2% of their proportional amount of Current NAV at the Closing Date. The work fee will be paid by the Private Fund and/or the Public Fund and funded by Markel Corporation or one of its affiliates.

**Release**

To enable the early return of NAV to the Investors, and as a condition to and in consideration of the foregoing, each Investor, the Purchaser, Markel Corporation, the FundingCos, the Manager, the Private Fund (in respect of itself and all of its segregated accounts), the Public Fund and the Reinsurer (in respect of itself and all of its segregated accounts) shall provide an irrevocable and unconditional mutual release of each and every claim of any nature it may have against each of the Released Parties related to the business of the Reinsurer, the Private Fund, the Public Fund and the Manager and the Investors' shares.

**"Released Parties"**

means each Investor, the Purchaser, the FundingCos, Markel Corporation, the Private Fund (in respect of itself and all of its segregated accounts), the Public Fund, the Reinsurer (in respect of itself and all of its segregated accounts), the Manager and each of their former and existing affiliates, directors, managers, shareholders, officers, controlling persons, beneficial owners or interest holders, advisory board members, employees, consultants, agents, subsidiaries, members, managers, predecessors and successors in interest, heirs, executors and assignors or assignees, nominees, participants, partners, limited partners, general partners, principals, fund advisors, attorneys, financial advisors, investment bankers, accountants, other professionals or representatives, sub-advisors (and their respective affiliates directors, managers, shareholders, partners, principals, members, officers, controlling persons, employees and agents), and agents (including any individual who serves at the Manager's request as a director, officer, partner, trustee, or the like of another entity) and/or the legal representatives and controlling person of any of them.

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