

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISOR(S) WITHOUT DELAY.

If you have sold or otherwise transferred your Shares in Markel CATCo Reinsurance Fund Ltd. (the “Private Fund”) or Shares in CATCo Reinsurance Opportunities Fund Ltd. (the “Public Fund”), you should send this document and other accompanying documents at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents must not be forwarded, distributed or transmitted in, into or from any jurisdiction in which such act would constitute a violation of the relevant laws or regulations of such jurisdiction.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

**EXPLANATORY STATEMENT IN RELATION TO
SCHEMES OF ARRANGEMENT**

between

MARKEL CATCO REINSURANCE FUND LTD.
(provisional liquidators appointed for restructuring purposes)

and

CATCO REINSURANCE OPPORTUNITIES FUND LTD.
(provisional liquidators appointed for restructuring purposes)

and their respective

SCHEME CREDITORS

(as defined in this Explanatory Statement)

**IN THE SUPREME COURT OF BERMUDA UNDER SECTION 99 OF
THE COMPANIES ACT 1981 (AS AMENDED)**

DATE: 18 FEBRUARY 2022

THIS EXPLANATORY STATEMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 99 AND SECTION 100(1)(a) OF THE COMPANIES ACT 1981 OF BERMUDA (this “**Explanatory Statement**”). It is being sent to persons beneficially interested in Shares in the Private Fund and persons beneficially interested in Shares or Depository Interests in the Public Fund at the date of this Explanatory Statement (or their Nominees or CREST Account Holders, as applicable). If you are a Nominee or CREST Account Holder and have received this Explanatory Statement, please forward this Explanatory Statement to the person on whose behalf you hold such Shares or Depository Interests.

Capitalised terms used but not otherwise defined herein have the meanings ascribed to such terms in “*Part X – Definitions and Interpretation*” of this Explanatory Statement; provided, that any capitalised term used herein that is not defined herein or in “*Part X – Definitions and Interpretation*” of the Explanatory Statement, but is defined in the section 99 or section 100(1)(a) of the Companies Act 1981 (the “**Companies Act**”) will have the meaning ascribed to such term therein, as applicable. The rules of interpretation described in “*Part X – Definitions and Interpretation*” of this document apply to all capitalised terms in this document.

The Scheme Record Time for the Schemes will be 2 p.m. (Bermuda time) on 1 March 2022. The Public Fund Scheme Meetings and the Private Fund Scheme Meetings will be held on 4 March 2022 at the times indicated in the section entitled “*Expected Timetable of Principal Events*”. Notices of the Scheme Meetings are set out at Appendix A and Appendix B of this Explanatory Statement. Instructions about actions to be taken by all Scheme Creditors prior to the Scheme Meetings are set out in the sections of this Explanatory Statement entitled “*Private Fund Scheme – Action to be Taken / General Information*” and “*Public Fund Scheme – Action to be Taken / General Information*”.

If you are in any doubt as to the contents of this Explanatory Statement or the documents that accompany it or what action you should take, you are recommended to seek your own independent financial, legal and tax advice immediately from a financial, legal and/or tax advisor who, if you are taking advice in the U.K., is authorised pursuant to the Financial Services and Markets Act 2000 (“**FSMA**”) or by an appropriate regulatory body, or from another appropriately authorised (or exempted) independent advisor if you are in a territory outside the U.K.

Copies of this Explanatory Statement can be obtained on the Schemes Website (at <https://catcobuyout.alixpartners.com>). Scheme Creditors can also contact the Scheme Companies via email at catcobuyout@alixpartners.com. Further important information is set out under the sections entitled “*Important Notice*” and “*Important Securities Law Notice*” on pages 4 to 9 (inclusive) of this Explanatory Statement.

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IMPORTANT NOTICE

Unless the context otherwise requires, all capitalised terms used in this Explanatory Statement shall have the meanings set out in “*Part X—Definitions and Interpretation*” to this Explanatory Statement. The appendices to this Explanatory Statement form an integral part of it and, unless expressly stated otherwise, references to this Explanatory Statement shall be construed as references to the Explanatory Statement including the appendices to it.

Information

This Explanatory Statement has been prepared in connection with: (i) the Private Fund Scheme between the Private Fund and the Private Fund Scheme Creditors, and (ii) the Public Fund Scheme between the Public Fund and the Public Fund Scheme Creditors. Each of the Schemes are schemes of arrangement proposed under section 99 of the Companies Act. This Explanatory Statement has been prepared solely for the purpose of providing information to Scheme Creditors in relation to the Schemes.

Nothing in this Explanatory Statement or any other document issued with or set out within it should be relied on for any purpose other than for Scheme Creditors to make a decision on the Schemes. Scheme Creditors may not reproduce or distribute this Explanatory Statement, in whole or in part, and may not disclose any of the contents of this Explanatory Statement or use any information herein for any purpose other than considering and/or making a decision in respect of the Schemes. In particular and without limitation, nothing in this Explanatory Statement should be relied on in connection with the purchase or acquisition of any interest in the Scheme Companies or any other member of the CATCo Group or Markel Group, or any other financial instruments or assets of the Scheme Companies or any other member of the CATCo Group or Markel Group.

Nothing contained in this Explanatory Statement shall constitute a warranty, undertaking or guarantee of any kind, express or implied, and nothing contained in this Explanatory Statement shall constitute any admission of any fact or liability on the part of the Scheme Companies, any other member of the CATCo Group or Markel Group, or the JPLs with respect to any asset to which it or they may be entitled or any claim against it or them. Without prejudice to the generality of the foregoing, nothing in this Explanatory Statement or the distribution thereof evidences to any person, or constitutes any admission by the Scheme Companies, any other member of the CATCo Group or Markel Group, or the JPLs that a liability is owed to any person in respect of any Claim (including without limitation any Released Investor Claim) or that any person is or may be a Scheme Creditor or entitled to make any Investor Claim. The failure to distribute this Explanatory Statement to any Scheme Creditor shall not constitute an admission by the Scheme Companies, the JPLs or any other person that such person is not a Scheme Creditor or that such person is not bound by the Releases.

No person has been authorised by the Scheme Companies, the JPLs, any other member of the CATCo Group, any member of the Markel Group, any of their Advisors or any other person to give any information or make any representations concerning the Schemes (including concerning the Scheme Companies or any other member of the CATCo Group or Markel Group) that is inconsistent with this Explanatory Statement and, if made, such representations may not be relied upon.

The information contained in this Explanatory Statement has been prepared based upon information available to the Scheme Companies on or before the Latest Practicable Date. The delivery of this Explanatory Statement does not imply that, unless expressly stated otherwise, the information herein will be correct as at any time subsequent to the date hereof. Save as required in the course of implementing the Schemes, as otherwise agreed, or as required by law, neither the Scheme Companies, the JPLs nor any other person has any obligation whatsoever to update or revise any of the information, forward-looking statements or the conclusions contained herein or to reflect new events or circumstances or to correct any inaccuracies that may become apparent subsequent to the date hereof. To the best of the Scheme Companies’ knowledge, information and belief, the information relating to the Scheme Companies contained in this

Explanatory Statement is in accordance with the facts and does not omit anything likely to affect the import of such information. The Scheme Companies have taken all reasonable steps to ensure that this Explanatory Statement contains the information reasonably necessary to enable Scheme Creditors to make an informed decision about the effect of the Schemes on them.

None of the Scheme Creditors or their respective advisors have authorised the content of this Explanatory Statement or any part of it, nor do they accept any responsibility for the accuracy, completeness or reasonableness of the statements contained within it.

In making a decision in respect of the Schemes, each Scheme Creditor must rely on its own examination, analysis and enquiry of the Scheme Companies and the terms of the Schemes including the merits and risks involved. None of the advisors to the Scheme Companies has verified that the information contained in this Explanatory Statement is in accordance with the facts and does not omit anything likely to affect the import of such information and each of those persons expressly disclaims responsibility for such information. Notwithstanding the foregoing, AlixPartners in its capacity as independent adviser to the Scheme Companies, has permitted the Scheme Companies (subject to the terms of their engagement and the qualifications contained in their report) to rely on the analysis it conducted on Scheme Creditor recoveries in the event that the Schemes are not implemented, as described in “*Part VI—Alternative If the Schemes Are Not Implemented*” of this Explanatory Statement.

This Explanatory Statement has not been reviewed, verified or approved by any rating agency or any regulatory authority. Without prejudice to the representations and warranties given by the Scheme Companies or any other member of the CATCo Group or any of their Affiliates, or any directors or officers of any member of the CATCo Group elsewhere, to the fullest extent permitted by law, neither the Scheme Companies, nor any other member of the CATCo Group or any of their Affiliates, nor any directors or officers of the Scheme Companies or any other member of the CATCo Group, or any of their Affiliates, nor the JPLs will have any tortious, contractual or any other liability to any person in connection with the use of this Explanatory Statement and the Scheme Companies and all other members of the CATCo Group, and any of their Affiliates, and the JPLs do not accept any liability whatsoever to any person, regardless of the form of action, for any lost profits or lost opportunity, or for any indirect, special, consequential, incidental or punitive damages arising from any use of this Explanatory Statement, its contents or preparation or otherwise in connection with it, even if the Scheme Companies or any other member of the CATCo Group and/or their respective Affiliates (as applicable) or the JPLs have been advised of the possibility of such damages.

Tax

This Explanatory Statement does not discuss the tax consequences for Scheme Creditors arising from the implementation of the Schemes other than the limited information included under “*Certain Tax Considerations*” on page 10. Scheme Creditors are not to construe the contents of this Explanatory Statement as tax advice. Scheme Creditors are liable for their own taxes and have no recourse to the Scheme Companies, the Private Fund Registrar, the Public Fund Registrar, the Depositary, AlixPartners, the JPLs, any of their Advisors or any other entity or person named in this Explanatory Statement with respect to taxes arising in connection with the Schemes.

Scheme Creditors are urged to consult their tax advisors regarding the tax consequences of the implementation of the Schemes to them in light of their particular circumstances and under the laws of the jurisdictions that apply to them.

Restrictions

You are reminded that the Explanatory Statement has been delivered to you on the basis that you are a person into whose possession it may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Explanatory Statement or any part of it to any other person other than to a person or persons to whom you have assigned, sold or

otherwise transferred any part of your interest in the Scheme Companies before the Scheme Record Time. If you are not the named addressee to whom the Explanatory Statement has been delivered or have not received it from the named addressee as described above, please notify the sender immediately and destroy the Explanatory Statement.

The Scheme Companies do not represent that this Explanatory Statement may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating such distribution.

The distribution of this Explanatory Statement to or in certain jurisdictions may be restricted by law or regulation in certain jurisdictions and persons into whose possession this Explanatory Statement comes are requested to inform themselves about, and to observe, any such restrictions. Failure to comply with any such restrictions could result in a violation of the laws of such jurisdictions.

Summary Only

The summary of the principal provisions of the Schemes contained in this Explanatory Statement is qualified in its entirety by reference to the Schemes themselves, the full text of which is set out in “*Part VIII—The Private Fund Scheme*” and “*Part IX—The Public Fund Scheme*” of this Explanatory Statement. Each Scheme Creditor is advised to read and consider carefully the full text of both Schemes. This Explanatory Statement has been prepared solely to assist Scheme Creditors in respect of voting on the Schemes applicable to them.

IN THE EVENT OF A CONFLICT BETWEEN THE INFORMATION AND TERMS DESCRIBED IN THIS EXPLANATORY STATEMENT AND THE SCHEMES, THE TERMS OF THE SCHEMES SHALL PREVAIL.

Prospectus

This Explanatory Statement is not a prospectus within the meaning of the prospectus rules of the Financial Conduct Authority or any equivalent rules in any jurisdiction, or a prospectus equivalent document.

Forward Looking Statements

Nothing in this Explanatory Statement shall be deemed to be a forecast, projection or estimate of the future financial performance of the Scheme Companies, CATCo Group, or any member of the Markel Group except where otherwise specifically stated.

This Explanatory Statement contains forward-looking statements within the meaning of U.S. securities laws and the securities laws of other jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “*believes*,” “*estimates*,” “*aims*,” “*targets*,” “*anticipates*,” “*expects*,” “*intends*,” “*plans*,” “*continues*,” “*ongoing*,” “*potential*,” “*projects*,” “*guidance*,” “*seeks*,” “*may*,” “*will*,” “*could*,” “*would*,” “*should*,” “*predicts*” or, in each case, their negative, or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this Explanatory Statement and include statements regarding each of the Scheme Companies, the CATCo Group or other Markel Group companies’ intentions, beliefs or current expectations concerning, among other things, its results of operations, financial condition, liquidity, prospects, competition in areas of its business, outlook and growth prospects, strategies and the industry in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Many factors could cause actual results, performance or achievements to differ materially from those expressed in such forward-looking statements, including: (a) the Scheme Companies’ ability to complete the Buy-Out Transaction as contemplated by the Schemes and described in this Explanatory Statement; and (b) the factors described in “*Part VII—Risk Factors*” and elsewhere in this

Explanatory Statement. Due to such uncertainties and risks, Scheme Creditors are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this Explanatory Statement, as a prediction of actual results or performance. Scheme Creditors are urged to read the section in “*Part VII—Risk Factors*” of this Explanatory Statement for a more detailed discussion of the factors that could affect future performance and the industry in which the Scheme Companies operate.

The Scheme Companies do not undertake any obligation, and do not expect, publicly to update or publicly to revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required in the course of implementing the Schemes. Although the Scheme Companies believe that the expectations reflected in such forward-looking statements are reasonable, the Scheme Companies can give no assurance that such expectations will prove to be correct. All subsequent written and oral forward-looking statements attributable to the Scheme Companies or to persons acting on their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Explanatory Statement.

Risk Factors

SCHEME CREDITORS’ ATTENTION IS DRAWN TO CERTAIN RISKS ASSOCIATED WITH THE SCHEMES THAT ARE SET OUT OR REFERRED TO IN “PART VII—RISK FACTORS” OF THIS EXPLANATORY STATEMENT.

Legal, Tax and Financial Advice

Scheme Creditors should not construe the contents of this Explanatory Statement as legal, tax or financial advice.

This Explanatory Statement has been prepared without taking into account the objectives, financial situation or needs of any particular recipient of it, and consequently, the information contained in this Explanatory Statement may not be sufficient or appropriate for the purpose for which a recipient might use it. Any such recipients should conduct their own due diligence and consider the appropriateness of the information in this Explanatory Statement having regard to their own objectives, financial situations and needs. Scheme Creditors are recommended to consult their own professional advisors as to legal, tax, financial or other matters relevant to the action Scheme Creditors should take in relation to the Schemes, or the implications/consequences of those actions.

Other Jurisdictions

The implications of the Schemes for Scheme Creditors who are residents or citizens of jurisdictions other than the U.S., U.K. and Bermuda may be affected by the laws of the relevant jurisdictions. Such overseas Scheme Creditors should inform themselves about and observe any applicable legal requirements. Any person outside the U.S., U.K. or Bermuda who is resident in, or who has a registered address in, or is a citizen of, another jurisdiction should consult independent professional advisors and satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Schemes, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such jurisdiction.

Scheme Creditors should consult their own professional advisors with respect to the matters described in this Explanatory Statement, including the legal, financial and tax consequences of the Schemes in their particular circumstances.

IMPORTANT SECURITIES LAW NOTICE

THIS EXPLANATORY STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

General

The distribution of this Explanatory Statement and the offering, sale or delivery of the Scheme Consideration 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 Explanatory Statement are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Explanatory Statement 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 Scheme Companies that would or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Scheme Consideration. Persons into whose hands this Explanatory Statement comes are required by the Scheme Companies to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Scheme Consideration or have in their possession, distribute or publish this Explanatory Statement or any other materials relating to the Scheme Consideration, in all cases at their own expense.

U.S. Considerations

The Schemes will be each effected by means of a scheme of arrangement under the Companies Act proposed by the Private Fund and the Public Fund respectively, and are not subject to the tender offer rules or the proxy solicitation rules under the U.S. Exchange Act. Accordingly, the Schemes are only subject to the disclosure and procedural requirements applicable in Bermuda to schemes of arrangement, which differ from the disclosure requirements of U.S. tender offer and proxy solicitation rules. The financial information included in this document may have been prepared in accordance with non-U.S. accounting standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the U.S..

It may be difficult for Scheme Creditors in the U.S. to enforce their rights and any claim arising out of the U.S. federal securities laws, since the Scheme Companies are located in a non-U.S. jurisdiction, and some or all of their officers and directors may be residents of a non-U.S. jurisdiction. Scheme Creditors in the U.S. may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to such a judgment from a U.S. court.

The Schemes may have important tax consequences for Scheme Creditors in the U.S..

SCHEME CREDITORS WHO ARE CITIZENS OR RESIDENTS OF THE UNITED STATES SHOULD CONSULT THEIR OWN LEGAL, FINANCIAL AND TAX ADVISORS WITH RESPECT TO THE LEGAL, FINANCIAL AND TAX CONSEQUENCES OF THE SCHEMES IN THEIR PARTICULAR CIRCUMSTANCES.

United Kingdom Considerations

This Explanatory Statement has not been approved by an authorised person for the purposes of section 21 of FSMA. Accordingly, this Explanatory Statement is not being distributed to, and must not be passed on to, the general public in the U.K. This Explanatory Statement is for distribution only to persons who: (i) are outside the U.K.; (ii) are investment professionals, as such term is defined in Article 19(5) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2000 (as amended, the “**Financial Promotion Order**”); (iii) are persons falling within Article 49(2)(a) to (d) (high net-worth companies,

unincorporated associations, etc.), of the Financial Promotion Order; (iv) are members of the Public Fund; or (v) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). This Explanatory Statement is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Explanatory Statement relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

Bermuda Considerations

This Explanatory Statement is not subject to and has not received approval from the BMA, the Bermuda Minister of Finance or the Bermuda Registrar of Companies and no statement to the contrary, explicit or implicit, is authorised to be made in this regard. Neither this Explanatory Statement, nor any offering material or information contained herein may be supplied to the public in Bermuda except in accordance with Bermuda law.

Overseas Shareholder Considerations

Further to the matters above in respect of the U.S., the United Kingdom and Bermuda, the release, publication or distribution of this document in other jurisdictions may be restricted by law and therefore any persons who are subject to the laws of any other 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 Schemes is sent or made available to Scheme Creditors 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 vote their Shares in respect of the Scheme(s) at the Scheme Meetings, or to execute and deliver forms of proxy appointing another to vote at the Scheme Meeting on their behalf, 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. This document has been prepared for the purpose of complying with applicable U.S., English and Bermudan laws and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of other jurisdictions.

Copies of this document and any formal documentation relating to the Schemes 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 Schemes.

CERTAIN TAX CONSIDERATIONS

The following summary sets forth certain Bermuda tax, U.S. federal income tax and United Kingdom tax considerations generally applicable to the Public Fund, Private Fund and the Reinsurer, and the Scheme Creditors, in each case in connection with the Scheme. The tax treatment of the transactions contemplated under the Scheme is complex. It is possible that such transactions, including the Buy-Out Transaction and the Scheme Consideration, contemplated under the Scheme may have tax consequences for Scheme Creditors. Scheme Creditors are urged to consult their tax advisors regarding the tax consequences of the implementation of the Scheme to them in light of their particular circumstances.

Public Fund Scheme Creditors are also urged to refer to the section titled “*TAXATION*” beginning on page 115 of the Prospectus for the Public Fund dated 7 November 2017 for more information regarding the material Bermuda and U.K. tax consequences applicable to the Public Fund and to Public Fund Scheme Creditors.

Private Fund Scheme Creditors are also urged to refer to the section titled “*Certain Tax Considerations*” beginning on page 92 of the Offering Memorandum for the Private Fund dated June 2018 for more information regarding the material Bermuda and U.S. federal income tax considerations applicable to the Private Fund and the Reinsurer and the material Bermuda and U.S. federal income tax consequences of the ownership and disposition of the shares of the Private Fund held by Private Fund Scheme Creditors.

Bermuda

There are not anticipated to be any tax implications under Bermuda law for Scheme Creditors as a result of the Schemes. However, each Scheme Creditor should consult their own tax advisor with respect to the particular tax consequences to such Scheme Creditor of the Schemes.

There is also not anticipated to be any tax implications under Bermuda law for the Private Fund or the Public Fund as a result of the Schemes.

United Kingdom

The following summary is intended as a brief and general guide to certain aspects of current U.K. tax law and HM Revenue & Customs (“**HMRC**”) practice as at the date of this Explanatory Statement, which may change at any time, possibly with retrospective effect. It addresses certain U.K. tax implications for Public Fund Scheme Creditors and the Public Fund stemming from:

- (a) the Retro Funds Scheme Distribution, which will be effected by the Private Fund by way of compulsory redemptions; and
- (b) the Public Fund Scheme Distribution, which will be effected by the Public Fund either by way of compulsory redemptions or by way of dividend payments to the Public Fund Scheme Creditors.

(together the “**Public Fund Transactions**”).

This summary does not apply to dealers, brokers or other persons who hold such shares in the Public Fund as part of a financial trade, nor to persons resident for tax purposes outside the U.K.

U.K. Taxation of the Public Fund

The Public Fund should not be treated as resident in the U.K. for U.K. tax purposes (“**U.K. tax resident**”) if it fulfils the conditions set out for undertakings for collective investment in transferable securities and alternative investment funds in section 363A of the Taxation (International and other Provisions) Act 2010. Provided the Public Fund is not U.K. tax resident, and does not carry on a trade in the U.K. through a permanent establishment in the U.K., it should not be subject to U.K. corporation tax on its income or gains.

U.K. Taxation of Public Fund Scheme Creditors – Compulsory Redemptions

Income tax

Provided that the Public Fund does not constitute an offshore fund and the compulsory redemption of the shares in the Public Fund is a capital distribution (see *Capital Gains* below), the distributions should not be treated as income to the Public Fund Scheme Creditors.

In the event that the Public Fund constitutes an offshore fund:

- (a) Individual Public Fund Scheme Creditors who are U.K. tax resident and who are domiciled within the U.K. will in general be subject to U.K. income tax on any income distributions paid by the Public Fund at the rates applicable to dividend income. Individual Public Fund Scheme Creditors who are U.K. tax resident but are subject to the remittance basis of taxation, will be liable to U.K. income tax on any income distributions to the extent that such amounts are remitted or deemed to be remitted to the U.K. and charged at the rates and entitled to any credit available under the remittance regime; and
- (b) Public Fund Scheme Creditors that are U.K. tax resident companies and are not a “small company” should generally be exempt from U.K. corporation tax on any income distributions paid by the Public Fund under the dividend exemption provisions in Part 9A of the Corporation Tax Act 2009, unless certain anti-avoidance provisions apply. This will depend on the corporate Public Fund Scheme Creditor’s particular circumstances and Public Fund Scheme Creditors are advised to seek independent and professional advice in this respect.

Capital gains

A compulsory redemption by the Public Fund of Ordinary Shares and the C Shares from U.K. tax resident Public Fund Scheme Creditors is generally expected to be treated as a capital distribution and, therefore, as a deemed disposal or part disposal of such shares.

Public Fund Scheme Creditors who are U.K. tax resident will generally be liable to U.K. capital gains tax or corporation tax on chargeable gains realised on the compulsory redemption by the Public Fund of their Ordinary Shares or C Shares (as the case may be) subject to the availability of any applicable exemption or relief.

Gains realised on a disposal of Ordinary Shares or C Shares (as the case may be) by a U.K. tax resident individual Public Fund Scheme Creditor who is subject to the remittance basis of taxation would be subject to U.K. capital tax only on amounts remitted, or deemed to be remitted, to the U.K. at the rates applicable when such amounts are remitted.

If the Public Fund is an “offshore fund” for U.K. tax purposes, U.K. tax resident Public Fund Scheme Creditors may be required to pay tax on gains realised on the compulsory redemption by the Public Fund of their Ordinary Shares and C Shares as if those gains were amounts of income rather than capital.

U.K. stamp duty and stamp duty reserve tax

The compulsory redemption by the Public Fund of the Ordinary Shares and C Shares as part of the Public Fund Transaction should not give rise to a liability for U.K. stamp duty or stamp duty reserve tax for the Public Fund Scheme Creditors.

U.K. Taxation of Public Fund Scheme Creditors – Dividends

Income tax

Individual Public Fund Scheme Creditors who are U.K. tax resident and who are domiciled within the U.K. will in general be subject to U.K. income tax on any dividends and other income distributions paid by the Public Fund at the rates applicable to dividend income. Individual Public Fund Scheme Creditors who are

U.K. tax resident but are subject to the remittance basis of taxation, will be liable to U.K. income tax on any dividends and other income distributions to the extent that such amounts are remitted or deemed to be remitted to the U.K. and charged at the rates and entitled to any credit available under the remittance regime.

Public Fund Scheme Creditors that are U.K. tax resident companies and are not a “small company” should generally be exempt from U.K. corporation tax on any dividends or other income distributions paid by the Public Fund under the dividend exemption provisions in Part 9A of the Corporation Tax Act 2009, unless certain anti-avoidance provisions apply. This will depend on the corporate Public Fund Scheme Creditor’s particular circumstances and Public Fund Scheme Creditors are advised to seek independent and professional advice in this respect.

U.K. stamp duty and stamp duty reserve tax

No U.K. stamp duty or stamp duty reserve tax will apply on payment of the Retro Funds Scheme Distribution nor the Public Fund Scheme Distribution.

U.S. Federal Income Taxation

The following is a summary of certain U.S. federal income tax considerations generally applicable to the Private Fund and the Private Fund Scheme Creditors in connection with the Scheme. This summary is based on the existing tax law under the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), its legislative history, applicable U.S. Treasury Regulations promulgated thereunder, administrative rulings and court decisions, all as in effect as of the date hereof, and any of which may be repealed, revoked or modified (possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below. We have not sought any ruling from the U.S. Internal Revenue Service (the “**IRS**”) with respect to the matters described below, and there can be no assurance that the IRS will agree with the tax consequences described below or that a court will not sustain any challenge by the IRS in the event of litigation.

This summary addresses only Private Fund Scheme Creditors who beneficially own interests in side pockets (“**SPs**”) as “capital assets” within the meaning of Section 1221 of the Code (generally, property held for investment purposes). The summary does not address all of the U.S. federal income tax consequences that may be relevant to the Scheme Companies, or to particular Private Fund Scheme Creditors or to Private Fund Scheme Creditors subject to special rules under U.S. federal income tax laws, such as:

- (a) banks, thrifts or other financial institutions;
- (b) insurance companies;
- (c) mutual funds;
- (d) real estate investment trusts;
- (e) small business investment companies;
- (f) S corporations, partnerships or other pass-through entities (or investors in S corporations, partnerships or other pass-through entities);
- (g) qualified retirement plans;
- (h) dealers in securities or currencies;
- (i) traders in securities that elect to use a mark to market method of accounting;
- (j) persons holding SPs as part of a straddle, hedge, synthetic security, constructive sale, conversion transaction or other integrated transaction;
- (k) Investors whose functional currency is not the U.S. Dollar;
- (l) certain former citizens or residents of the U.S.;

- (m) persons subject to the alternative minimum tax;
- (n) persons subject to special tax accounting rules under Section 451(b) of the Code; or
- (o) persons holding SPs in tax-deferred or tax-advantaged accounts.

In addition, this summary does not discuss any U.S. state or local or non-U.S. tax considerations (other than the Bermuda and United Kingdom tax considerations set forth above), or any U.S. federal estate or gift tax considerations or the Medicare contribution tax on certain net investment income.

For purposes of this summary, a “**U.S. Investor**” is a beneficial owner of an SP that, for U.S. federal income tax purposes, is: (1) a citizen or individual resident of the U.S., (2) a corporation, or entity treated as a corporation, organised in or under the laws of the U.S. or any state thereof or the District of Columbia, (3) a trust that (i) is subject to (a) the primary supervision of a court within the U.S. and (b) the authority of one (1) or more U.S. persons to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person, or (4) an estate that is subject to U.S. federal income tax on its income regardless of its source.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) is the beneficial owner of a SP, the U.S. federal income tax treatment of a partner will depend on the status of the partner and the activities of the partnership. Partnerships and partners of such partnerships that beneficially own a SP are urged to consult their tax advisors regarding the U.S. federal income tax consequences to them of the Scheme in their particular circumstances.

The tax consequences of the Scheme for you will depend upon the facts of your particular circumstances. Because individual circumstances may differ, you are urged to consult your tax advisor as to the specific tax consequences of the Scheme that are relevant to you, including the applicability of U.S. federal, state, local, non-U.S. and other tax laws.

U.S. Federal Income Tax Consequences to the Private Fund

Characterisation of the Scheme. As described below in “*Part III — The Schemes and the Buy-Out Transaction*” pursuant to the Scheme, the Purchaser will acquire the Acquired Shares in exchange for the Buy-Out Amounts (the “**Share Sale**”). The Purchaser will finance the Buy-Out Amounts through the Loans lent by the Funding Cos, which will be co-borrowed by the Reinsurer. In addition, the Loans will be mandatorily repayable to the Funding Cos upon proceeds becoming available for distribution by the Reinsurer attributable to particular side pockets (“**SPs**”), up to the portion of the Buy-Out Amounts attributable to such side-pocket. Moreover, as such repayments are made, the Purchaser and the Reinsurer will cancel a proportional amount of the Acquired Shares such that all Acquired Shares will have been cancelled when the Funding Cos have received repayment of the full amount of the Loans applicable to the relevant SP.

In addition, each of the Additional Consideration, Administrative Expenses Contribution and Early Consent Fee will be paid by Markel Corporation (or its affiliate) to the Scheme Companies on or before the Closing Date and will be added to the amount to be distributed by the Scheme Companies to applicable Scheme Creditors in connection with the Scheme.

There are currently no authorities that directly address the characterisation of all of the transactions contemplated under the Schemes for U.S. federal income tax purposes, including the Loans advanced by the Funding Cos, the rights and obligations under the Relationship and Economic Rights Agreement, and the payments of the Additional Consideration, Early Consent Fee and Administrative Expenses Contribution to the Private Fund for distribution to the Private Fund Scheme Creditors. Although the matters are not free from doubt, the Scheme Companies and the Purchaser intend that, solely for U.S. federal income tax purposes (and applicable U.S. state and local income tax purposes), (a) the Loans will be treated as an equity interest of the Purchaser that are held by the Funding Cos in proportion to the aggregate principal amount of the Loans advanced by each Funding Co to the Purchaser pursuant to the Purchase

Price Loan Agreement; (b) the Share Sale will be treated as a taxable purchase of the Acquired Shares by the Purchaser from the Private Fund, followed by a “recapitalisation” (within the meaning of Section 368(a)(1)(E) of the Code) of the Acquired Shares into a separate class of preference shares of the Reinsurer (the “**Recapitalised Shares**”); (c) any repayment or prepayment of a Loan by the Reinsurer to the Funding Cos, and any distribution from the Reinsurer to the Purchaser, will be treated as a redemption of the Recapitalised Shares held or deemed to be held by the Purchaser, followed by a proportionate redemption of the equity interests of the Purchaser deemed to be held by the Funding Cos pursuant to clause (a) of this paragraph. Moreover, each of the Purchaser and the Reinsurer, by entry into the Purchase Price Loan Agreement and each of the Purchaser, the Private Fund and the Reinsurer by entry into the Relationship and Economic Rights Agreement, will acknowledge and agree to such characterisation and will covenant to take no action inconsistent with such characterisation, unless otherwise required by a final determination within the meaning of Section 1313 of the Code. In addition, although the matters are not free from doubt, the Scheme Companies and Markel Corporation (on behalf of itself and its affiliates) intend that, solely for U.S. federal income tax purposes (and applicable U.S. state and local income tax purposes), the receipt of the Additional Consideration, Administrative Expenses Contribution and Early Consent Fee by the Private Fund will constitute gross income of the Private Fund and will not be treated as a non-taxable contribution to the capital of the Private Fund by Markel Corporation or its affiliates. As described above, we have not sought any ruling from the IRS with respect to the U.S. federal income tax consequences of the transactions contemplated under the Schemes, and there can be no assurance that the IRS will agree with the U.S. federal income tax characterization described above, or that a court will not sustain any challenge by the IRS in the event of litigation. Scheme Creditors should consult their tax advisors regarding the effect that any other characterisation may have on them.

Treatment of Segregated Accounts of the Reinsurer. As described in the section titled “*CERTAIN TAX CONSIDERATIONS—Treatment of Segregated Accounts*” beginning on page 93 of the Offering Memorandum for the Private Fund dated June 2018, the Private Fund has treated each segregated account of the Reinsurer as a division of the Reinsurer and the Private Fund’s investments in each segregated account of the Reinsurer as an investment in the Reinsurer. In the event that a segregated account of the Reinsurer is treated by the IRS as a separate entity for U.S. federal income tax purposes and not as a division of the Reinsurer, the U.S. federal income tax consequences of the Share Sale may differ from the consequences that would otherwise have been applicable if the segregated account had been treated as a division of the Reinsurer (and such differences may be significant and may result in timing and character differences to the Scheme Creditors).

The following discussion assumes that each segregated account of the Reinsurer will be classified as a division of the Reinsurer and the Private Fund’s investments in each segregated account of the Reinsurer as an equity investment in the Reinsurer. Scheme Creditors should consult their tax advisors regarding the effect that any other characterisation may have on them. For additional information regarding the U.S. federal income tax treatment of the segregated accounts of the Private Fund and the Reinsurer, please refer to the section titled “*CERTAIN TAX CONSIDERATIONS—Treatment of Segregated Accounts*” beginning on page 93 of the Offering Memorandum for the Private Fund dated June 2018.

Treatment of the Share Sale. The exchange of the Acquired Shares for the Buy-Out Amounts pursuant to the Schemes generally will be a taxable transaction for U.S. federal income tax purposes. The Private Fund generally will recognise capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of the Buy-Out Amounts and the Private Fund’s adjusted tax basis in Acquired Shares exchanged therefor. To the extent the Private Fund acquired different blocks of Acquired Shares at different times and different prices, the Private Fund generally must determine its gain or loss, adjusted tax basis and holding period separately with respect to each block of Acquired Shares. Any gain or loss recognised by the Private Fund on the disposition of the Acquired Shares pursuant to the Scheme generally will be characterised as capital gain or loss, and any such capital gain or loss will be

long-term capital gain or loss provided that the Private Fund's holding period for such Acquired Share exceeds one year at the time of consummation of the Share Sale.

U.S. Federal Income Tax Consequences to U.S. Investors

The Share Sale may have U.S. federal income tax consequences to U.S. Investors in the Private Fund. For information regarding the U.S. federal income tax considerations generally applicable to U.S. Investors resulting from the transactions contemplated under the Scheme, please refer to the section titled "*CERTAIN TAX CONSIDERATIONS*" beginning on page 92 of the Offering Memorandum for the Private Fund dated June 2018, including, but not limited to, the subsections thereof titled "*—Redemption of the Shares,*" "*Dispositions of the Shares,*" and "*Taxation of Distributions.*"

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX CONSIDERATIONS RELATING TO THE SCHEME. THE TAX TREATMENT OF THE TRANSACTIONS CONTEMPLATED UNDER THE SCHEME IS COMPLEX. SCHEME CREDITORS ARE URGED TO CONSULT THEIR TAX ADVISORS TO DETERMINE THE TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED UNDER THE SCHEMES IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES.

PRIVATE FUND SCHEME—ACTION TO BE TAKEN / GENERAL INFORMATION

The Private Fund Scheme will be voted upon by the Private Fund Scheme Creditors at the Private Fund Scheme Meetings. The Private Fund Scheme Meetings will be held virtually on 4 March 2022, at the times specified in the section entitled “*Expected Timetable of Principal Events*”.

The directors of the Private Fund note the measures issued by the Bermuda Government in view of the ongoing COVID-19 pandemic. At the time of publication of this Explanatory Statement, the Bermuda Government has prohibited large public gatherings, save in certain limited circumstances. In light of these measures, together with the uncertainty as to any additional and/or alternative measures that may be put in place by the Bermuda Government, the Scheme Meetings will be held virtually.

Important Notice Regarding Investor Undertakings

Private Fund Scheme Creditors who have provided an Investor Undertaking are obliged to vote to approve the Scheme in accordance with the instructions set out herein in order to remain eligible to receive an Early Consent Fee (provided that such Private Fund Scheme Creditor is otherwise in compliance with the terms of their Investor Undertaking). Private Fund Scheme Creditors that have entered into an Investor Undertaking have appointed any director or provisional liquidator of the Private Fund as their attorney for the purpose of issuing a voting instruction, which power of attorney may be exercised if the Private Fund Scheme Creditor has not submitted a voting instruction in favour of the Private Fund Scheme within 10 days of the date of this Explanatory Statement.

How to Submit Your Vote

Each Private Fund Scheme Creditor may appoint a proxy to attend, speak and vote on its behalf at the Scheme Meeting(s) at which it is entitled to attend, or may attend in person, whether the Shares of that Private Fund Scheme Creditor are held directly or through a Nominee, by submitting a Private Fund Investor Letter in the form enclosed at Appendix C (*Private Fund Investor Letter*).

Please complete and sign the enclosed Private Fund Investor Letter (which contains a proxy for the purposes of voting at the Scheme Meeting(s) (or if your Shares are held via a Nominee, cause your Nominee to complete and sign the Private Fund Investor Letter) in accordance with the instructions printed thereon and return it in pdf form to Centaur Fund Services (Bermuda) Limited (the “**Private Fund Registrar**”) by email to investorservices.bda@centaurfs.com, so as to be received as soon as possible and in any event not later than the Voting Deadlines or, in the case of a Scheme Meeting being adjourned, not later than 72 hours before the time fixed for the holding of the adjourned Scheme Meeting. If your Private Fund Investor Letter is received after the Voting Deadline, or later than 72 hours before the time fixed for any adjourned Scheme Meeting, the Chairperson will have discretion whether or not to accept it.

By delivering (or procuring the delivery of) a Private Fund Investor Letter, each Private Fund Scheme Creditor acknowledges that they consider themselves to have an Investor Claim against the Private Fund.

To be valid, a Private Fund Investor Letter must be properly completed and executed by or on behalf of the Private Fund Scheme Creditor or, if the Private Fund Scheme Creditor is a corporation, under the hand of a duly authorised officer or attorney. In the event that the Private Fund Investor Letter is not properly completed or executed, the Chairperson will have discretion as to whether or not to accept it.

If two or more valid, but differing, appointments of proxy (included those contained in the Private Fund Investor Letter) are delivered or received in respect of the same Share, the one dated as of the latest date shall be treated as replacing and revoking the other or others as regards that Share.

Revocability of Private Fund Investor Letter

Any person on whose behalf a Private Fund Investor Letter has been submitted has the power to revoke and change it at any time before it is used to cast a vote, except Private Fund Scheme Creditors that have provided an Investor Undertaking and voted in favour of the Private Fund Scheme (as described at “ –

Important Notice Regarding Investor Undertakings” above). You may revoke your proxy (which is contained in the Private Fund Investor Letter) at any time before the vote is taken at the Scheme Meeting(s) by:

- (a) instructing your Nominee to deliver (or if you are the Registered Shareholder as well as the Private Fund Scheme Creditor, by delivering) a new Private Fund Investor Letter with a later date on or before the Voting Deadline;
- (b) instructing your Nominee to deliver (or if you are the Registered Shareholder as well as the Private Fund Scheme Creditor, by delivering) a written notice of revocation to the Private Fund Registrar by email to investorservices.bda@centaurfs.com. Any such written notice of revocation must be received on or before the Voting Deadline in order to revoke the original Private Fund Investor Letter (or, in the case of an adjourned Scheme Meeting, not less than 72 hours before the time and date appointed for the adjourned Scheme Meeting); or
- (c) attending (virtually) the Scheme Meeting(s) that are you entitled to vote at and voting in person or by appointing a proxy other than the Chairperson to attend on your behalf (who must be appointed by way of a Private Fund Investor Letter received on or before the Voting Deadline). If you intend to attend virtually and are not the Registered Shareholder, you must supply proof that you hold a beneficial entitlement to the relevant Shares.

Please note, however, that only the proxy dated as of the latest date will count. Attending the Scheme Meetings without taking one of the actions described above will not in itself revoke your proxy.

How to claim an entitlement to vote for an amount other than Net Asset Value

In order to vote on the Private Fund Scheme, Private Fund Scheme Creditors are not required to ascribe a value to their potential claim against the Private Fund. For voting purposes, the votes of all Private Fund Scheme Creditors which do not take the steps described in the following paragraph will be valued by reference to the Net Asset Value of the Shares in which such Private Fund Scheme Creditors are beneficially interested.

Private Fund Scheme Creditors that do wish to present a claim to vote for an amount other than the Net Asset Value of the Shares in which they are interested can submit (or instruct their Nominee to submit) a request to do so for consideration by the Chairperson by completing Part 3, Section E (*Voting Value (Optional)*) of their Private Fund Investor Letter, completing an Optional Claim Amount Form (in the form attached at Appendix F to the Explanatory Statement) and submitting both the Private Fund Investor Letter and the Optional Claim Amount Form together with evidence to support such voting entitlement (as described more fully in the Optional Claim Amount Form) to Centaur by email to investorservices.bda@centaurfs.com by the Optional Claim Amount Voting Deadline, which is 5 p.m. (Bermuda time) on 28 February 2022. Any Private Fund Investor Letters that include Optional Claim Amount Forms received after the Optional Claim Amount Voting Deadline will only be admitted to vote in the Chairperson’s discretion.

Attendance at the Scheme Meetings

The Scheme Meetings will be held via the Virtual Meeting Platform on 4 March 2022, at the times specified in the section entitled “*Expected Timetable of Principal Events*”.

Private Fund Scheme Creditors that wish to appoint a proxy other than the Chairperson to attend and vote or attend and vote in person (via the Virtual Meeting Platform) should ensure that a completed Private Fund Investor Letter, indicating that they wish to appoint a proxy other than the Chairperson or attend in person, has been delivered by the Voting Deadline. If a Private Fund Scheme Creditor wishes to attend a Scheme Meeting but not vote, such Private Fund Scheme Creditor must still deliver a Private Fund Investor Letter

in order that registration formalities for the Scheme Meetings can be completed. Private Fund Investor Letters received after the Voting Deadline will only be admitted at the Chairperson's discretion.

Private Fund Scheme Creditors or their authorised representatives or proxies will be required to register their attendance at the Scheme Meeting(s) they are entitled to attend via the Virtual Meeting Platform, prior to the commencement of the Private Fund Scheme Meetings. Private Fund Scheme Creditors or their authorised representatives or proxies will be contacted to complete registration formalities no later than the day before the Scheme Meetings and will be required to verify their identity and entitlement to attend the Scheme Meetings by providing Identification Documents. Private Fund Scheme Creditors that intend to attend virtually and are not the Registered Shareholder, must supply proof that they hold a beneficial entitlement to the relevant Shares. Private Fund Scheme Creditors must also ensure that the details and authority of either the Private Fund Scheme Creditor or its/their authorised representative or proxy that attends the Scheme Meetings are consistent with the details provided in their Private Fund Investor Letter.

Once such registration formalities have been completed, all persons verified as being entitled to attend a Private Fund Scheme Meeting will be provided with a poll card and details of how to access the Scheme Meeting(s) at which they are entitled to attend virtually. Private Fund Scheme Creditors or their authorised representatives or proxies must be registered prior to the commencement of the Scheme Meetings.

The Virtual Meeting Platform used for the Scheme Meetings will allow each Private Fund Scheme Creditor or proxy in attendance to be seen and heard by the Chairperson, to raise queries or objections and consult with other Scheme Creditors. Voting at the Scheme Meetings will be conducted by way of a poll vote rather than by show of hands. Private Fund Scheme Creditor may also submit written questions in advance of the relevant Scheme Meeting by email to the Chairperson at catcobuyout@alixpartners.com. Emails with written questions must be received no less than 72 hours before the start of the relevant Scheme Meeting. If any questions are received by email after this time, the Chairperson will have a discretion as to whether to address them at the relevant Scheme Meeting.

Any vote cast by or on behalf of a Private Fund Scheme Creditor at a Scheme Meeting shall override any voting instruction previously provided in a Private Fund Investor Letter and the Chairperson shall not be obliged to verify any such discrepancies with the Private Fund Scheme Creditor.

Further Information About Voting

Further information in relation to the appointment of proxies for and voting at the Scheme Meetings for the Private Fund Scheme is set out in the notice in the instructions printed on the Private Fund Investor Letter.

If the Lodgement Date occurs, the Private Fund Scheme will be binding on all Private Fund Scheme Creditors, including any Private Fund Scheme Creditor who did not vote to approve the Private Fund Scheme or who voted against the Private Fund Scheme at any of the Private Fund Scheme Meetings.

It is important that as many votes as possible are cast at the Private Fund Scheme Meetings so that the Bermuda Court may be satisfied that the votes cast at the Private Fund Scheme Meetings fairly represent the Private Fund Scheme Creditors. Please complete and sign (or instruct a person authorised on your behalf to complete and sign) and instruct your Nominee (if applicable) to deliver your Private Fund Investor Letter as soon as possible.

PUBLIC FUND SCHEME—ACTION TO BE TAKEN / GENERAL INFORMATION

The Public Fund Scheme will be voted upon by the Public Fund Scheme Creditors at the Public Fund Scheme Meetings. The Public Fund Scheme Meetings will be held virtually on 4 March 2022, at the times specified in the section entitled “*Expected Timetable of Principal Events*”.

The directors of the Scheme Company note the measures issued by the Bermuda Government in view of the ongoing COVID-19 pandemic. At the time of publication of this Explanatory Statement, the Bermuda Government has prohibited large public gatherings, save in certain limited circumstances. In light of these measures, together with the uncertainty as to any additional and/or alternative measures that may be put in place by the Bermuda Government, the Scheme Meetings will be held virtually.

Important Notice Regarding Investor Undertakings

Public Fund Scheme Creditors who have provided an Investor Undertaking are obliged to vote to approve the Scheme in accordance with the instructions set out herein in order to remain eligible to receive an Early Consent Fee (provided that such Public Fund Scheme Creditor is otherwise in compliance with the terms of their Investor Undertaking). Public Fund Scheme Creditors that have entered into an Investor Undertaking have appointed any director or provisional liquidator of the Public Fund as their attorney for the purpose of issuing a voting instruction, which power of attorney may be exercised if the Public Fund Scheme Creditor has not submitted a voting instruction in favour of the Public Fund Scheme within 10 days of the date of this Explanatory Statement.

How to Submit Your Vote – Holders of Depository Interests

Public Fund Scheme Creditors that are beneficially interested in Depository Interests issued by the Depository representing Public Fund Ordinary Shares or C Shares on a one for one basis (“**DI Investors**”), that hold such Depository Interests either directly or through a Nominee that is a participant in the CREST system (the “**CREST Account Holder**”), may submit their vote in respect of the resolution to approve the Scheme in one of two ways:

- (a) by instructing their CREST Account Holder to submit an electronic voting instruction to the Depository through CREST; or
- (b) by instructing their CREST Account Holder to submit a Depository Interests Form of Direction in the form set out at Appendix D (*Depository Interests Form of Direction*).

Each Public Fund Scheme Creditor may also appoint a proxy to attend, speak and vote on its behalf at the Scheme Meeting(s) at which it is entitled to attend, or may attend in person, whether the Depository Interests of that Public Fund Scheme Creditor are held directly or through a Nominee, by submitting a Depository Interests Form of Direction in the form enclosed at Appendix D (*Depository Interests Form of Direction*).

Electronic Voting through CREST

DI Investors may instruct their CREST Account Holder to submit instructions to the Depository on their behalf for the purpose of voting at the Public Fund Scheme Meeting(s) by using the CREST voting service in accordance with the procedures described below and set out in the CREST Manual (a “**CREST Voting Instruction**”).

The Depository will submit a Master Proxy on behalf of all DI Investors that instruct it to do so by submitting a CREST Voting Instruction. The Master Proxy will:

- (a) appoint the Chairperson of the Scheme Meeting as proxy, and will instruct the Chairperson to vote FOR or AGAINST the resolution to approve the Public Fund Scheme in respect of the number of Shares for which such instructions were received;

- (b) request that the Chairperson admit for voting purposes the claims of all DI Investors covered by the Master Proxy in an amount equal to the Net Asset Value of the Shares held by such DI Investors; and
- (c) identify the number of CREST Account Holders that have submitted CREST Voting Instructions either FOR or AGAINST the resolution to approve the Public Fund Scheme, which will be the number of votes submitted for the purpose of determining whether the resolution is supported by a majority in number of DI Investors present and voting at the Scheme Meeting.

CREST Account Holders that hold a parcel of Depository Interests on behalf of multiple underlying DI Investors and who wish to submit multiple votes for the purpose of determining whether the resolution is supported by a majority in number of DI Investors present and voting at the Scheme Meeting, may do so by submitting a Depository Interests Form of Direction (as described below) instead of a CREST Voting Instruction.

By submitting (or procuring the submission of) a CREST Voting Instruction, each Public Fund Scheme Creditor acknowledges that they consider themselves to have an Investor Claim against the Public Fund.

DI Investors that wish to appoint a proxy other than the Chairperson must also instruct their CREST Account Holder to submit a Depository Interests Form of Direction (as described below) instead of a CREST Voting Instruction.

Revocability of CREST Voting Instructions

Any person on whose behalf a CREST Voting Instruction has been submitted has the power to revoke and change it at any time before it is used to cast a vote, except Public Fund Scheme Creditors that have provided an Investor Undertaking and voted in favour of the Public Fund Scheme (as described at “ – *Important Notice Regarding Investor Undertakings*” above). If you are a Public Fund Scheme Creditor by virtue of being a DI Investor, you may revoke your CREST Voting Instruction by:

- (a) instructing your CREST Account Holder to submit (or if you are the CREST Account Holder as well as the DI Investor, by submitting) a new CREST Voting Instruction on or before the Voting Deadline;
- (b) instructing your CREST Account Holder to deliver (or if you are the CREST Account Holder as well as the DI Investor, by delivering) a Depository Interests Form of Direction on or before the Voting Deadline;
- (c) instructing your CREST Account Holder to deliver (or if you are the CREST Account Holder as well as the DI Investor, by delivering) a written notice of revocation to AlixPartners by email to catcobuyout@alixpartners.com. Any such written notice of revocation must be received on or before the Voting Deadline in order to revoke the original CREST Voting Instruction (or, in the case of an adjourned Scheme Meeting, not less than 72 hours before the time and date appointed for the adjourned Scheme Meeting); or
- (d) attending the Scheme Meeting(s) virtually that are you entitled to vote at and voting in person or by appointing a proxy other than the Chairperson to attend on your behalf (who must be appointed by way of a Depository Interests Form of Direction received on or before the Voting Deadline). If you intend to attend virtually and are not the CREST Account Holder, you must supply proof that you hold a beneficial entitlement to the relevant Depository Interests.

Please note, however, that only the CREST Voting Instruction or Depository Interests Form of Direction dated as of the latest date will count. Attending the Scheme Meeting(s) without taking one of the actions described above will not in itself revoke your proxy.

Should a CREST Account Holder submit both a CREST Voting Instruction and a Depository Interests Form of Direction, the Depository Interests Form of Direction will prevail.

CREST Voting Instructions – Information for CREST Account Holders

In order for a CREST Voting Instruction to be valid, the appropriate CREST message must be properly authenticated in accordance with the specifications of Euroclear and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the CREST Voting Instruction or to an amendment to the instruction given to the Depository (or its nominee), must in order to be valid, be transmitted so as to be received by the Depository (participant ID RA101) on or before the Voting Deadline (or, in the case of an adjourned Scheme Meeting, not less than 72 hours before the time and date appointed for the adjourned Scheme Meeting). For this purpose, the time of receipt will be taken as the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the Depository is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsor or voting service provider, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Voting Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his or her CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Chairperson may treat as invalid a CREST Voting Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (SI 2001/3755 (United Kingdom)).

Submission of Depository Interest Forms of Direction

DI Investors that cannot or do not wish to submit a CREST Voting Instruction can submit voting instructions by directing the CREST Account Holder through which they hold an interest in Public Fund Shares to submit a Depository Interests Form of Direction, in the form set out at Appendix D on their behalf.

For DI Investors that wish to appoint the Chairperson as proxy, the Depository will submit a Master Proxy on behalf of all DI Investors that instruct it to do so by completing the relevant sections of the Depository Interests Forms of Direction and delivering it to the Depository. The Master Proxy will:

- (a) appoint the Chairperson of the Scheme Meeting as proxy, and will instruct the Chairperson to vote FOR or AGAINST the resolution to approve the Public Fund Scheme in respect of the number of Shares for which such instructions were received;
- (b) request that the Chairperson admit for voting purposes the claims of all DI Investors covered by the Master Proxy in an amount equal to the Net Asset Value of the Shares held by such DI Investors; and
- (c) identify the number of CREST Account Holders that have delivered Depository Interests Forms of Direction either FOR or AGAINST the resolution to approve the Public Fund Scheme, which will be the number of votes submitted for the purpose of determining whether the resolution is supported by a majority in number of DI Investors present and voting at the Scheme Meeting.

DI Investors that wish to appoint a proxy other than the Chairperson to attend, or wish to attend in person (via the Virtual Meeting Platform), may do so by completing the relevant sections of the Depository Interests Forms of Direction.

Depository Interests Forms of Direction must be returned in pdf form to AlixPartners by email to catcobuyout@alixpartners.com as soon as possible, but in any event not later than the Voting Deadline or, in the case of the Scheme Meeting being adjourned, not later than 72 hours before the time fixed for the holding of the adjourned meeting. If a Depository Interests Form of Direction is received after the Voting Deadline, or later than 72 hours before the time fixed for any adjourned Scheme Meeting, the Chairperson will have discretion whether or not to accept it.

By delivering (or procuring the delivery of) a Depository Interests Form of Direction, each Public Fund Scheme Creditor acknowledges that they consider themselves to have an Investor Claim against the Public Fund.

Revocability of Depository Interest Forms of Direction

Any person on whose behalf a Depository Interests Form of Direction has been submitted has the power to revoke and change it at any time before it is used to cast a vote, except Private Fund Scheme Creditors that have provided an Investor Undertaking (as described at “– *Important Notice Regarding Investor Undertakings*” above). If you are a Public Fund Scheme Creditor by virtue of being a DI Investor, you may revoke your voting instructions by:

- (a) instructing your CREST Account Holder to deliver (or if you are the CREST Account Holder as well as the DI Investor, by delivering) a new Depository Interests Form of Direction with a later date on or before the Voting Deadline;
- (b) instructing your CREST Account Holder to deliver (or if you are the CREST Account Holder as well as the DI Investor, by delivering) a written notice of revocation to AlixPartners by email to catcobuyout@alixpartners.com. Any such written notice of revocation must be received by no later than the Voting Deadline in order to revoke the original Depository Interests Form of Direction (or, in the case of an adjourned Scheme Meeting, not less than 72 hours before the time and date appointed for the adjourned Scheme Meeting); or
- (c) attending the Scheme Meeting(s) virtually that you are entitled to vote at and voting in person or by appointing a proxy other than the Chairperson to attend on your behalf (who must be appointed by way of a Depository Interests Form of Direction received on or before the Voting Deadline).

Please note, however, that only the voting instructions (including the proxy forming part of the Depository Interests Form of Direction) dated as of the latest date will count. Attending the Scheme Meeting(s) without taking one of the actions described above will not in itself revoke your voting instructions.

For the avoidance of doubt, should a CREST Account Holder submit both a CREST Voting Instruction and a Depository Interests Form of Direction, the Depository Interests Form of Direction will prevail.

How to Submit Your Vote – Holders of Certificated Shares

Public Fund Scheme Creditors that are beneficially interested in Certificated Shares (“**Certificated Investors**”), whether those Shares are held directly or through a Nominee, may appoint a proxy to attend, speak and vote on their behalf at the Public Fund Scheme Meeting(s) at which they are entitled to attend, by submitting a Certificated Shares Form of Proxy in the form enclosed at Appendix E (*Certificated Shares Form of Proxy*).

Certificated Investors that wish to appoint the Chairperson as proxy, or a proxy other than the Chairperson to attend, or wish to attend in person (via the Virtual Meeting Platform), may do so by completing the relevant sections of the Certificated Shares Form of Proxy.

Please complete and sign the enclosed Certificated Shares Form of Proxy (which contains a proxy for the purposes of voting at the Scheme Meeting(s)) in accordance with the instructions printed thereon and return it in pdf form to AlixPartners by email to catcobuyout@alixpartners.com, so as to be received as soon as possible and in any event not later than the Voting Deadline, or in the case of a Scheme Meeting being adjourned, not later than 72 hours before the time fixed for the holding of the adjourned Scheme Meeting. If your Certificated Shares Form of Proxy is received after the Voting Deadline, or later than 72 hours before the time fixed for any adjourned Scheme Meeting, the Chairperson will have discretion whether or not to accept it.

By delivering (or procuring the delivery of) a Certificated Shares Form of Proxy, each Public Fund Scheme Creditor acknowledges that they consider themselves to have an Investor Claim against the Public Fund.

To be valid, a Certificated Shares Form of Proxy must be properly completed and executed by or on behalf of the Certificated Investor or, if the Certificated Investor is a corporation, under the hand of a duly authorised officer or attorney. In the event that the Certificated Shares Form of Proxy is not properly completed or executed, the Chairperson will have discretion as to whether or not to accept it.

If two or more valid, but differing, appointments of proxy (included those contained in the Certificated Shares Form of Proxy) are delivered or received in respect of the same Share, the one dated as of the latest date shall be treated as replacing and revoking the other or others as regards that Share.

Revocability of Certificated Shares Forms of Proxy

Any person on whose behalf a Certificated Shares Form of Proxy has been submitted has the power to revoke and change it at any time before it is used to cast a vote, except Private Fund Scheme Creditors that have provided an Investor Undertaking and voted in favour of the Public Fund Scheme (as described at “*Important Notice Regarding Investor Undertakings*” above). If you are a Public Fund Scheme Creditor by virtue of being a Certificated Investor you may revoke your proxy (which is contained in the Certificated Shares Form of Proxy) by:

- (a) instructing your Nominee to deliver (or if you are the Registered Shareholder as well as the Certificated Investor, by delivering) a new Certificated Shares Form of Proxy with a later date on or before the Voting Deadline;
- (b) instructing your Nominee to deliver (or if you are the Registered Shareholder as well as the Certificated Investor, by delivering) a written notice of revocation to AlixPartners by email to catcobuyout@alixpartners.com. Any such written notice of revocation must be received on or before the Voting Deadline in order to revoke the original Certificated Shares Form of Proxy (or, in the case of an adjourned Scheme Meeting, not less than 72 hours before the time and date appointed for the adjourned Scheme Meeting); or
- (c) attending the Scheme Meeting(s) virtually that are you entitled to vote at and voting in person or by appointing a proxy other than the Chairperson to attend on your behalf (who must be appointed by way of a Certificated Shares Form of Proxy received on or before the Voting Deadline). If you intend to attend virtually and are not the Registered Shareholder, you must supply proof that you hold a beneficial entitlement to the relevant Shares.

Please note, however, that only the proxy dated as of the latest date will count. Attending the Scheme Meetings without taking one of the actions described above will not in itself revoke your proxy.

How to claim an entitlement to vote for an amount other than Net Asset Value

In order to vote on the Public Fund Scheme, Public Fund Scheme Creditors are not required to ascribe a value to their potential claim against the Public Fund. For voting purposes, the votes of all Public Fund

Scheme Creditors which do not take the steps described in the following paragraph will be valued by reference to the Net Asset Value of the Shares in which such Public Fund Scheme Creditors are beneficially interested. This will be assessed by the Chairperson.

Public Fund Scheme Creditors that do wish to present a claim to vote for an amount other than the Net Asset Value of the Public Fund Shares in which they are interested can submit (or instruct their Nominee to submit) a request to do so for consideration by the Chairperson by completing Part 3, Section E (*Voting Value (Optional)*) of their Depository Interests Form of Direction or Certificated Shares Form of Proxy (as appropriate), completing an Optional Claim Amount Form (in the form attached at Appendix F to the Explanatory Statement) and submitting both their Depository Interests Form of Direction or Certificated Shares Form of Proxy, as applicable, along with the Optional Claim Amount Form and evidence to support such voting entitlement (as described more fully in the Optional Claim Amount Form) to AlixPartners by email to catcobuyout@alixpartners.com by the Optional Claim Amount Voting Deadline, which is 5 p.m. (Bermuda time) on 28 February 2022. Any Depository Interests Form of Direction or Certificated Shares Form of Proxy that includes an Optional Claim Amount Form received after the Optional Claim Amount Voting Deadline will only be admitted to vote in the Chairperson's discretion.

Attendance at the Scheme Meetings

The Scheme Meetings will be held via the Virtual Meeting Platform on 4 March 2022, at the times specified in the section entitled "*Expected Timetable of Principal Events*".

Public Fund Scheme Creditors that wish to appoint a proxy other than the Chairperson to attend and vote or attend and vote in person (via the Virtual Meeting Platform) should ensure that a completed Depository Interests Form of Direction or Certificated Shares Form of Proxy (as applicable), indicating that they wish to appoint a proxy other than the Chairperson or attend in person (via the Virtual Meeting Platform), has been delivered by the Voting Deadline. If a Public Fund Scheme Creditor wishes to attend a Scheme Meeting but not vote, such Public Fund Scheme Creditor must still deliver a Depository Interests Form of Direction or Certificated Shares Form of Proxy (as applicable) in order that registration formalities for the Scheme Meetings can be completed. Private Fund Investor Letters received after the Voting Deadline will only be admitted at the Chairperson's discretion.

Public Fund Scheme Creditors or their authorised representatives or proxies will be required to register their attendance at the Scheme Meeting(s) they are entitled to attend via the Virtual Meeting Platform, prior to the commencement of the Public Fund Scheme Meetings. Public Fund Scheme Creditors or their authorised representatives or proxies will be contacted to complete registration formalities no later than the day before the Scheme Meetings and will be required to verify their identity and entitlement to attend the Scheme Meetings by providing Identification Documents. Public Fund Scheme Creditors that intend to attend virtually and are not the CREST Account Holder or Registered Shareholder (as applicable), must supply proof that they hold a beneficial entitlement to the relevant Depository Interests or Shares (as applicable). Public Fund Scheme Creditors must also ensure that the details and authority of either the Public Fund Scheme Creditor or its/their authorised representative or proxy that attends the Scheme Meetings are consistent with the details provided in their Depository Interests Form of Direction or Certificated Shares Form of Proxy (as applicable).

Once such registration formalities have been completed, all persons verified as being entitled to attend a Public Fund Scheme Meeting will be provided with a poll card and details of how to access the Scheme Meeting(s) at which they are entitled to attend virtually. Public Fund Scheme Creditors or their authorised representatives or proxies must be registered prior to the commencement of the Scheme Meetings.

The Virtual Meeting Platform used for the Scheme Meetings will allow each Public Fund Scheme Creditor or proxy in attendance to be seen and heard by the Chairperson, to raise queries or objections and consult with other Public Fund Scheme Creditors. Voting at the Scheme Meetings will be conducted by way of a poll vote rather than by show of hands. Public Fund Scheme Creditors may also submit written questions

in advance of the relevant Scheme Meeting by email to the Chairperson at catcobuyout@alixpartners.com. Emails with written questions must be received no less than 72 hours before the start of the relevant Scheme Meeting. If any questions are received by email after this time, the Chairperson will have a discretion as to whether to address them at the relevant Scheme Meeting.

Any vote cast by or on behalf of a Public Fund Scheme Creditors at a Scheme Meeting shall override any voting instruction previously provided in a CREST Voting Instruction, Depository Interests Form of Direction or Certificated Shares Form of Proxy and the Chairperson shall not be obliged to verify any such discrepancies with the Public Fund Scheme Creditor.

Further Information About Voting

Further information in relation to the appointment of proxies for and voting at the Scheme Meeting(s) for the Public Fund Scheme is set out in the instructions printed on the Depository Interests Form of Direction and Certificated Shares Form of Proxy.

If the Lodgement Date occurs, the Public Fund Scheme will be binding on all Public Fund Scheme Creditors, including any Public Fund Scheme Creditor who did not vote to approve the Public Fund Scheme or who voted against the Public Fund Scheme at any of the Public Fund Scheme Meetings.

It is important that as many votes as possible are cast at the Public Fund Scheme Meetings so that the Court may be satisfied that the votes cast at the Public Fund Scheme Meetings fairly represent Public Fund Scheme Creditors. Please complete and sign (or instruct a person authorised on your behalf to complete and sign) and instruct your Nominee or CREST Account Holder (as applicable) to deliver your Certificated Shares Form of Proxy or your Depository Interests Form of Direction (as applicable), or instruct your CREST Account Holder to submit your CREST Voting Instruction, as soon as possible.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time (Bermuda time) and date
Optional Claim Amount Voting Deadline*	28 February 2022 at 5 p.m. AST
Voting Deadline**	1 March 2022 at 2 p.m. AST
Scheme Record Time	1 March 2022 at 2 p.m. AST
Registration for Scheme Meetings***	On or before 3 March 2022 AST
Public Fund Scheme Meetings****	4 March 2022 at 8 a.m. AST
Private Fund Scheme Meetings****	4 March 2022 at 10.15 a.m. AST
Sanction Hearing*****	11 March 2022, or as soon as reasonably possible thereafter, subject to Court availability.
Lodgement Date	14 March 2022 or as soon as reasonably possible following the Sanction Hearing.
Chapter 15 Enforcement Hearing	15 March 2022 or as soon as reasonably possible following the Sanction Hearing, subject to court availability.
Closing Date	Expected to occur as soon as possible after 15 March 2022 or as soon as reasonably practicable after the date on which all of the Conditions Precedent have been satisfied or waived.
Public Fund Distribution Record Date	As soon as reasonably practicable following the Closing Date.

* The deadline for Scheme Creditors to submit an Optional Claim Form (together with their Private Investor Letter, Depository Interests Form of Direction or Certificated Shares Form of Proxy, as applicable, and supporting documentation) as described in the sections above entitled “*Private Fund Scheme – Action to be Taken / General Information*” and “*Public Fund Scheme – Action to be Taken / General Information*”.

** The deadline for Private Fund Scheme Creditors to return a Private Fund Investor Letter, or for Public Fund Scheme Creditors to submit a CREST Voting Instruction, Depository Interests Form of Direction or Certificated Shares Form of Proxy (as applicable) – unless a Scheme Creditor also wishes to submit an Optional Claim Form, in which case the Optional Claim Amount Voting Deadline must be adhered to, as described in the sections above entitled “*Private Fund Scheme – Action to be Taken / General Information*” and “*Public Fund Scheme – Action to be Taken / General Information*”.

*** The Scheme Meetings will be held virtually. Persons attending a Scheme Meeting (either on their own behalf as a Scheme Creditor or as a proxy appointed by a Scheme Creditor) will be contacted to complete registration formalities no later than the day before the Scheme Meetings, as described in the sections above entitled “*Private Fund Scheme – Action to be Taken / General Information*” and “*Public Fund Scheme – Action to be Taken / General Information*”. Once verified, such persons will be provided with a poll card and access details to attend (virtually) the applicable Scheme Meeting(s).

**** As described further at “*Part IV—Implementation By The Schemes And Recognition – Conduct of Scheme Meetings*”, the Public Fund Scheme Meetings shall commence with an introductory address given to all Scheme Creditors present. Following the conclusion of the introductory address the Chairperson shall convene the Public Fund Scheme Meetings in the order set out at “*Part IV—Implementation By The Schemes And Recognition – Conduct of Scheme Meetings*”, for the purpose of taking a vote in respect of

the Public Fund Scheme. The Private Fund Scheme Meetings shall also commence with an introductory address given to all Scheme Creditors present. Following the conclusion of the introductory address the Chairperson shall convene the Private Fund Scheme Meetings in the order set out at “*Part IV—Implementation By The Schemes And Recognition – Conduct of Scheme Meetings*”, for the purpose of taking a vote in respect of the Private Fund Scheme.

***** The Sanction Hearing date is based on current expectations and may be subject to change. If the expected date changes, the Scheme Companies will give notice of the change via direct contact (for Private Fund Scheme Creditors), via the Regulated News Service (“**RNS**”) (for Public Fund Scheme Creditors) and by posting to the Schemes Website.

PART I A—LETTER FROM THE DIRECTORS OF THE SCHEME COMPANIES

18 February 2022

Dear Scheme Creditors,

Introduction

This letter will form part of the Explanatory Statement distributed to Scheme Creditors to explain the proposed Schemes and the Buy-Out Transaction. This letter provides a summary of the information contained in the Explanatory Statement and should not be read in place of that document.

A list of the defined terms used in this letter and the Explanatory Statement is set out in “*Part X - Definitions and Interpretation*”.

Background

Since mid-2019, the Markel CATCo Business, including the Private Fund and the Public Fund (the “**Scheme Companies**”), have been in run-off and focused on returning capital to investors.

The decision to run-off the Markel CATCo Business culminates from a few factors, including the severe losses that the insurance industry suffered as a whole in 2017 and 2018 as a result of the occurrence of a large number of catastrophic events, namely, multiple hurricanes and several wildfires in four different geographic regions. Catastrophic risk insured losses for 2017 rank as the highest annual losses since records commenced about a century ago, and 2018 losses rank as the fourth-highest annual losses. Accordingly, investors in the Markel CATCo Business suffered material losses on their investments.

Following a second year of losses, in December 2018, the Private Fund offered all investors the option to redeem their investment and a majority of investors chose to exercise this option. In March 2019, investors in the Public Fund voted to approve the run-off of its investments in the Private Fund. As a result of these events, the Manager decided to cease offering new investments in the Private Fund and at the end of the 2019 policy year, all remaining capital in the funds other than that trapped as collateral for insurance policies was returned to investors. The Manager continued to manage the retro and reinsurance portfolios in order to run-off the funds in an orderly manner and, subject to BMA approval, return capital to investors as it is released from the Trust Accounts. A total of c. \$2.3 billion has been released and returned to Public Fund and Private Fund investors during the run-off period.

However, in light of recent developments regarding certain investors asserting claims based on correspondence and communications received from the Manager, Mr Anthony Belisle, the founder and former CEO of the CATCo Group, and other CATCo Group employees, which they claim entitle them to recover damages in respect of their investment, the orderly return of capital has been put at risk and on hold and investors now face potentially substantial delay in respect of the return of the remaining capital, as well as the potential depletion of fund assets as a result of further litigation.

In early 2021 the Manager settled a claim brought by an investor against Mr Anthony Belisle. The claim sought compensation for alleged losses suffered as a result of the investor’s investment in the Retro Funds in 2018. Pursuant to an indemnity provided by the Manager to Mr Belisle, he demanded that the Manager meet his costs of defending this litigation and the amount of any judgment. The Private Fund, the Public Fund and the Reinsurer have provided indemnities to the Manager under the Management Agreements, so effectively all CATCo Group entities would be liable for these costs and therefore the Manager found it prudent to settle the claim.

While the settlement of the claim was met from the Manager’s D&O Insurance, there is limited available cover. If additional Scheme Creditors seek to commence claims against the Scheme Companies directly or

against entities or persons entitled to indemnities directly or indirectly from the Scheme Companies, significant costs will be incurred, including in meeting defence costs, paying settlements and, potentially, paying sums awarded in damages should adverse judgments be received. There would not be sufficient D&O Insurance coverage remaining to satisfy these costs, and the costs would instead have to be satisfied from the assets of the CATCo Group, which will directly decrease funds that would otherwise be available for distribution to Scheme Creditors. At the time of such settlement the Manager and the Scheme Companies were aware of certain additional investors, one of which is an investment manager representing over 40 investors in the Private Fund, that had threatened or raised the possibility of litigation in respect of their alleged losses. As described below two of those investors subsequently commenced litigation against Mr Belisle, and, absent the Schemes, the Scheme Companies cannot rule out further Investor Claims being brought.

The CATCo Group Companies deny liability with respect to any of the Investor Claims, would intend to defend any asserted Investor Claims and do not believe any such claims would succeed. However, this does not exclude the possibility that certain Investor Claims could result in adverse judgments against the Scheme Companies and/or the indemnified parties and the Scheme Companies would in any event be required to satisfy the costs of defending such Investor Claims, whether such claims are brought against the Scheme Companies directly or against parties that are indemnified by the Scheme Companies.

As solvency is a statutory precondition to any distributions being made to investors, the boards of directors of the Scheme Companies and the Reinsurer have had to carefully consider whether they would be in a position to make further distributions of assets with the threat of additional Investor Claims outstanding, whether such claims are brought directly against them or against indemnified parties. In the circumstances, the boards of directors of these companies have made no further returns of capital pending resolution of the potential for Investor Claims.

The Buy-Out Transaction

Against this background, Markel Corporation has offered a solution to the uncertainty around Investor Claims by making the Buy-Out Transaction available to the Scheme Companies and their Scheme Creditors. Pursuant to the Buy-Out Transaction, affiliates of Markel Corporation will provide funding to allow for the accelerated return of all current capital (Net Asset Value or NAV) in the Retro Funds and the Aquilo Fund, less costs, plus an additional cash payment to pay all transaction costs and provide an extra cash recovery to Scheme Creditors. Markel Corporation will also pay an Early Consent Fee, a Work Fee and legal fees to certain Scheme Creditors. All Scheme Creditors will also retain the right to receive any upside should fund assets exceed ultimate cedant claims. Markel Corporation will make this funding available in exchange for the Scheme Creditors granting releases of any and all claims of whatever nature against the CATCo Group, Markel Corporation and each of their related parties arising out of the CATCo Group companies' businesses and/or the Scheme Creditors' interests in the Shares. The Releases are essential to allowing future distributions as they will provide certainty that the Scheme Creditors would be unable to pursue Investor Claims.

An overwhelming number of Scheme Creditors, including Scheme Creditors representing over 95% in value at each of the Scheme Companies ("**Supporting Investors**") executed undertakings (the "**Investor Undertakings**") to support the Buy-Out Transaction prior to the Early Consent Deadline and are thus entitled to receive an Early Consent Fee provided they comply with the terms of the undertaking.

Schemes of Arrangement and Other Proceedings

Accordingly, the CATCo Group is seeking to implement the Buy-Out Transaction through inter-conditional schemes of arrangement of the Scheme Companies, by which Scheme Creditors, in their capacities as creditors of the Scheme Companies in respect of potential Investor Claims, will grant the Releases. If the Schemes are approved by Scheme Creditors and sanctioned by the Court, all Scheme Creditors will be bound by the Releases. This will resolve any question of the solvency of the Scheme Companies, enabling

the CATCo Group to make the distributions to Scheme Creditors contemplated by the Restructuring, and thereafter to continue to run-off the remaining Fund assets in the ordinary course and return capital as contemplated under the terms of the Buy-Out Transaction.

The Private Fund Scheme Creditors to which the Explanatory Statement is addressed and which will be subject to the Private Fund Scheme (in their capacity as creditors of the Private Fund in respect of potential Investor Claims against the Private Fund) are those persons beneficially interested in the Retro Funds or the Aquilo Fund, as at the Scheme Record Time. The Private Fund Scheme will have five classes of Scheme Creditors, one class for Scheme Creditors with an interest in the Aquilo Fund and four classes for Scheme Creditors with an interest in the Retro Funds, for each of SP 2016, SP 2017, SP 2018 and SP 2019.

The Public Fund Scheme Creditors to whom the Explanatory Statement is addressed and who will be subject to the Public Fund Scheme (in their capacity as creditors of the Public Fund in respect of potential Investor Claims against the Public Fund) are those persons beneficially interested in C Shares and/or Ordinary Shares issued by the Public Fund, as at the Scheme Record Time. The Public Fund Scheme will have two classes, one for Scheme Creditors with an interest in the C Shares and one for Scheme Creditors with an interest in the Ordinary Shares.

In order to provide a stable platform for the CATCo Group during the scheme process, each of the CATCo Group companies has also sought and obtained on 1 October 2021 the appointment of Simon Appell of AlixPartners UK LLP and John McKenna of Finance & Risk Services Ltd. as Joint Provisional Liquidators of the Scheme Companies, in order to obtain a mandatory stay of proceedings in Bermuda to prevent further Investor Claims and to provide a layer of independent oversight of the Schemes and the Buy-Out Transaction. The JPLs have commenced cases under Chapter 15 of the U. S. Bankruptcy Code to obtain recognition in the United States of the liquidation proceedings and schemes of arrangement filed in Bermuda. On 4 November 2021, an order was entered in the U. S. Bankruptcy Court for the Southern District of New York which recognised the Bermuda Proceedings and put in place a stay of proceedings against the CATCo Group in the United States.

Recent Litigation and the Excluded Creditors

After the announcement of the Schemes by the Scheme Companies, Partners Capital LLP (“**Partners**”) and certain of its managed funds, and HWH Realty LLC (“**HWH**”), (the “**Litigation Claimants**”) both of which are investors in the Private Fund that had previously threatened litigation against the Private Fund or persons associated with it, commenced litigation against Mr Belisle in the U.S. (the “**US Litigation**”). The Litigation Claimants also instructed counsel to make submissions opposing the Schemes at the hearing before the Bermuda Supreme Court on 7 and 8 December 2021, at which the Scheme Companies sought orders convening the Scheme Meetings (the “**Convening Hearing**”). The Litigation Claimants’ position was said to be supported by a number of other investors connected to Partners Capital (together with the Litigation Claimants, the “**Excluded Creditors**”). The Excluded Creditors hold less than 5% of the shares of the Private Fund (by Net Asset Value).

As a result of a settlement reached between the Excluded Creditors and Markel Corporation and the Manager (on its own behalf and on behalf of the Private Fund) in February 2022 (which is described in *Part II – Background of the CATCo Group and the Schemes* below, the “**Settlement**”), the Excluded Creditors will not be party to the Schemes. The Excluded Creditors’ shares in the Private Fund will be redeemed on the Closing Date of the Schemes in exchange for the then current NAV of such shares. The Excluded Creditors will provide on the Closing Date, contractually pursuant to the terms of the Settlement, parallel releases to the Releases granted pursuant to the Schemes and will withdraw with prejudice the US Litigation, in consideration for a payment of \$20 million (the “**Settlement Payment**”). The Settlement Payment will be funded by Markel Corporation and recoveries made under the Manager’s D&O Insurance policies. The Settlement Payment will not be paid from CATCo Group assets and will not reduce the assets which would otherwise be available for distribution to Scheme Creditors pursuant to the Schemes.

In connection with agreeing to the Settlement, Markel Corporation held further negotiations with PKA regarding the terms of the Buy-Out Transaction for all Scheme Creditors. As a result of those discussions Markel agreed to increase the amount it was willing to make available to Scheme Creditors pursuant to the Schemes. As a result the Additional Consideration to be provided by Markel Corporation was increased by \$10 million (to \$44 million) and Markel Corporation agreed to increase its contribution to the transaction costs to match the total transaction costs of the Buy-Out Transaction (an estimated \$5-10 million increase).

Following the Settlement, the Scheme Companies sought consent from Supporting Investors to amend the Investor Undertakings to provide for: (i) an extension of the termination date of the Investor Undertakings to 11.59pm (Bermuda time) on 31 March 2022, and (ii) an amendment to the Buy-Out Transaction to provide for these improved terms and facilitate the Settlement. The amendments were approved by over 93% of Supporting Investors in the Private Fund, and the Investor Undertakings were accordingly amended for all Supporting Investors, as announced by the Scheme Companies on 11 February 2022.

As of the date of this letter, Investor Undertakings had been provided by 98.2% of the Public Fund Scheme Creditors interested in C Shares of the Public Fund, and 95.4% of Public Fund Scheme Creditors interested in Ordinary Shares of the Public Fund. Investor Undertakings have been provided by Private Fund Scheme Creditors in the following percentages (in each case by value calculated by reference to the Net Asset Value of the Shares held by each Scheme Creditor):

- (a) 99.47% of the Retro Funds 2016 Class;
- (b) 99.11% of the Retro Funds 2017 Class;
- (c) 99.87% of the Retro Funds 2018 Class;
- (d) 99.60% of the Retro Funds 2019 Class; and
- (e) 100% of the Aquilo Class.

Purpose of the Explanatory Statement

The Explanatory Statement is provided pursuant to section 99 of the Companies Act for the purpose of providing Scheme Creditors with sufficient information about all relevant aspects of the Buy-Out Transaction and the Restructuring so that Scheme Creditors can make an informed decision about whether to approve the Schemes.

The Explanatory Statement provides:

- (a) The business and legal structure of the CATCo Group (at “*Part II – Background of the CATCo Group and the Schemes*”);
- (b) Rationale for and a detailed description of the Buy-Out Transaction and an overview of the Schemes (at “*Part III – The Schemes and the Buy-Out Transaction*”);
- (c) Explanation of the implementation process, including voting and procedure (at “*Part IV – Implementation by the Schemes and Recognition*”);
- (d) An overview of certain of the key terms of the documents implementing the Restructuring (at “*Part V – Summary of Key Buy-Out Transaction Documents*”);
- (e) A description of the comparator and alternative options for the CATCo Companies if the Schemes do not proceed (“*Part VI – Alternatives if the Schemes are not Implemented*”); and
- (f) A summary of the risk factors relating to implementation of the Schemes and the CATCo Group’s run-off process after implementation of the Restructuring (“*Part VII- Risk Factors*”).

The Directors and the Effects of the Scheme on Their Interests

Except as set out at “*Part IV – Implementation by the Schemes and Recognition - Material Interests of the Directors of the Scheme Companies*” none of the directors of the Scheme Companies has any interest, direct or indirect, in the Buy-Out Transaction. They will, however, benefit from the Releases to the extent that the Releases are of Investor Claims which could otherwise be made against them.

Action to Be Taken by Scheme Creditors

Meetings of Scheme Creditors will be formally convened to consider the Schemes. The Scheme Meetings will be held at the time and on the date notified to Scheme Creditors. In order for Scheme Creditors to vote at their respective Scheme Meetings, Private Fund Scheme Creditors must complete a Private Fund Form Investor Letter and Public Fund Scheme Creditors must complete a Certificated Shares Form of Proxy, a Depository Interests Form of Direction or a CREST Voting Instruction (as applicable) in advance of the Scheme Meetings or attend and vote in person (via webinar) at the Scheme Meetings.

We urge Scheme Creditors to submit the relevant voting form as soon as possible after they are available and on or before the Voting Deadline set out in the Explanatory Statement. To help in completing the Private Fund Form Investor Letter, Certificated Shares Form of Proxy, Depository Interests Form of Direction or CREST Voting Instruction, detailed instructions are included in: (a) the sections of this document titled “*Private Fund Scheme - Action To Be Taken / General Information*” and “*Public Fund Scheme - Action To Be Taken / General Information*”, and (b) the notices of the Scheme Meeting set out in Appendix A in relation to the Private Fund Scheme, and Appendix B, in relation to the Public Fund Scheme.

Private Fund Form Investor Letters, Certificated Shares Forms of Proxy, Depository Interests Forms of Direction and CREST Voting Instructions must be submitted in accordance with the instructions provided therewith.

Recommendation

For the reasons set out above and in the section of the Explanatory Statement entitled “*Part IV – Alternative If the Schemes Are Not Implemented*”, and after having considered the alternatives to the Buy-Out Transaction as described below, the boards of both the Public Fund and the Private Fund, as well as the board of the Manager, believe that the Buy-Out Transaction is in the best interests of the Scheme Creditors.

If the Schemes are not implemented, the boards of the Scheme Companies have considered the various alternatives and have determined that they will have no choice but to proceed to seek winding-up orders which would convert the current ‘limited powers’ provisional liquidations into ordinary liquidations under which the liquidators would have full powers and would assume control of the companies, would assess Investor Claims and indemnity claims, and make distributions to creditors (if any claims are established) and eventually to members. The reasons for this include that:

- (a) The directors of the Scheme Companies will not make any future distributions to Scheme Creditors whilst there remains the possibility of Investor Claims being asserted against the Scheme Companies and against third parties which have the benefit of indemnities from the Scheme Companies.
- (b) In the absence of the Schemes and the Buy-Out Transaction, the directors think it is unlikely that any alternative transaction would be proposed by Markel Corporation or a third party that would resolve the uncertainty around potential Investor Claims. Through the Buy-Out Transaction Markel Corporation (or its affiliates) takes all of the down-side risk that could result if cedant claims ultimately exceed current reserves, while leaving the Scheme Creditors to recover any upside if cedant claims are less than current reserves, and also receives no return on its funding. Given these highly favourable terms, it seems unlikely that any third party would offer equivalent or better terms.

- (c) Rather the directors are of the view that if Scheme Creditors do not accept the Schemes, or successfully challenge the Schemes, Scheme Creditors would be likely to pursue Investor Claims against the Scheme Companies. This includes Scheme Creditors that would have preferred, and hence supported, the Buy-Out Transaction. All Scheme Creditors will be motivated to do so in order to preserve their priority to fund assets as against those investors pursuing claims and ensure that they are not disadvantaged by fund assets being used to meet defence costs, judgments or settlements reached in connection with Investor Claims brought by other Scheme Creditors (since creditor claims are payable ahead of distributions to members).
- (d) If Investor Claims are also pursued against parties entitled to an indemnity from the Scheme Companies, including the Manager and its former officers and directors and/or Markel Corporation, such parties would be expected to assert their entitlement to an indemnity against the Scheme Companies, further depleting fund assets.
- (e) Given the likelihood of Investor Claims and/or indemnity claims being brought, it is possible that the aggregate amounts which might be claimed would be substantial and might even exceed the total value of the assets held by the Scheme Companies. Regardless of the merits of such claims, the Scheme Companies would have to defend or settle any such litigation, as well as meet any adverse judgments obtained against them or any of the indemnified parties. Therefore, the solvency question would remain a material issue without an apparent solution.
- (f) Although there have been no direct claims asserted against the Public Fund, the directors of the Public Fund reach the same conclusion as the Private Fund regarding alternatives to the Schemes. If only the Private Fund goes into full liquidation, there is a possibility that Scheme Creditors would pursue direct claims against the Public Fund instead and given that distributions from the Private Fund will not be made until its liquidation has progressed, it would be appropriate for the Public Fund also to go into ordinary liquidation. Additionally the Public Fund has also provided indemnities to the Manager and certain related parties, and its assets could also be subject to depletion if such claims are pursued, which brings the solvency question squarely to the Public Fund as well.

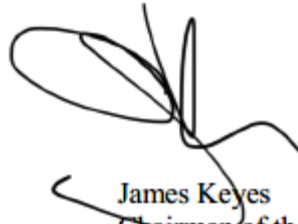
As set out in the AlixPartners Report, a liquidation will result in a substantially worse outcome for all Scheme Creditors as compared to what is being offered in the Buy-Out Transaction.

Accordingly, the boards of both Scheme Companies recommend that the Scheme Creditors vote in favour of the Schemes at each of the Scheme Meetings.

Yours faithfully



Alastair Barbour
Chairman of the Private Fund



James Keyes
Chairman of the Public Fund

For and on behalf of the boards of directors of:

Markel CATCo Reinsurance Fund Ltd. (provisional liquidators appointed for restructuring purposes)

CATCo Reinsurance Opportunities Fund Ltd. (provisional liquidators appointed for restructuring purposes)

PART I B—LETTER FROM THE JPLS OF THE SCHEME COMPANIES

18 February 2022

Dear Investors:

On 1 October 2021, we were appointed by order of the Court to act as joint provisional liquidators (“JPLs”) of the companies comprising the CATCo Group, namely the Scheme Companies, the Manager and the Reinsurer. Our powers as JPLs are limited in scope, to enable us to oversee the implementation of the Buy-Out Transaction.

We are both independent of the CATCo Group companies and of Markel Corporation. We have reviewed the Buy-Out Transaction but were not involved in the development of the proposal directly and have no financial or other interest in the outcome of the Schemes.

AlixPartners prepared an analysis (described in further detail at “*Part VI—Alternative If the Schemes Are Not Implemented*”) which indicates that returns to Scheme Creditors under the Schemes will be materially better than under an ordinary liquidation, which we understand from discussions with the management team of the CATCO Group is the most likely alternative to the Restructuring.

Based on our review of the potential outcomes if the Schemes are not implemented, and our review of the terms of the Buy-Out Transaction, it is our view that the Buy-Out Transaction provides a substantially better return to Scheme Creditors. It also provides such return much sooner, and with less uncertainty of outcome.

For these reasons, we have supported the Scheme Companies in preparing and proposing the Schemes and will assist with the implementation of the Schemes if they receive the requisite approval of Scheme Creditors and are sanctioned by the Court.

We support the Boards’ recommendation that Scheme Creditors vote in favour of the Schemes at each of the Scheme Meetings.

Yours faithfully



Simon Appell



John McKenna

Joint Provisional Liquidators of the Private Fund and the Public Fund

PART II—BACKGROUND OF THE CATCO GROUP AND THE SCHEMES

Introduction to the CATCo Group and the Schemes

1. The Scheme Companies, the Reinsurer and the Manager (together, the “**CATCo Group**”) collectively comprise an investment fund business which provided investors the opportunity to invest in catastrophic risk reinsurance. In 2015, Markel Corporation, an entity incorporated in the Commonwealth of Virginia, United States of America (“**Markel Corporation**”), acquired the insurance linked securities business operated by CATCo Investment Management Limited, a Bermuda incorporated company. As a result of this acquisition, the Manager was incorporated on 2 September 2015 in order to take over the role of CATCo Investment Management Limited and to manage the investments of the Public Fund and of the then newly established Private Fund. From 2015 to 2019, the Manager managed a reinsurance and retrocessional (or “**retro**”) reinsurance business known as the “**Markel CATCo Business**”, through which capital raised from investors was invested in reinsurance products, predominantly retrocessional coverage. In summary, capital was raised by soliciting investments in the Private Fund and the Public Fund, with such investor capital ultimately invested in the Markel CATCo Re Ltd. (the “**Reinsurer**”) by way of the funds (operated by the Private Fund) subscribing for shares in the Reinsurer. Each class of shares issued by the Reinsurer was linked to specific reinsurance products. During 2015 to 2019, the funds received over \$4.3 billion in subscriptions from third-party investors.
2. As described further below at “— *The Private Fund*”, the Private Fund was incorporated as a segregated accounts company and operated eight segregated accounts. Each fund was open to specific investors, with those investing directly into the Private Fund receiving shares in a particular segregated account. Six of these accounts (referred to as the ‘Sub-Funds’) in turn invested investor funds into an account known as the ‘Master Fund’; the Master Fund in turn invested predominantly in retro reinsurance products issued by the Reinsurer (the Master Fund and Sub-Funds are referred to collectively as the ‘Retro Funds’ for this reason). The Public Fund invested directly in the Master Fund account. The Master Fund was therefore the account into which all investor capital, other than that invested in the other account operated by the Private Fund, namely the ‘Aquila Fund’, was pooled and subsequently deployed as investment in the Reinsurer. The Aquila Fund offered investors exposure to non-retrocessional insurance products issued by the Reinsurer.
3. In 2017 and 2018, the catastrophic risk reinsurance business of the Companies suffered large losses due to a number of large windstorms and forest fires, as described in further detail below at “— *2017 and 2018 Losses*”. In summary, as a result of these losses, in 2018, the Manager decided to cease offering new investment in the Private Fund (whether by way of further subscriptions from the Public Fund or from private investors). Subsequently, on 26 March 2019, investors in the Public Fund voted to approve the orderly run-off of its investments in the Master Fund operated by the Private Fund. On 25 July 2019, the Manager announced that the Private Fund would cease accepting new investments and would not write any new business through the Reinsurer going forward.
4. The Manager then commenced the orderly run-off of the Reinsurer’s existing portfolio. Until recently, the run-off had progressed smoothly, with funds totalling c. \$2.3 billion having been released and returned to investors as of August 2021. The aggregate net asset value of the Private Fund as of 31 December 2021¹ was \$817.1 million. The Manager expects the run-off to take approximately three years from when it began in January 2020 (i.e. until January 2023).
5. More recently, a number of investors in sub-funds operated by the Private Fund have either asserted or threatened claims or raised the possibility of asserting claims, seeking to recover losses incurred on their investments in 2017 and 2018 (as described further below). In October 2020, one of these

¹ The latest NAV available for the Aquila Fund is 30 September 2021 (adjusted for contingent loss provision)

investors filed a claim in the U.S. against the former CEO of the Manager, Mr. Anthony Belisle (“**Mr Belisle**”) and in June 2021, a settlement was reached with respect to this claim which involved the Manager. Other investors have either threatened or raised the possibility of asserting claims, and some of them have subsequently done so as described below.

6. Whilst the Scheme Companies deny that they, the Manager or the officers of the Scheme Companies or the Manager have any liability in relation to the claims raised, the threat of Investor Claims being made (as described in more detail at below at “– *Investor Claims to Date*”) presents a serious risk to the orderly run-off of the CATCo Group. If such further Investor Claims were to be asserted against the Scheme Companies or against the Manager or the officers or employees of the Scheme Companies or the Manager, significant costs will be incurred, including in meeting defence costs, and potentially paying settlements and any sums awarded in damages should adverse judgments be received.
7. Any liability in excess of the limited insurance coverage available in respect of Investor Claims and their associated cost will decrease funds which would otherwise be available for distribution to Scheme Creditors. Furthermore, such potential liabilities impair the ability of the Manager and the Private Fund to continue to return capital to investors as it otherwise becomes available for distribution. Consequently, any further distributions are unlikely to be made until the issue surrounding Investor Claims is resolved.
8. In order to: (a) resolve the uncertainty around further investor litigation; (b) ensure that all investors are treated alike, and none gains an unfair advantage through litigation; and (c) facilitate the expeditious return of funds to investors, Markel Corporation, an entity incorporated in the Commonwealth of Virginia, United States of America (“**Markel Corporation**”), has decided to make a buy-out transaction available to the Private Fund and the Public Fund (the “**Buy-Out Transaction**” and the implementation of such Buy-Out Transaction, the “**Restructuring**”). Markel Corporation is the indirect owner of the voting shares in the Private Fund, Reinsurer and Manager, having acquired the Markel CATCo Business in 2015. The Restructuring cannot be implemented unless the Schemes are approved by the Scheme Creditors and sanctioned by the Court.
9. The Schemes will be entered into between the Scheme Companies and all persons (other than Excluded Creditors) that are beneficially interested in the Shares issued by the Private Fund or the Public Fund as at the Scheme Record Time, in their capacity as creditors of the Private Fund (and/or any of its segregated accounts) or Public Fund, as applicable in relation to their potential Investor Claims (the “**Scheme Creditors**”). Under the Schemes, the Scheme Creditors will provide a release of any claims they have or might have against the Scheme Companies and certain related entities and individuals, including those that benefit from indemnities and could be entitled to assert indemnity claims against the Scheme Companies. The Excluded Creditors (as defined below) will provide, contractually pursuant to the terms of the Settlement (as defined below), parallel releases to the Releases granted pursuant to the Schemes. This will enable the Buy-Out Transaction to be implemented, pursuant to which the Scheme Creditors will receive an early return of all of their remaining capital invested in the Private Fund and Public Fund together with their *pro rata* share of contributions totalling an estimated \$69 million to \$74 million which will be provided by Markel Corporation or one or more of its affiliates (the Administrative Expenses Contribution and the Additional Consideration, each as described at “*Part III—The Schemes and the Buy-Out Transaction*” below). In addition, the Scheme Creditors will remain entitled to any future upside on their investments. Markel Corporation and its affiliates will provide funding to facilitate the Buy-Out Transaction and bear all the down-side risk from any future reserve strengthening at the Reinsurer. The terms of the Buy-Out Transaction are described in detail at “*Part III—The Schemes and the Buy-Out Transaction*” below.

10. AlixPartners UK LLP (“**AlixPartners**”) have prepared an analysis (described in further detail at “*Part VI—Alternative If the Schemes Are Not Implemented*” below) which indicates that returns to Scheme Creditors under the Schemes will be materially better than under an ordinary liquidation, which they understand from discussions with the management team of the CATCO Group is the most likely alternative to the Restructuring.
11. On 1 October 2021 the CATCo Group companies sought and obtained the appointment of Simon Appell of AlixPartners and John McKenna of Finance & Risk Services Ltd. (“**FRSL**”) as joint provisional liquidators with limited powers (the “**JPLs**”), in order to provide a stable platform for the implementation of the Restructuring. The appointment of the JPLs provides protection for each Company and its assets from the claims of unsecured creditors, including litigation claimants, by imposing an automatic stay on all actions in Bermuda during the pendency of the provisional liquidation in order to facilitate implementation of the Restructuring. Further detail in respect of the proposed JPLs is set out at “— *Provisional Liquidators*” below.
12. The Buy-Out Transaction was publicly announced on 27 September 2021. All Scheme Creditors were offered the opportunity to provide an undertaking to support the Scheme (“**Investor Undertaking**”), and in doing so become eligible to receive the Early Consent Fee. Further details regarding the Early Consent Fee and the Investor Undertaking are set out at “*Part III—The Schemes and the Buy-Out Transaction— Investor Support and Early Consent Fee*” below.
13. As a result of the Settlement with the Litigation Claimants (as described in detail below at “— *Developments from December 2021 to February 2022*”) the proposed Scheme was amended to exclude the Excluded Creditors from the definition of Scheme Creditors.
14. As of the date of this Explanatory Statement, Investor Undertakings had been provided by 98.2% of the Public Fund Scheme Creditors interested in C Shares of the Public Fund, and 95.4% of Public Fund Scheme Creditors interested in Ordinary Shares of the Public Fund. Investor Undertakings have been provided by Private Fund Scheme Creditors in the following percentages (in each case by value calculated by reference to the Net Asset Value of the Shares held by each Scheme Creditor):
 - (a) 99.47% of the Retro Funds 2016 Class;
 - (b) 99.11% of the Retro Funds 2017 Class;
 - (c) 99.87% of the Retro Funds 2018 Class;
 - (d) 99.60% of the Retro Funds 2019 Class; and
 - (e) 100% of the Aquilo Class.
15. Accordingly, both Schemes are supported by the overwhelming majority of their Scheme Creditors in each and every class.

Background to the Scheme Companies and the Markel CATCo Business

16. The Manager is an exempted company incorporated under the Companies Act 1981, (“**Companies Act**”), on 2 September 2015. The Manager holds an investment business licence issued by the Bermuda Monetary Authority (the “**BMA**”) under the Investment Business Act 2003, and an insurance management licence issued by the BMA under the Insurance Act 1978 and its related regulations (the “**Insurance Act**”).
17. The Private Fund was incorporated as an exempted mutual fund company incorporated under the Companies Act on 14 September 2015 and registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 (the “**SAC Act**”), on 9 November 2015. The Private Fund was incorporated in 2015 in connection with the acquisition by Markel Corporation of the

Markel CATCo Business. The Private Fund is authorised by the Bermuda Monetary Authority (the “BMA”) as an “**Institutional Fund**” under the Investment Funds Act 2006.

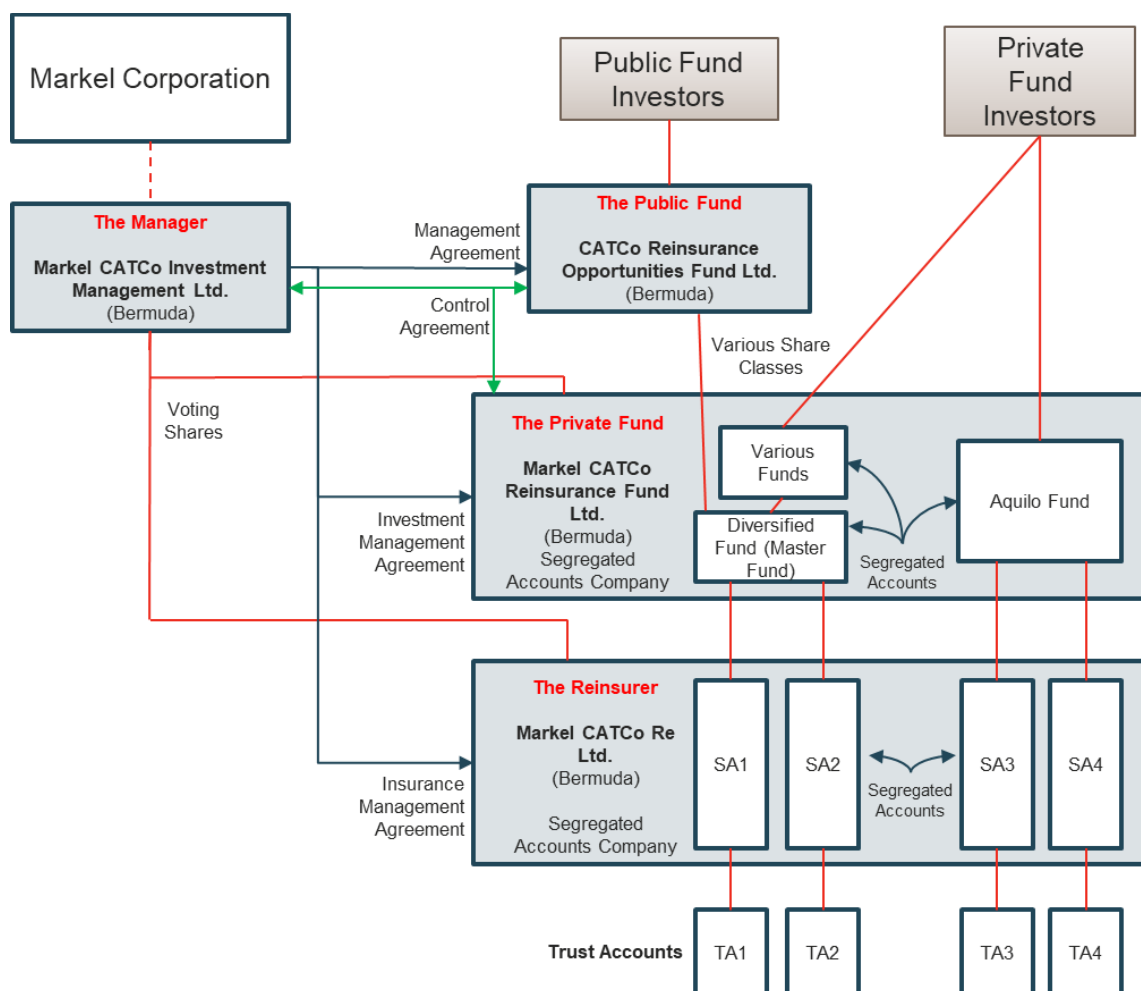
18. The Public Fund is an exempted mutual fund company incorporated under the Companies Act on 30 November 2010. The Public Fund is publicly listed on the London Stock Exchange (Specialist Fund Segment) and the Bermuda Stock Exchange.
19. The Reinsurer was incorporated as an exempted company incorporated under the Companies Act on 14 September 2015 and registered as a segregated accounts company under the SAC Act. The Private Fund was incorporated in 2015 in connection with the acquisition by Markel Corporation of the CATCo business. The Reinsurer is registered with the BMA as a Class 3 Insurer under the Insurance Act and its related regulations (the “**Insurance Act**”).

The Markel CATCo Business

20. As part of the Markel CATCo Business, the Reinsurer provided catastrophic risk reinsurance and retro reinsurance to its reinsurance clients, covering extraordinary losses incurred in respect of certain regions and certain natural disasters within a defined time period, usually a calendar year. The Reinsurer was funded by the Private Fund with private investor capital raised directly by the Private Fund, and raised indirectly by the Public Fund on the Specialist Fund Segment of the London Stock Exchange (with a secondary listing on the Bermuda Stock Exchange). The reinsurance policies issued by the Reinsurer were, and those that remain subject to the reinsurance run-off process are, fully collateralised, meaning that the Reinsurer held or holds liquid assets in a separate trust account for each reinsurance contract equivalent to the full potential liability under the contract. The collateral comprised the premium paid by the reinsurance clients, plus an allocation of the proceeds of investments from the Private Fund and, indirectly, the Public Fund.
21. In respect of the structure of investments in the Markel CATCo Business, private investors would invest directly through segregated accounts of the Private Fund and public and institutional investors would invest in the Public Fund, which in turn invested directly in the Private Fund. In essence, therefore, the Public Fund operated as a “feeder fund”, through which public and institutional investors were able to invest indirectly in the Master Fund of the Private Fund (as described further at “*Part IX—The Public Fund Scheme*” below).
22. Returns to investors were entirely dependent on the performance of Markel CATCo’s reinsurance and retro portfolios and were subject to management fees, performance fees, and other expenses including hedging costs. In a year with no losses, investors could earn in excess of a twenty percent (20%) gross return on capital; in a year with many catastrophic events, investors could lose substantial portions or all of their capital investments.

CATCo Group Structure

23. The corporate and fund structure of the CATCo Group is set out below (the following diagram is simplified; there are more segregated accounts than those depicted here for illustration purposes, while references to “SA” refer to a segregated account and references to “TA” refer to a Trust Account):



The Manager

24. The Manager is a Bermuda-based insurance and investment manager and an indirect wholly-owned subsidiary of Markel Corporation, and owns 100% of the voting shares of each of the Private Fund and the Reinsurer.
25. The Manager is responsible for the day-to-day management of the Private Fund and the Reinsurer, and for providing certain management services to the Public Fund. The Manager provides such management services to the Private Fund, the Public Fund and the Reinsurer pursuant to the following agreements:
 - (a) an investment management agreement dated 8 December 2015 entered into between the Manager and the Private Fund (on behalf of each segregated account the Private Fund operates) (the “**Private Fund Management Agreement**”);
 - (b) an investment management agreement dated 8 December 2015 between the Public Fund and the Manager (the “**Public Fund Management Agreement**”); and
 - (c) an insurance management agreement between the Manager and the Reinsurer dated 8 December 2015 (the “**Insurance Management Agreement**”),
 collectively, these agreements are referred to as the “**Management Agreements**”.

26. Under their respective Management Agreements, each of the Private Fund, Public Fund and Reinsurer have provided extensive indemnities to a broad range of persons including, *inter alios*, the Manager, Markel Corporation, and certain employees, officers and affiliates, as described below.
27. Under the Private Fund Management Agreement, the Manager is, pursuant to Clause 2(a), granted the “*discretionary authority, power, and right, for the account and in the name of the Company*” to “*manage the day-to-day ordinary operations of the Company*”.
28. Under the Public Fund Management Agreement, the Manager is appointed as Investment Manager and has, pursuant to Clause 4, the “*authority, power and right, for the account of the [Public Fund]*” to undertake various actions, including pursuant to Clause 4.1 to do “*any matter or thing that the ... Manager reasonably considers appropriate in connection with its services under this Agreement*”.
29. Under a control agreement between the Public Fund, the Private Fund (acting in respect of the Master Fund), the Manager and the Reinsurer dated 8 December 2015, the Public Fund, the Private Fund, the Manager and the Reinsurer agreed, *inter alia*, that the portfolio of investments of the Master Fund would be managed in accordance with the Public Fund’s investment policy, as set out in its prospectus.

The Private Fund

30. The Private Fund operates eight funds, namely: (i) Markel CATCo Diversified Fund (the “**Master Fund**”); (ii) Diversified Fund II; (iii) Limited Diversified Arbitrage Fund; (iv) Diversified Arbitrage Fund; (v) GTL Diversified Fund; (vi) Markel Diversified Fund; (vii) QIC Diversified Fund; and (viii) Aquilo Fund (collectively, the “**Segregated Accounts**”, and each, a “**Segregated Account**”).
31. Each Segregated Account is a separate individually managed pool of assets.
32. Excluding the Aquilo Fund, the other seven funds are connected, namely, the (i) Master Fund; (ii) Diversified Fund II; (iii) Limited Diversified Arbitrage Fund; (iv) Diversified Arbitrage Fund; (v) GTL Diversified Fund; (vi) Markel Diversified Fund; and (vii) QIC Diversified Fund, in that each of (ii) through (vii) holds investments in the Master Fund (collectively, the “**Retro Funds**”).
33. Each Segregated Account and investments operated by the Private Fund can be broadly divided into two categories: (i) the investments in, and investments made by, the Aquilo Fund; and (ii) the investments in, and investments made by, the Retro Funds, further details of which are set out in the following paragraphs.

The Aquilo Fund

34. The Aquilo Fund offered its investors exposure to traditional (non-retro) reinsurance products issued by the Reinsurer. Such policies were issued by the Reinsurer through rated fronting reinsurance carriers. Investors in the Aquilo Fund have no interest in or financial exposure to assets of the Retro Funds through their investment in the Aquilo Fund (although some Aquilo Fund investors separately also hold interests in the Retro Funds).

The Retro Funds

35. The Retro Funds invested in the Reinsurer *via* the Master Fund, which invested its assets predominantly in retro reinsurance products issued by the Reinsurer, as described more fully below.
36. The Master Fund raised capital by issuing participating shares directly to investors, or by issuing participating shares to the Public Fund or any of the other six Retro Funds (the “**Sub-Funds**”). The Public Fund and Sub-Funds in turn issued participating shares to investors. By choosing whether to invest in the Master Fund directly, or in one of the Sub-Funds, investors could achieve exposure to the same pool of investments, but with different hedging strategies.

37. The hedging operated by the Sub-Funds was purchased on a year by year basis in respect of the insurance assets in which the applicable fund was invested through the Master Fund. All such hedging arrangements paid out or otherwise settled at the end of the relevant year, and given that there are no active investments, there are no longer any hedging arrangements. Accordingly, there are now no longer any material differences between the economic interests of the investors holding in the Master Fund directly, or through the various Sub-Funds; all are invested in the remaining assets of the Master Fund, whether directly or indirectly. In other words, although Scheme Creditors who are beneficially interested in the Retro Funds held shares in the Sub-Fund through which they made their investment, the level of returns they receive is entirely dependent on performance of the assets in the side pocket of the Master Fund (“**Master Fund SP**”) in which they are beneficially interested.

Share Rights in the Private Fund: Share Series and Sub-Series

38. The Private Fund has issued a separate class of participating shares in respect of each of the Sub-Funds and the Master Fund, holders of which are only entitled to the proceeds of the Segregated Account to which their Shares relate.
39. The Private Fund was initially able to issue four series of shares per Fund: series A, B, C and D. The difference between the series of shares related to the amount of the performance fee and the notice period for redemptions:
- (a) series A and B were fully paid up shares issued to investors (the difference in the A and B shares related to the amount of the performance fee that could be earned and the notice period for redemptions);
 - (b) series C shares were issued only by the Master Fund to the Public Fund. Series C shares had a different performance fee and redemption period; and
 - (c) series D shares were issued by the Retro Funds to investors on a non-paid up basis, in order to provide on-demand funding to be used to fund reinsurance investments when identified by the Reinsurer.
40. In respect of the Aquilo Fund only series A shares were issued.
41. The Private Fund, through its appointed fund administrator, was able to and did issue separate sub-series of each of the A, B, C and D share series. As noted above, Series C was issued only by the Master Fund to the Public Fund. Each of Series A, B and D were issued by the Master Fund or Sub-Fund into which an investor invested, and each of these Segregated Accounts issued a separate sub-series to each investor in the Segregated Account (i.e. A1, A2, etc.), principally to facilitate tracking of each investor’s investment. The rights of holders of different sub-series of shares within each series are the same.
42. In light of the losses incurred by the Funds in 2017 and 2018, as described in further detail at “—*2017 and 2018 Losses*” below, there are no performance fees payable on the shares in the Retro Funds other than in respect of one Scheme Creditor that invested only in 2019; and, in light of the fact that the Reinsurer is now in run-off for the purpose of returning capital to Scheme Creditors, the notice periods for redemptions are no longer of any application since all A, B, C and D series shares previously issued by the Master Fund or Sub-Funds have already been redeemed or converted into side-pocket shares (as described below). Accordingly, there are now no longer any relevant differences between the rights attaching to the Shares of Scheme Creditors that originally invested in A, B, C or D shares, save for the reduced management fee applicable to the series C shares held by the Public Fund.

43. Separately the Manager agreed to pay rebates on the management fees payable to certain investors in connection with the fund raising process, although such rebates do not vary the rights attaching to the shares in which Scheme Creditors are interested.

The Side Pockets

44. The Bye-Laws of the Private Fund enable its directors to create ‘side-pockets’ (“SPs”, or, in the case of a single side-pocket, a “SP”) where desirable to do so to manage the liquidity of the Funds. A SP constitutes a distinct class of shares issued in respect of any particular Fund, holders of which are entitled to share in a defined pool of illiquid assets subject to run-off periods. The Private Fund utilised SPs at the end of each calendar year to fix the interests of their investors in the capital trapped in insurance policies for such year:
- (a) In the Master Fund, SPs were created at the end of each of 2016, 2017, 2018 and 2019. As explained above, all of the Scheme Creditors who are beneficially interested in the Retro Funds are beneficially interested in the SP corresponding to the policy years in which they invested.
- (b) In the Aquilo Fund, SPs were created at the end of each of 2014 through 2020.
45. During 2019 the Private Fund decided to commence the run-off the Retro Funds and the Aquilo Fund and return capital to investors. At the end of 2019 all of the assets of the Retro Funds that were not capable of being distributed to investors were placed into SP 2019, as they had done in previous years, and the remaining liquid assets were returned to investors. The entire participating share capital of both the Master Fund and the Aquilo Fund now comprises SP shares.

Holdings related to Markel Corporation

46. Markel Corporation or certain entities connected to it have certain interests as investors in both the Aquilo Fund and the Master Fund, and in the Public Fund.
47. The reinsurance policies in which the Aquilo Fund invests are not all written on a calendar year basis. At the end of 2019 there remained a number of outstanding investments that could not be allocated to SP 2019. At that point Markel Corporation (directly or indirectly) acquired all of the remaining non-SP shares in the Aquilo Fund, in order to facilitate a return of remaining fund capital to investors. Those remaining fund assets were ultimately allocated to SP 2020, of which Markel Corporation is now the sole holder. SP 2020 comprises approximately 18% of the Aquilo Fund as at 31 August 2021.
48. An investment fund managed by an affiliate of Markel Corporation (the “**Affiliated Managed Fund**”) as at 31 August 2021 owned (indirectly via a Sub-Fund) approximately 2.9% (by value) of the shares in the Master Fund, across all four SP years. Markel Corporation has no economic interest in the Affiliated Managed Fund.
49. Markel Corporation, indirectly via certain affiliates, holds approximately 6.6% of the Ordinary Shares of the Public Fund. It does not own any C Shares of the Public Fund.

The Public Fund

50. As noted above, the Public Fund operates as a “feeder fund” through which public and institutional investors could indirectly invest in the Master Fund of the Private Fund. The Public Fund used the funds raised from its share issuances, the majority of shares having been sold *via* private placement directly to institutional investors, to invest in shares issued by the Master Fund.

Share Rights in the Public Fund

51. The Public Fund has two classes of shares in existence : ordinary shares (“**Ordinary Shares**”) and C shares (“**C Shares**”), the proceeds of which were used to subscribe for shares in the Master Fund.

The Ordinary Shares and the C Shares are represented by Depository Interests (as explained below) and carry the same right to receive notice of, and to attend or vote at, any general meeting of the Public Fund. The differences between the Ordinary Shares and C Shares relate to the policy years in the retro reinsurance business in which they are invested. The Ordinary Shares are invested in policy years 2016 through to 2019, and the C Shares are invested in policy years 2018 and 2019.

52. Scheme Creditors that are beneficially interested in Ordinary Shares (“**Ordinary Members**”) and Scheme Creditors that are beneficially interested in C Shares (“**C Members**”) are indirect holders of investments in the SPs relating to the policy years in which Ordinary Shares and the C Shares are respectively invested. The effect of this is that:
 - (a) Ordinary Members are indirect holders of investments in: (i) 2016 Master Fund SP; (ii) 2017 Master Fund SP; (iii) 2018 Master Fund SP; and (iv) 2019 Master Fund SP; and
 - (b) C Members are indirect holders of investments in: (i) 2018 Master Fund SP; and (ii) 2019 Master Fund SP.
53. The Ordinary Shares and C Shares in the Public Fund are admitted to trading on the Specialist Fund Segment of the London Stock Exchange and also on the Bermuda Stock Exchange.
54. Other than 0.08% of the Ordinary Shares which are held in certificated form by certain investors, the shares in the Public Fund are held by Link Market Services Trustees (Nominees) Limited (formerly known as Capita IRG Trustees Ltd) (the “**Depository**”), as depository for the purpose of the listing of the Public Fund Shares on the London Stock Exchange. The Depository has issued depository interests (“**Depository Interests**”) in respect of the Public Fund Shares to which it holds legal title to, that are in turn held by “**CREST Account Holders**”, through CREST (the system for the paperless settlement of trades in securities operated by Euroclear UK & Ireland). The Depository Interests are held by various account banks, either on their own behalf or on behalf of underlying beneficial owners.
55. Markel Corporation, indirectly via certain affiliates, holds approximately 6.6% of the Ordinary Shares of the Public Fund. It does not own any C Shares of the Public Fund.
56. The relationship between the CREST Account Holders and the Depository is set out in the Deed Poll entered into by the Depository dated 10 December 2010 (“**Depository Deed**”).
57. The remainder of Ordinary Shares and C Shares (“**Certificated Shares**”) are held in certificated form by Registered Shareholders, including by Nominees (either on their own behalf or on behalf of underlying beneficial owners). Public Fund Scheme Creditors that have interests in Shares through Depository Interests and Public Fund Scheme Creditors that have interests in Certificated Shares have the same economic rights as between each other in respect to their interests in the Ordinary Shares and the C Shares.

The Reinsurer

58. As noted above, the Reinsurer is registered with the BMA as a Class 3 Insurer under the Insurance Act. The Reinsurer wrote two types of insurance business: retro coverage for reinsurers (“**cedants**”) in respect of the Retro Funds, and ordinary reinsurance for insurers in respect of the Aquilo Fund.
59. Each retro policy written by the Reinsurer is held within a separate segregated account, 100% of the share capital of which is owned by the Master Fund. Each reinsurance contract signed by the Reinsurer in respect of the Aquilo business is held within the Aquilo segregated account of the Reinsurer, 100% of the share capital of which is owned by the Aquilo Fund.

Retro Policies

60. The retro reinsurance policies written by the Reinsurer in respect of the Master Fund typically comprised fully collateralised one-year policies. The Reinsurer placed cash and cash equivalent

assets in trust accounts situated in New York, United States of America, for the benefit of the relevant cedant (each a “**Trust Account**”). When loss events occur during the policy year, the Manager uses its judgment to set loss reserves that it believes will be sufficient to cover claims under the relevant policies. The total liability in respect of any policy is not typically known at the end of the policy year, as additional claims are made to the underlying insurer, and reinsurer, in periods after the policy year. Accordingly, following the expiry of the policy year, cedants can ‘trap’ assets in the Trust Accounts to cover their ultimate exposure. The amount trapped is based on contractual terms. The value to the Reinsurer, from time to time, of any policy is the amount by which the amount trapped exceeds the loss reserves under the policy.

61. Value is typically trapped in the Trust Accounts for three years after the policy year, after which point the Reinsurer may require commutation (settlement) of any remaining claims, with the result that any surplus funds are released. The rationale for these three-year periods is that insurance losses take time to develop and crystallise. If mutual consent is not reached, the contracts can remain open beyond three years. However, prior to the three year period expiring, partial releases are possible where contractual buffer loss tables within the reinsurance contracts allow.

Aquilo Reinsurance Policies

62. The reinsurance policies written by the Reinsurer in respect of the Aquilo Fund were fronted by certain independent, rated reinsurance carriers. Capital raised from investors in the Aquilo Fund was invested in Reinsurer shares issued in respect of a segregated account, which is not the same as the segregated accounts in which Retro Fund assets were invested. The Reinsurer used the proceeds of such investment to collateralise the fronting agreement with each rated carrier. Collateral is released by the fronting reinsurers as claims are determined or commuted.
63. Unlike the retro reinsurance policies, the reinsurance issued in respect of the Aquilo Fund typically did not provide for mandatory commutation at the expiry of a three-year window, meaning that value can potentially remain trapped for an extended period if claims remain to be determined.

Indemnities

64. The Scheme Companies have extensive indemnification obligations to a broad range of persons including, *inter alios*, the Manager, Markel Corporation, and certain employees, officers and affiliates, as described below.

The Private Fund Management Agreement

65. As noted above at “– *The Manager*”, the Manager performs services for the Private Fund in accordance with the terms of the Private Fund Management Agreement.
66. The Private Fund Management Agreement contains broad indemnification provisions in Section 6(a), that require each Segregated Account (that is the Aquilo Fund and each of the Retro Funds) to indemnify “*out of the assets of the applicable Fund*”:
 - (a) the Manager and its affiliates, directors, managers, shareholders, officers, controlling persons, employees, sub-advisors, and agents and/or the legal representatives and controlling persons of any of the foregoing;
 - (b) against “*any liabilities, claims, and expenses, including amounts paid in satisfaction of judgments, in compromise, or as fines and penalties, and counsel fees and expenses reasonably incurred*” by such indemnified person; and
 - (c) in connection with “*the defence or disposition of any action, suit, or other proceeding, whether civil or criminal, before any court or administrative or investigative body, in which such [indemnified person] may be or may have been involved as a party or otherwise or*

with which such [indemnified person] may be or may have been threatened”, while acting in any capacity set forth in Section 6(a) of the Private Fund Management Agreement.

67. The indemnification provision in Section 6(a) of the Private Fund Management Agreement contains carve-outs where, *inter alia*, the indemnified person’s actions are adjudicated “*not to have been taken in good faith in determining that such Indemnified Party’s action was in the best interest of [the Private Fund]*” or where the liability “*aris[es] by reason of its willful negligence, willful default, fraud or dishonesty.*”
68. Pursuant to Section 6(b), the Private Fund is required to make advance payments in connection with the costs of an indemnified party defending any action where, *inter alia*, the indemnified person confirms their good faith belief that the standard of conduct for indemnification has been met. This means that, even if a claim were brought against an indemnified person that appears to fall within one of the carve-outs, the Private Fund could still be required to make advance payments to fund their defence in the first instance.

Public Fund Management Agreement

69. As noted above at “– *The Manager*”, the Manager performs services for the Public Fund in accordance with the terms of the Public Fund Management Agreement.
70. Pursuant to Clause 10 of the Public Fund Management Agreement, the Public Fund has agreed to “*indemnify on demand the Investment Manager, its subsidiaries and other affiliates, and their respective officers, directors, employees and agents from time to time ... out of the [Public Fund]’s assets in respect of any losses, damages, claims, demands, liabilities, obligations, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature (including the cost of investigating or defending any claims, demands or liabilities, and any legal fees so incurred) ... in connection with this [Public Fund Management Agreement] or the legal relationships established by this [a]greement.*”
71. Pursuant to Clause 10.2, the indemnity does not apply in the case of losses “*resulting directly from the fraud, negligence, dishonesty or wilful default*” of an indemnified person.

The Insurance Management Agreement

72. As noted above at “– *The Manager*”, the Manager performs services for the Reinsurer in accordance with the terms of the Insurance Management Agreement.
73. Pursuant to Clause 9 of the Insurance Management Agreement, to the fullest extent permitted by applicable law, the Reinsurer has agreed to indemnify on demand “*the Manager and its officers and employees against any loss, damage, costs, expenses, actions, proceedings, claims or liabilities whatsoever arising out of or in connection with this [Insurance Management Agreement] or which the Manager may incur hereunder whether to the [Reinsurer] or to any other person, firm or company whatsoever.*”
74. The indemnity does not apply to any special damages or punitive damages, and the indemnity does not apply to losses that occur “*(i) as a result of the willful negligence, willful default, fraud or dishonesty of the Manager or its officers of [sic] employees, (ii) as a result of employment disputes between the Manager and its employees, including employees hired specifically to fulfill the provisions of this [Insurance Management Agreement], and (iii) as a result of any other contract disputes between the Manager and its service providers, including service providers hired specifically to fulfill the provisions of this [Insurance Management Agreement].*”

Bye-Laws of the Manager, the Reinsurer, the Private Fund and the Public Fund

75. Section 98 of the Bermuda Companies Act 1981 permits Bermuda companies to adopt bye-laws which indemnify directors and officers and relieve them of all liability in relation to the

performance of their duties except in cases of fraud or dishonesty. Each of the bye-laws of the Manager, the Private Fund, the Public Fund and the Reinsurer contain identical indemnification provisions.

76. Under their respective bye-laws the Manager, the Private Fund, the Public Fund and the Reinsurer indemnify:
- (a) the directors, secretary and other officers (i.e. any person appointed to any committee by the board of directors of the respective entity) acting in relation to any of the affairs of the Company (as defined in each of the bye-laws), any subsidiary thereof, and the liquidation or trustees (if any) acting in relation to any of the affairs of the Company or any subsidiary thereof and the indemnified persons' respective heirs, executors and administrators;
 - (b) against "*all actions, costs, charges, losses, damages and expenses which [the indemnified person] or their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in [the indemnified persons'] respective offices or trusts, and the acts, receipts, neglects or defaults of [other indemnified persons] or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of [the indemnified person's] respective offices or trusts, or in relation thereto;*
 - (c) except for any matter in respect of any fraud or dishonesty.

Developments Leading up to the Restructuring

2017 and 2018 Losses

77. In 2017 and 2018, the Master Fund and the Aquilo Fund (and, as a consequence, all investors in the Private Fund and the Public Fund) suffered losses as a result of the occurrence of a number of severe catastrophic events. In 2017, three hurricanes (Harvey, Irma and Maria) and several wildfires occurred in four different geographic regions. In 2018, Typhoon Jebi, Hurricanes Michael and Florence, and further California wildfires occurred. Catastrophic risk insured losses for 2017 rank as the highest annual losses since records commenced about a century ago, and 2018 losses rank as the fourth-highest annual losses. Consequently, many investors in the Markel CATCo Business suffered material losses on their investments in those years.

Governmental Enquiries

78. Late in the fourth quarter of 2018, Markel Corporation was contacted by and received enquiries from the U.S. Department of Justice, U.S. Securities and Exchange Commission and Bermuda Monetary Authority into loss reserves recorded in late 2017 and early 2018 at the Reinsurer. As a result, Markel Corporation engaged Skadden, Arps, Slate, Meagher & Flom LLP ("**Skadden**") to conduct an internal review. The internal review was completed in April 2019 and found no evidence that the Manager's personnel acted in bad faith in exercising business judgment in the setting of reserves and making related disclosures during late 2017 and early 2018.
79. In September 2021, the U.S. Securities and Exchange Commission and Department of Justice confirmed that they had concluded their investigations and did not intend to take any enforcement action against the Manager.

Decision to Run-Off the Funds

80. In December 2018, following the two years of severe losses, the Private Fund offered all investors a special option to redeem their investment whether or not they were at that time entitled to do so pursuant to the terms of their investment. A majority of the investors exercised this option in early 2019.
81. On 26 March 2019, investors in the Public Fund voted to approve the orderly run-off of its investments in the Master Fund. The Public Fund's investment policy is now limited to realising the Public Fund's assets and distributing any net proceeds to Public Fund investors.
82. In light of the investor uptake for the special redemption option and the commencement of governmental inquiries referred to above, the Manager decided to cease offering new investment in the Funds. On 25 July 2019, the Manager announced that it would cease accepting new investments and would not write any new business through the Reinsurer going forward. Thereafter the Manager commenced the orderly run-off of the Reinsurer's existing portfolio.
83. The Manager continued to manage the retro and reinsurance portfolios in order to run-off the said portfolios in an orderly manner and (subject to approval from the BMA) return capital to Private Fund Scheme Creditors and Public Fund Scheme Creditors as it is released from the Trust Accounts. In October 2020 certain litigation claims were asserted as detailed below.

Investor Claims to Date

84. Certain investors in the CATCo Group have alleged claims against the Manager and certain of its former officers, said to entitle them to damages in respect of losses suffered on their investments ("**Investor Claims**").
85. The Scheme Companies, the Manager and the Reinsurer deny any liability for any Investor Claims, and would defend any legal proceedings brought in respect of such claims, although if the Schemes do not become effective this is likely a matter for liquidators in due course.
86. Set out below is a summary of the allegations that have been made to date and the potential for further claims to be brought and/or filed in a liquidation, in the event that the Schemes are not implemented.

Partners' Capital Claims

87. In March 2019, Partners Capital Investment Group LLP ("**Partners**") an investment manager which introduced its clients to the Private Fund, wrote to Markel Corporation to set out its concerns regarding certain representations that the Manager or its employees made which it claimed were misleading. In that letter Partners made clear that it believed that the alleged misrepresentations were not made uniquely to it. In May 2019, Partners again claimed the Manager or its employees made misrepresentations to investors when publicly announcing and marketing the 2018 portfolio. As described below at "*—Developments from December 2021 to February 2022*", after the announcement of the Buy-Out Transaction and the Schemes, certain funds managed by Partners subsequently commenced litigation against Mr Belisle in Florida, which will be settled on the Closing Date of the Schemes in accordance with the Settlement. Partners and certain of its clients are Excluded Creditors.

Eugenia Litigation

88. In October 2020, an investor in the Private Fund, Eugenia II Investment Holdings Limited ("**Eugenia**") filed suit against Mr Belisle, in the U.S. District Court for the Middle District of Florida (the "**Florida Court**") alleging fraudulent misrepresentation and negligent misrepresentation for statements made in 2017 relating to Eugenia's investment for policy year 2018 (the "**Eugenia Litigation**"). In its complaint ("**Eugenia Complaint**"), Eugenia claimed

US\$ 7.5 million plus costs and punitive damages, which represented the losses that Eugenia incurred on its investment in 2018.

89. The Eugenia Complaint alleged that Mr Belisle had made fraudulent and negligent misrepresentations to Eugenia in connection with fundraising for the 2018 portfolio. For example, Eugenia: (a) claimed that the Hypothetical Deal Structure Slide (as defined below) was misleading; and (b) claimed that a number of communications that Mr Belisle and other employees of the Manager made around the expected returns of the Private Fund in 2017 were false. These claims were consistent with complaints that Partners had raised in its 2019 correspondence. Each of these claims are discussed in greater detail below.
90. In reliance on an indemnity provided pursuant to the Manager's bye-laws, Mr Belisle demanded that the Manager meet his costs of defending the Eugenia Litigation, and the amount of any judgment. Mr Belisle also indicated to the Manager that he would join the Manager to the litigation as a defendant on the basis that it was the Manager who was liable in respect of actions taken by him in the course of his employment as CEO of the Manager.
91. In January 2021, Mr Belisle, through counsel, filed a motion to dismiss the Eugenia Litigation (the "**Eugenia Motion to Dismiss**").
92. In June 2021, prior to the extended deadline for Mr Belisle to join additional parties as defendants and prior to the determination of the Eugenia Motion to Dismiss, the Eugenia Litigation was settled on a confidential basis, without admission of liability by Mr Belisle or the Manager. The Manager was therefore never joined to that litigation. Eugenia was paid an amount in settlement of its claims that the Manager disclosed to investors reflected the Manager's assessment of the large legal costs that the Manager was likely to incur in defending the proceeding. The Manager claimed the amount of the settlement from its D&O Insurance coverage.

Other Scheme Creditor Allegations

93. During the Eugenia Litigation, HWH Realty Holdings LLC ("**HWH**"), an investor in the Private Fund raised a potential claim against Mr Belisle, the Manager and/or the Private Fund. HWH threatened legal claims similar to those advanced in the Eugenia Litigation. HWH indicated that its claim was based on a slide in an investor presentation titled "Underwriting Approach – Hypothetical Deal Structure" (the "**Hypothetical Deal Structure Slide**"), which is described further below. HWH also suggested that the Manager, the Reinsurer and the Private Fund operated as a scheme to defraud investors by misleading them about the level of risk involved in an investment.
94. As described below at "*—Developments from December 2021 to February 2022*", HWH subsequently commenced litigation against Mr Belisle in Florida, which will be settled on the Closing Date of the Schemes in accordance with the Settlement. HWH is an Excluded Creditor.
95. As further described below at "*—Developments from December 2021 to February 2022*", another Scheme Creditor, Pension Insurance Corporation plc ("**PIC**"), initially opposed the Private Fund Scheme and the Buy-Out Transaction, before opting to support the Schemes and entering into an Investor Undertaking in support of the Schemes in December 2021.

Potential for Further Investor Claims

96. If the Schemes are not implemented, the Settlement described below at "*—Developments from December 2021 to February 2022*" will not be implemented and the stipulated stays currently in place in respect of the litigation commenced by Partners and HWH in the U.S. courts against Belisle will fall away, and Partners and HWH will presumably seek to pursue the litigation. The CATCo Group entities believe that other Scheme Creditors may also seek to commence claims against the Scheme Companies directly or against entities or persons entitled to indemnities directly or

indirectly from the Scheme Companies, seeking damages in respect of losses suffered as a result of their investment in the Scheme Companies.

97. Certain types of Investor Claims which the Scheme Companies believe could be brought against the Scheme Companies, and the basis for the Scheme Companies' belief, are described below. This list is not intended to be exhaustive.
98. The CATCo Group Companies deny liability with respect to any of the Investor Claims and would intend to defend any asserted Investor Claims. The Scheme Companies do not believe any such claims would succeed. However, this does not exclude the possibility that certain Investor Claims could result in adverse judgments against the Scheme Companies and/or the indemnified parties. By describing potential Investor Claims, neither the Scheme Companies nor any other person or entity make any admission with regards to the existence or validity of any Investor Claims.

Allegations that the CATCo Group Operated as a Scheme to Defraud Investors

99. HWH raised a potential claim suggesting that the CATCo Group companies operated as a scheme to defraud investors. In particular, it alleged that the CATCo Group entities conspired with one another to mislead investors, expose them to greater risk than was disclosed, and earn large fees for the Manager and its employees. As part of this alleged conspiracy, the Reinsurer would enter into under-priced contracts, the Private Fund and Public Fund would take in investor funds to put up as collateral against the under-priced contracts, and the Manager would direct the process and earn fees. Elements of this claim have been raised by other investors.
100. The Scheme Companies categorically deny any suggestion that the CATCo Group companies acted in a scheme to defraud investors, however, if the Scheme Companies were part of a conspiracy to defraud investors, then all of the Scheme Creditors could potentially pursue claims against them. As the Manager and its officers are responsible for managing the Scheme Companies, their knowledge would likely be imputed to the Scheme Companies. It goes without saying that no investor was informed that the CATCo Group companies operated as a scheme to defraud investors in the offering memoranda (for the Private Fund) or the prospectuses (for the Public Fund) (and, to be clear, the Scheme Companies believe that they did not operate as a scheme to defraud investors). In other words, assuming *arguendo* that the CATCo Group Companies did so operate, investors could allege that such information was intentionally or negligently omitted from offering materials in an effort to influence investor decisions, and investors could attempt to request a return of the management fees paid to the Manager, any fund expenses paid, plus any losses on their investments in years where losses occurred. Such claims could extend to Aquilo and Public Fund investors as well as investors in the Private Fund.
101. While the Scheme Companies deny any such allegations, and would defend any such claims if brought, they cannot shrink from the fact that these very significant allegations have been intimated and, if legal proceedings were commenced, could ultimately result in an adverse judgment against the Scheme Companies. In this regard it is worth noting that, had the Eugenia Litigation been tried and not settled, it would have been tried by a jury in Florida.

Allegations Concerning Misrepresentations Made to Investors

102. Certain investors (including in the Eugenia Litigation) have asserted or threatened claims against the Manager and certain of its officers and directors for representations made in an investor deck that was widely disseminated to investors in the Private Fund (the "**Investor Deck**"), particularly with regards to the Hypothetical Deal Structure Slide. The 2016 iteration of the Investor Deck, and substantially similar iterations of this deck were prepared by the Manager and widely disseminated with investors when the Manager raised funds for the 2016, 2017, 2018, and 2019 years. Additionally, this Investor Deck was used at Public Fund investor marketing events.

103. Multiple investors (including Partners) have cited the Hypothetical Deal Structure Slide and argued that it misrepresented the level of loss across the insurance industry at which the portfolio would begin to have liabilities to cedants. In particular, these investors note that this portion of the Investor Deck: (i) listed various ‘contract triggers’ for each of the risk pillars (for example, a \$30 billion contract trigger for a Florida windstorm); (ii) noted that there have only been 8 triggering events in the past 45 years (which amounted to 1 in 5.6 years on average), and (iii) suggested that the loss figures have trended forward to 1 January 2015. These investors thus suggest that the slide represented to investors that absent an event that reached the contract triggers listed on this slide (for example, a \$30 billion Florida windstorm), investors would receive the full no-loss return in that investment year. Ultimately, even in years in which there were not events that reached the contractual trigger levels cited in the Investor Deck, as in 2016 for example, investors still did not receive the no-loss return. Investors could thus attempt to argue that their investments performed worse than they were led to believe in each of 2016, 2017, 2018, and 2019. Similar claims have already been suggested by multiple investors, and because the Investor Deck was widely disseminated in the fundraising period for each of 2016, 2017, 2018, and 2019, and shown at roadshow events for the Public Fund, substantially similar claims could be asserted by any investor in an effort to request a return of the management fees paid to the Manager plus any losses on their investments in years where losses occurred (although the CATCo companies dispute that any such claims are valid).
104. Investors have also raised potential claims based on the pricing information that was disclosed to investors about the contracts executed by the Reinsurer. For example, one investor claimed that the Manager widely suggested that investments were ‘self-healing’ because when catastrophic events occurred it was typical for the Reinsurer’s premiums to increase for the following year. Relatedly, Partners claimed that the Manager provided to investors inaccurate information about the pricing of the 2018 portfolio, including as to the potential increases in pricing from the prior year in light of the catastrophic events in 2017.
105. Although each of the above Investor Claims could necessarily be asserted by investors in each of 2016, 2017, 2018, and 2019 (although the Scheme Companies dispute that any such claims have merit), the Scheme Companies additionally understand that some investors may assert claims relating specifically to the 2018 portfolio. In particular, and in addition to the pricing claim that Partners has raised relating to the 2018 portfolio (discussed in the preceding paragraph), the Scheme Companies note that investors (including Eugenia and Partners) may claim that Mr Belisle (or others at the Manager) understated the potential losses for the 2017 catastrophic events or overstated the expected returns of the Funds in light of those events. Specifically, both Eugenia and Partners have noted that CATCo Group companies disclosed a projected return in September and October 2017 of +5% to -15%, but the ultimate returns were significantly lower and fell outside of that range. The Scheme Companies note that the +5% to -15% range was broadly disseminated to all investors, including in a public press release by the Public Fund on 2 October 2017.
106. To the extent that Investor Claims of the type described above are based on representations or conduct of the Manager or its employees, the Scheme Companies believe (on the basis of legal advice, in respect of which privilege is not waived) that such claims could also be brought against the Private Fund or the Public Fund. This is because, as described above at “– *The Manager*”, the Manager was authorised to act on behalf of the Private Fund pursuant to the Private Fund Management Agreement and/or on behalf of the Public Fund pursuant to the Public Fund Management Agreement.
107. Further, having reviewed the communications on which Eugenia, HWH and Partners rely in alleging potential claims against the CATCo Group companies, the Scheme Companies believe that all material information shared with those investors was also shared contemporaneously with all or a large proportion of other Private Fund Scheme Creditors. The Manager maintained a high

degree of uniformity in its communications with Private Fund Scheme Creditors, and all Private Fund Scheme Creditors received substantially similar communications from the Manager and Private Fund. For example, the Hypothetical Deal Structure Slide described above was contained in Private Fund marketing materials presented to all or substantially all investors during each year's fund raising process. Similarly, all Public Fund Scheme Creditors would have had access to the same publicly disclosed information prior to making their investment.

108. For this reason, if any Scheme Creditor does have a valid Investor Claim in relation to their investment, the Scheme Companies believe it would be likely that the other Scheme Creditors in their class (as to which see "*Part IV—Implementation by the Schemes and Recognition – Class Constitution*") would have an equivalent claim against the Scheme Companies:
- (a) The Private Fund had common obligations to all Private Fund Scheme Creditors in respect of disclosures, representations and the conduct of the CATCo Group's business. During the fund-raising process for each year, Private Fund Scheme Creditors were provided with access to substantially the same material information in relation to the CATCo Group, meaning that any alleged misrepresentation or non-disclosure would likely have impacted Private Fund Scheme Creditors (as applicable) in substantially the same way in respect of their investments in that year.
 - (b) The Public Fund as a public company had common obligations to all Public Fund Scheme Creditors in respect of disclosures, representations and the conduct of the CATCo Group's business. During the fund-raising process for each year, all Public Fund Scheme Creditors were generally provided with access to substantially the same material information in relation to the CATCo Group.
109. Although the Scheme Companies deny that any misrepresentations were made, a group of investors have identified what they consider to be misrepresentations and it is apparent that several investors that are now objecting to the Schemes consider that they do have such claims which, if pursued, could result in adverse judgments against the Scheme Companies.

Distribution of Liability

The Retro Funds

110. The Private Fund's expectation in relation to the potential distribution of Investor Claims to Segregated Accounts in the event of a liquidation is set out in "*Part VI Alternative if the Schemes are not Implemented*", and reflects the assumptions made for the purpose of the AlixPartners Report (as described therein).
111. If any Investor Claims brought by Scheme Creditors with interests in the Retro Funds were valid, it is likely that the proportional amount of the Investor Claims which any particular Scheme Creditor could claim as compared to all other Scheme Creditors in respect of a given SP, would be substantially proportional to their current proportional entitlement to the NAV of the relevant SP of the Master Fund. This is because gains or losses at the Master Fund were shared substantially proportionally across all those investors that were invested in a given SP, including those that invested through Sub-Funds, notwithstanding any applicable hedging or fee rebates. Further, subsequent redemptions of capital have been substantially proportional across the Private Fund Scheme Creditors in a given SP.

The Public Fund

112. Since the Public Fund is not a segregated accounts company, the issue of distribution of liability across segregated accounts does not arise.

Claims Against Indemnified Parties

113. As described above at “– *Indemnities*”, there are a wide group of persons who are entitled to an indemnity from the Private Fund, Public Fund or Reinsurer (“**Indemnified Persons**”), including the Manager, which has limited assets. If Investor Claims of the type described above were brought against Indemnified Persons, whether in addition to or instead of the Scheme Companies, the Scheme Companies will be required to indemnify such person against any liability unless the liability falls within carve-outs for fraud, wilful default or similar actions (“**Carve-Out**”). Any indemnity claims brought against the Indemnified Parties would ultimately diminish assets available to Scheme Creditors.
114. For the same reasons as are set out above, in relation to claims by Private Fund Scheme Creditors with interests in the Retro Funds, any indemnity claim in respect of an Investor Claim brought by a Private Fund Scheme Creditor with interests in the Retro Funds seeking damages in respect of the performance of the Master Fund, is likely to be linked to the Master Fund for the purpose of the SAC Act. Indemnity claims in respect of Private Fund Scheme Creditors with interests in the Aquilo Fund are likely to be linked to the Aquilo Fund.
115. While Investor Claims brought against Indemnified Persons which are ultimately determined to fall within the Carve-Out (“**Carve-Out Claims**”) are not required to be indemnified by the Scheme Companies, the potential for such claims nevertheless has a significant effect on the Scheme Companies, for the following reasons:
- (a) First, where a Carve-Out Claim is brought against an Indemnified Person, pursuant to the Private Fund Management Agreement the Private Fund is required to pay the legal costs of the Indemnified Person defending the claim, subject to an undertaking to repay such costs if the Carve-Out Claim succeeds. The costs of defending such claims could be significant, and there would be no certainty about the recoverability of the amount advanced. For example, the indemnification costs associated with the litigation brought by Eugenia against the former chief executive officer of the Manager, Anthony Belisle, relating to Eugenia’s investment for policy year 2018 (the “**Eugenia Litigation**”) would have been several million dollars. There would also likely have been several million dollars in additional costs borne by the Manager, and through indemnification by the Private Fund and Public Fund, as the Manager responded to various discovery requests in that litigation. Additionally, costs would multiply if litigation was pursued against more than one defendant (*e.g.*, if a lawsuit were filed against multiple current or former employees and the Manager); and
 - (b) Secondly, as in the Eugenia Litigation, it would be likely that any claimant would assert other, indemnified claims alongside any Carve-Out Claim, and the defendant to any such claim would be likely to wish to settle without admission of fraud or other factor which would undermine the indemnity. In this situation, the Scheme Company would have to choose between either accepting and paying the settlement or incurring the cost of litigating the defendant’s indemnity claim, to determine whether the settlement liability falls within a Carve-Out.

The Subscription and Offering Documentation

116. If Investor Claims were brought, the Private Fund, Public Fund and Manager would in defending the claims rely on, *inter alia*, certain provisions of the offering and subscription documentation, as described below.
117. The offering memoranda of the Private Fund (in all years, and which, together with the applicable supplements, applied across all segregated accounts) stated that no person was authorised to make any representations or provide any information with respect to the shares except such information

contained in the respective offering memorandum. For example, the Private Fund Offering Memorandum dated November 2015 stated (capitals in original):

“NO PERSON HAS BEEN AUTHORISED TO MAKE ANY REPRESENTATIONS OR PROVIDE ANY INFORMATION WITH RESPECT TO THE SHARES EXCEPT SUCH INFORMATION AS IS CONTAINED IN THIS MEMORANDUM”

118. The Public Fund Prospectuses dated 29 September 2015 and 7 November 2017 stated:

“In assessing an investment in the Company, investors should rely only on the information in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, the Investment Manager, Numis or any of their respective affiliates, directors, officers, employees or agents or any other person.”

119. Relevantly the same provision (with “Paying Agent” substituted for the reference to “Numis or any of their respective affiliates, directors, officers, employees or agents”) was contained in the previous Public Fund Prospectus dated 18 May 2011.

120. By subscribing for shares, each investor also acknowledged sole reliance upon the relevant offering memorandum, other public company documents and the investor’s own independent investigations. Pro forma subscription agreements for all funds were produced for both U.S. and non-U.S. persons, in relevantly similar terms. For example, a copy of the October 2017 *pro forma* Subscription Agreement for investments in the Diversified Arbitrage Fund of the Private Fund by Non-U.S. persons states:

“The Investor acknowledges that in making a decision to subscribe for Shares the Investor has relied solely upon the Company Documents, the most recent annual report and accounts of the Company (if any) and (where applicable) the most recent unaudited monthly report, and independent investigations made by the Investor.”

Future Distributions

121. In light of the potential for Investor Claims described above, any further distributions of Private Fund (and indirectly, Public Fund) assets to Scheme Creditors would require careful consideration of the appropriateness of such distributions, including considering the solvency of the Public Fund, Private Fund or Reinsurer. In the circumstances, since May 2021 the boards of directors of these companies have not approved further returns of capital and await the outcome of the Schemes, or other resolution of the potential for Investor Claims, to make further distributions.

Communications with Scheme Creditors Prior to Launching the Restructuring

122. In light of the threat of litigation by investors as described above, the CATCo Group, together with Markel Corporation, developed the terms of the Restructuring for several months leading up to the public announcement of the proposal in September 2021 (the “**Initial Proposal**”).
123. Prior to the public announcement, the Manager commenced a confidential consultation process with certain of the largest investors in the Private Fund, including funds managed by PKA A/S (“**PKA**”). That process began on 20 July 2021. Those investors were offered the opportunity to enter into a confidentiality agreement in order to receive details regarding the Initial Proposal. All of the investors involved in the initial outreach process executed a confidentiality agreement and received details of the proposal, and were invited to execute an Investor Undertaking in support of the Initial Proposal. The Investor Undertaking initially provided that the obligation to support the Schemes would expire on 31 December 2021, unless extended by majority consent. The termination date of the Investor Undertakings has subsequently been extended to 31 March 2022.

124. Those investors who executed an Investor Undertaking became entitled to an early consent fee of 1% of their proportion of NAV (if they comply with the Investor Undertaking, including by voting in favour of the Schemes) (“**Early Consent Fee**”).
125. Throughout July and August 2021, the Manager continued to work with these Private Fund investors in order to secure support for the Initial Proposal.
126. On 20 September 2021, Numis Securities Limited, the broker for the Public Fund, commenced a confidential market sounding process with a limited number of Public Fund Scheme Creditors. The Public Fund Scheme Creditors who agreed to participate in the process, including Almitas Capital (“**Almitas**”), also received details regarding the Initial Proposal and were invited to enter into an Investor Undertaking in order to become eligible for the Early Consent Fee.
127. As a result of these efforts, prior to the public announcement of the Initial Proposal, a majority of the investors in the initial outreach process had returned executed Investor Undertakings, although neither PKA or Almitas were supportive of the proposal at this time.

Launch of the Initial Proposal and appointment of JPLs

128. Having received widespread, but not universal, positive feedback on the Initial Proposal, on 27 September 2021, the Manager publicly announced the Initial Proposal through a release on the London Stock Exchange through RNS. At that stage, all Scheme Creditors were offered the opportunity to enter into the Investor Undertaking by 22 October 2021 at 11.59 p.m (Bermuda time) in order to become eligible to receive the Early Consent Fee (the “**Initial Early Consent Deadline**”).
129. In summary, the terms of the deal announced were that:
 - (a) In respect of the Retro Funds, Scheme Creditors would receive different percentages between 80% and 100% of the Closing NAV of the SP year in which they were invested, there would be no Administrative Expenses Contribution or Additional Consideration, and the Early Consent Fee was 1% of NAV; and
 - (b) In respect of the Aquilo Fund there would be a release of \$100 million of trapped capital (approximately 53% of the total fund NAV), to be achieved by provision of an Adverse Development Cover by an affiliate of Markel Corporation, and the Early Consent Fee was 1% of NAV.
130. On the same day, the Scheme Companies, the Manager and Reinsurer filed petitions with the Court, commencing winding-up proceedings in which, at the same time, they filed applications seeking the appointment of joint provisional liquidators for the purposes of overseeing the Restructuring. Joint provisional liquidators were appointed on 1 October 2021 (which is described in further detail at “– *Provisional Liquidators*” below).

Continued Negotiation and Improved Proposal

131. After the public launch of the Initial Proposal on 27 September 2021, the Manager continued its outreach to Scheme Creditors in order to answer any queries and secure support for the proposed transaction prior to the Initial Early Consent Deadline.
132. During this time, the Manager and Markel Corporation also continued their dialogues with PKA and Almitas to assist both parties with their analysis of the Initial Proposal and respond to concerns raised about the proposal.
133. On 1 October 2021 representatives of the Manager, Markel Corporation and Skadden travelled to Denmark to meet with representatives of PKA and their outside legal counsel to discuss the Initial Proposal. After that meeting, several rounds of negotiations ensued between the parties, by video

conference and in person, which eventually led to agreed improved deal terms that were finalised around the Initial Early Consent Deadline.

134. Similarly, the Manager, the Public Fund, Markel Corporation and Almitas engaged in several weeks of discussions which led to additional improvements to the transaction as well.
135. Ultimately both PKA and Almitas provided Investor Undertakings to support the proposal, and the enhanced terms agreed during the negotiations with these parties were announced on 26 October 2021. The improved terms (subject to the further improvements as further described at “*Further Improved Terms*” below) are available to all Scheme Creditors (save for the Work Fee, as defined below).
136. In particular, Markel Corporation agreed that it or one or more of its Affiliates would:
- (a) increase the buy-out to 100% of the Closing NAV of the Retro Fund and the Aquilo Fund;
 - (b) provide additional cash consideration (the “**Additional Consideration**”), to be distributed *pro rata* to all Scheme Creditors (initially in an amount of \$34 million, but subsequently increased to \$44 million as described at “*Further Improved Terms*” below);
 - (c) provide a cash contribution to the transaction costs and administrative expenses of the future run-off of the CATCo Group Companies (the “**Administrative Expenses Contribution**”), which will enable an equivalent additional amount to be released to Scheme Creditors under the Buy-Out Transaction (initially in an amount of \$20 million, but subsequently increased to cover all transaction costs, in an amount estimated at \$25-30 million, as described at “*Further Improved Terms*” below); and
 - (d) increase the Early Consent Fee from 1% to 2% of the Current NAV (as defined below) of the shares in which Scheme Creditors are beneficially interested.
137. The deadline for entry into the Investor Undertaking was extended to 11.59 p.m. (Bermuda Time) on 9 November 2021 in order to enable all Scheme Creditors to provide an Investor Undertaking based on the improved terms and be eligible to receive the Early Consent Fee.
138. It was also announced on 26 October 2021 that PKA and Almitas would receive a fee in respect of the work that they had done in negotiating improvements to the terms of the Initial Proposal for the benefit of all Scheme Creditors (the “**Work Fee**”). The Work Fee will be equal to 2% of the Current NAV (as defined below) of the Shares in which those Scheme Creditors are beneficially interested. Markel Corporation will also pay the amount of \$500,000 towards PKA’s legal costs of the Schemes.
139. The Early Consent Fee and the Work Fee will be paid in cash and will be funded by an affiliate of Markel Corporation. They will only be payable if the Schemes are sanctioned by the Court and the Buy-Out Transaction is implemented.

Provisional Liquidators

140. In connection with the Buy-Out Transaction, the boards of each of the Scheme Companies, the Reinsurer and the Manager approved (between 9 September to 17 September 2021) resolutions to seek the appointment of joint provisional liquidators (the “**JPLs**”).
141. On 1 October 2021, the Court made orders in the winding-up proceedings (the “**JPL Appointment Orders**”) appointing Simon Appell of AlixPartners and John McKenna of Finance & Risk Services Ltd. as JPLs of the Scheme Companies, the Manager and the Reinsurer, with limited powers for restructuring purposes only. The orders appointing the JPLs accordingly limit the powers of the JPLs to oversight as the Scheme Companies proceed with the proposed Restructuring.

142. The appointment of the JPLs provides protection for each Scheme Company and its assets from the claims of unsecured creditors, including any potential Investor Claims brought by Scheme Creditors, by imposing an automatic stay on all actions in Bermuda during the pendency of the provisional liquidation in order to facilitate the implementation of the Buy-Out Transaction.
143. On 5 October 2021, an application was made pursuant to Chapter 15 of the U.S. Bankruptcy Code for the recognition of both the appointment of the JPLs and the compromises implemented pursuant to the Schemes (the “**Bermuda Proceedings**”).
144. On 4 November 2021, the U.S. Bankruptcy Court entered an order recognising the Bermuda Proceedings, as described more fully at “*Part IV—Implementation by the Schemes and Recognition — Recognition and Enforcement of the Schemes Under Chapter 15 of the U.S. Bankruptcy Code*”.
145. Upon successful implementation and completion of the Schemes, it is intended that the JPLs will be discharged and the liquidation proceedings will be terminated.

Developments from December 2021 to February 2022

146. On 3 December 2021, PIC, a Scheme Creditor which had until that point opposed the Private Fund Scheme and the Buy-Out Transaction, agreed to Support the Private Fund Scheme. PIC entered into an Investor Undertaking, and the Private Fund extended the Early Consent Deadline to 13 December 2021 for all Private Fund Scheme Creditors. Markel Corporation agreed to, and has subsequently paid, PIC’s legal fees from its opposition to the Schemes to that point.
147. On 2 December 2021, certain funds managed by Partners (the “**Partners Litigants**”) filed a complaint against Mr Belisle in the Circuit Court of the Twentieth Judicial Circuit in and for Collier County, Florida, U.S., seeking damages for fraud and negligent misrepresentation in connection with such funds’ investment in the Private Fund.
148. On 3 December 2021, HWH filed a complaint against Mr Belisle in the U.S. District Court for the Middle District of Florida seeking damages for fraud and negligent misrepresentation in connection with HWH’s investment in the Private Fund. The proceedings relating to the complaints filed by the Partners Litigants and HWH (together, the “**Litigation Claimants**”) are collectively, the “**US Litigation**”.
149. The Litigation Claimants instructed counsel to attend and oppose the Private Fund Scheme at the Convening Hearing held in December 2021 (the “**Scheme Opposition**”).
150. Following the Convening Hearing (and prior to delivery of the judgment) the Manager (acting on its own behalf and on behalf of the Private Fund) and Markel Corporation entered into a settlement with HWH and certain funds managed by Partners (the “**Settlement**”), dated 3 February 2022, the terms of which are described below. The Settlement was entered into without any admission of liability by or on behalf of the Scheme Companies, the Manager, the Reinsurer or Markel Corporation (or any of their Related Parties).
151. Pursuant to the Settlement:
- (a) the Litigation Claimants have withdrawn the Scheme Opposition, and the Private Fund has amended the Private Fund Scheme so that HWH and certain funds managed by Partners (the “**Excluded Creditors**”) are not Private Fund Scheme Creditors;
 - (b) the US Litigation has been stayed, and will be dismissed with prejudice following the Closing Date;
 - (c) the Excluded Creditors and their Related Parties, will on the Closing Date of the Schemes provide, contractually pursuant to the terms of the Settlement, parallel releases to the Releases granted pursuant to the Schemes.

- (d) in consideration for the releases and the dismissal of the US Litigation, the Excluded Creditors will, at the Closing Date, collectively receive: (i) the Settlement Payment, and (ii) the then current NAV of their shares in the Private Fund (the “**Settled Shares**”). The Settlement Payment will be funded by Markel Corporation and recoveries made under the Manager’s D&O Insurance policies. The Settlement Payment will not be paid from existing CATCo Group assets and will not reduce the assets which would otherwise be available for distribution to Scheme Creditors pursuant to the Schemes; and
 - (e) the Excluded Creditors will not receive the Additional Consideration or the benefit of the portion of the Administrative Expenses Contribution that corresponds to the shares in which they are beneficially interested.
152. Markel Corporation will receive the economic entitlements that would have accrued to the holders of the Settled Shares under the Schemes, including the right to any Investor Upside (described in “*Part III—The Schemes and the Buy-Out Transaction – Upside Distributions*”) which would have been received by the Excluded Creditors had they been Scheme Creditors.
153. The Manager has claimed on its D&O Insurance policies in respect of the relevant period. The insurers that have agreed to pay out on such claims (the “**Settling Insurers**”) have done so on the basis that they will be entitled to enforce and rely upon the releases granted by the Excluded Creditors and the Scheme Creditors and the Deed of Release has been amended to allow the Settling Insurers to enforce the terms as third party beneficiaries.

Further Improved Terms

154. In conjunction with entering into the Settlement, Markel Corporation agreed to provide additional funding to enable the Scheme Companies to improve the terms of the Buy-Out Transaction for all Scheme Creditors. On 4 February 2022, the Manager announced that Markel Corporation agreed that it or one or more of its Affiliates would provide additional funding to:
- (a) increase the Additional Consideration from the previously announced \$34 million to \$44 million; and
 - (b) increase the Administrative Expenses Contribution from \$20 million to the amount of the Transaction Costs (now estimated to be \$25-30 million).
155. Amendments to the Investor Undertakings to provide for the Settlement and the associated improvements to the terms of the Buy-Out Transaction were approved by over 93% of Supporting Investors in the Private Fund, and the Investor Undertakings were accordingly amended for all Supporting Investors, as announced by the Scheme Companies on 11 February 2022.

PART III—THE SCHEMES AND THE BUY-OUT TRANSACTION

This section contains a brief overview of the Buy-Out Transaction. The summary information contained herein does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information presented elsewhere in this Explanatory Statement and the Schemes. In the event of any inconsistency between the summary information contained in this section and the Schemes (contained at Parts VIII and IX of this Explanatory Statement), the Schemes shall prevail.

Purpose and Effect

1. In order to avoid the possibility of litigation in respect of Investor Claims and to ensure that all Scheme Creditors are treated equitably, and that none gains an unfair advantage through litigation, and to facilitate the expeditious return of funds to Scheme Creditors, Markel Corporation and the Scheme Companies have decided to make the Buy-Out Transaction available to Scheme Creditors in the Private Fund and the Public Fund subject to the Schemes being approved by the Scheme Creditors and sanctioned by the Court.
2. The purpose of the Schemes is to facilitate implementation of the Buy-Out Transaction, by obtaining and/or making available the Releases.
3. Pursuant to the Buy-Out Transaction, Scheme Creditors will receive an accelerated return of 100% of their proportion of Closing NAV and their share of the Additional Consideration. The CATCo Group will continue to run-off the remaining insurance contracts with the cedants and Scheme Creditors will remain entitled to any Investor Upside, which is described more fully at “– Upside Distributions” below.

The Retro Funds Buy-Out

4. On the date of completion of the Restructuring (the “**Closing Date**”), the Private Fund will initiate distributions to all Private Fund Scheme Creditors with interests in Shares issued by the Retro Funds. These Scheme Creditors will receive an accelerated cash distribution of 100% of the Closing NAV (as defined below) of their investments in each SP (the “**Retro Funds Accelerated Distribution**”) plus their proportion of the Additional Consideration (together, the “**Retro Funds Scheme Distribution**”).
5. The Retro Funds Accelerated Distribution will be funded from a combination of: (i) the amount of assets available for distribution to Scheme Creditors attributable to a particular SP on the Closing Date as determined by the Manager in accordance with past practice, relevant bye-laws and the offering memorandum and supplemental offering memorandum (the “**Available Distribution Amount**”), (ii) cash on hand at the relevant Segregated Account of the Retro Funds (the “**Retro Funds Cash**”), (iii) the “**Retro Funds Buy-Out Amount**” to be provided by the “**Funding Cos**” (wholly owned subsidiaries of Markel Corporation), and (iv) the Administrative Expenses Contribution (as defined below) to be contributed by Markel Corporation.
6. The Retro Funds Buy-Out Amount will be advanced by the Funding Cos to a wholly owned subsidiary of Markel Corporation (the “**Purchaser**”) pursuant to the Purchase Price Loan Agreement. Pursuant to a Relationship and Economic Rights Agreement, the Purchaser shall acquire Shares in the Reinsurer from the Master Fund for a cash purchase price equal to the amount of the Retro Funds Buy-Out Amount and the Master Fund will then use the sale proceeds, together with the Available Distribution Amount, the Retro Funds Cash and the Administrative Expenses Contribution, to make the Retro Funds Accelerated Distribution in accordance with the Private Fund Bye-Laws.

7. The Funding Cos and the Purchaser will enter into undertakings to be bound by the Scheme, including requiring them to provide the funding required pursuant to the Purchase Price Loan Agreement.
8. After receiving the Retro Funds Accelerated Distribution, Scheme Creditors will retain a proportionate interest in the Private Fund, in order that each Scheme Creditor will remain entitled to receive any other Investor Upside (as defined below) should NAV increase, after the return of the Retro Funds Buy-Out Amount to the Funding Cos.

Aquilo Distributions

9. On the Closing Date, the Private Fund will initiate a distribution to all Private Fund Scheme Creditors with interests in Shares issued by the Aquilo Fund in accordance with the Private Fund Bye-Laws. These Scheme Creditors will receive an accelerated cash distribution of 100% of the Closing NAV (as defined below) of their investments in each SP (the “**Aquilo Accelerated Distribution**”) plus their proportion of the Additional Consideration (together, the “**Aquilo Scheme Distribution**”).
10. The Aquilo Accelerated Distribution amount will be funded as follows: (i) an affiliate of Markel Corporation (the “**Adverse Development Cover Provider**”) will provide adverse development cover (and/or enter into new reinsurance contracts, or amend existing reinsurance contracts) to one or more fronting reinsurers that will enable the release of trapped cash to the Private Fund to one or more fronting reinsurers (the “**Adverse Development Cover**”) that will enable the release of trapped cash to the Private Fund, (ii) the Purchaser will purchase Shares in the Reinsurer from the Private Fund for a cash purchase price (the “**Aquilo Buy-Out Amount**” and together with the Retro Funds Buy-Out Amount, the “**Buy-Out Amounts**”) which is equal to the Aquilo Accelerated Distribution Amount less the amount of trapped cash released in connection with provision of the Adverse Development Cover, and (iii) the Administrative Expenses Contribution (as defined below) to be contributed by Markel Corporation.
11. If required, the Aquilo Buy-Out Amount will be advanced by the Funding Cos to the Purchaser pursuant to a Purchase Price Loan Agreement. Pursuant to a Relationship and Economic Rights Agreement, the Purchaser shall acquire Shares in the Reinsurer from the Aquilo Fund for a cash purchase price equal to the Aquilo Buy-Out Amount and the Aquilo Fund will then use the sale proceeds, together with the trapped cash released in connection with provision of the Adverse Development Cover and the Administrative Expenses Contribution, to make the Aquilo Accelerated Distribution.
12. After receiving the Aquilo Accelerated Distribution, Scheme Creditors will retain a proportionate interest in the Aquilo Fund, in order that each Scheme Creditor will remain entitled to receive any other Investor Upside (which is described more fully at “– *Upside Distributions*” below) should NAV increase, after the return of the Aquilo Buy-Out Amount to the Funding Cos.

Additional Consideration

13. In addition to receiving their proportional entitlement to the Retro Funds Accelerated Distribution and/or the Aquilo Accelerated Distribution (as applicable), all Scheme Creditors will also receive their share of the Additional Consideration which will be a distribution in cash equal to each Scheme Creditor’s *pro rata* entitlement (based on Closing NAV of such Scheme Creditors’ interest in the Private Fund as a proportion of the Closing NAV of all interests in the Private Fund) to \$44 million. The Additional Consideration will be funded by Markel Corporation or one of its affiliates.
14. The total amount of Additional Consideration is calculated on the basis that it applies to all investors in the Private Fund, including Scheme Creditors and Excluded Creditors. Any amounts of Scheme Consideration which would have been payable to Excluded Creditors in excess of the current NAV

of their shares pursuant to the Buy-Out Transaction, will upon completion of the Settlement on the Closing Date be paid to Markel Corporation or its nominee.

Public Fund Scheme Distribution

15. Upon receipt of its entitlement to the Retro Funds Scheme Distribution the Public Fund will distribute such amounts (the “**Public Fund Scheme Distribution**”) in accordance with the Public Fund Scheme.
16. The amounts received by the Public Fund will be distributed to Public Fund Scheme Creditors with interests in Ordinary Shares and C Shares on the Public Fund Distribution Record Date, in accordance with the Public Fund Bye-Laws.

Closing NAV

17. The amounts of the Retro Funds Accelerated Distribution and the Aquilo Accelerated Distribution will be determined by reference to “**Closing NAV**”.
18. Closing NAV (of any Shares, SP or Segregated Account) is equal to Current NAV:
 - (a) *plus* the Transaction Costs Reserve Release (where applicable),
 - (b) *plus* the Administrative Expenses Contribution (attributable to such Shares, SP or Segregated Account),
 - (c) *less* Administrative Expenses allocable to such Shares, SP or Segregated Account (to the extent not already accounted for within Current NAV).
19. “**Current NAV**” means, if the Net Asset Value attributable to the Shares that has been announced for the most recent month end prior to the Closing Date, adjusted to exclude the impact of any Transaction Costs or increased reserve on account of Transaction Costs or litigation liabilities reflected in such amount, is greater than the Net Asset Value of the Shares as of 31 August 2021, then the Net Asset Value attributable to the Shares that has been announced for the most recent month end prior to the Closing Date, or otherwise the Net Asset Value of the Shares as of 31 August 2021.
20. The table following sets out an illustrative calculation of Closing NAV, as at 31 December 2021²:

² The latest NAV available for the Aquilo Fund is 30 September 2021 (adjusted for contingent loss provision)

	Retro Funds				Aquilo
	2016 SP	2017 SP	2018 SP	2019 SP	Aggregate
NAV as at 31 December 2021 (million \$)	32.8	186.6	236.4	169.2	192.1
<i>plus</i> Transaction Costs Reserve Released (million \$)	0.5	2.7	3.1	2.6	1.0
<i>less</i> Transaction Costs (million \$)³	(0.3)	(1.9)	(2.5)	(1.8)	(0.7)
<i>less</i> Ordinary Course Fees (million \$)	-	(2.0)	(4.0)	(4.0)	(1.1)
<i>less</i> Reserve (million \$)	(0.1)	(1.2)	(1.8)	(1.5)	(0.5)
<i>plus</i> Administrative Expenses Contribution (million \$)	1.1	6.3	8.0	5.7	6.5
<i>equals</i> Closing NAV (million \$)	34.0	190.5	239.2	170.2	197.2

Transaction Costs Reserve

21. The Private Fund has reserved \$10 million from certain of the Segregated Accounts on account of potential litigation costs related to Investor Claims arising out of losses in the 2017 and 2018 policy years and Transaction Costs (the “**Transaction Costs Reserve**”). To the extent not already applied to pay Transaction Costs, the full amount of the Transaction Costs Reserve will be released on the Closing Date and be added to Closing NAV.

Transaction Costs

22. Transaction Costs for implementing the Schemes (including the fees of legal advisors, the JPLs (as defined below) and other advisers to the Scheme Companies) (the “**Transaction Costs**”) were originally estimated to be approximately \$15 million. Due to the delay to the timetable and certain challenges to the Schemes, Transaction Costs will exceed this estimate. As at the date of this Explanatory Statement, it is estimated that Transaction Costs will be approximately \$25-30 million. To the extent not already paid, the Transaction Costs will be paid on or before the Closing Date.

Ordinary Course Fees

23. Approximately \$11 million will be reserved to pay the fees of the Manager and any other operational expenses for the duration of the run-off of the Private Fund and Reinsurer (the “**Ordinary Course Fees**”). This amount has been estimated, and allocated, on a SP by SP basis, on a weighted basis taking into account the projected remaining duration of the run-off of each SP (assuming no Investor Claims litigation or liquidation).

³ Illustrative amount reflects the midpoint of the estimated Transaction Costs, less costs already reflected in Current NAV

Reserve

24. The Private Fund will, in addition, reserve approximately \$5.2 million to cover Ordinary Course Fees (the “**Reserve**”). The Reserve will be allocated proportionately on a SP by SP basis.
25. The Reserve is being created to ensure that there are sufficient funds to run-off the remainder of the investments.

Administrative Expenses Contribution

26. Markel Corporation or one of its affiliates will make the Administrative Expenses Contribution to the Private Fund, being an additional cash amount equal to the greater of: (i) \$20 million, and (ii) Transaction Costs. To the extent that Transaction Costs have been paid by the Private Fund prior to the Closing Date or reserved and reflected in the Current NAV, the Administrative Expenses Contribution shall be reduced by any amount of Transaction Costs which on the Closing Date have been paid and reflected in the Current NAV referable to Settled Shares.

Return to Scheme Creditors

27. Should any of the amount reserved for Ordinary Course Fees or the Reserve remain unspent after wind down of the CATCo Group entities is complete, such funds will comprise assets of the Segregated Accounts available for return to shareholders (including the Scheme Creditors or any transferee of their interest in the Scheme Companies).

Buy-Out Transaction Value to Investors

Aggregate Value to Investors

28. The Manager has engaged AlixPartners UK LLP (“**AlixPartners**”) to prepare a report (the “**AlixPartners Report**”) which sets out AlixPartners’ estimate, based on information provided by the Scheme Companies, of the total return for Scheme Creditors under the Buy-Out Transaction, and the potential return to Scheme Creditors in certain alternative scenarios (which are described at Section VI “*Alternative if the Schemes are not Implemented*”). AlixPartners are a leading consulting firm and independent of both the CATCo Group and Markel Corporation. Scheme Creditors are invited to review the AlixPartners Report which is available on the Schemes website (<https://catcobuyout.alixpartners.com>).
29. The value of the Buy-Out Transaction to Scheme Creditors (using NAV as at 31 December 2021⁴ for illustrative purposes), including the Additional Consideration, is estimated to be between approximately 106% and 109% of current NAV and 107% on average (the variation arising principally on account of the weighted allocation of Ordinary Course Fees as described at paragraph 20 above). As described below, Scheme Creditors that executed an Investor Undertaking will additionally be entitled to receive an Early Consent Fee payable on the Closing Date, taking their total return (using NAV as at 31 December 2021⁵ for illustrative purposes) to between approximately 108% and 111% of current NAV of the Shares in which they are interested and 109% on average.

Retro Funds

30. Private Fund Scheme Creditors with interests in the Retro Funds are expected to receive an estimated cash return based, for illustrative purposes, on NAV as at 31 December 2021, as follows:

⁴ The latest NAV available for the Aquilo Fund is 30 September 2021 (adjusted for contingent loss provision)

⁵ The latest NAV available for the Aquilo Fund is 30 September 2021 (adjusted for contingent loss provision)

	2016 SP	2017 SP	2018 SP	2019 SP	Aggregate
Percentage of Closing NAV Distributed	100%	100%	100%	100%	100%
Retro Funds Accelerated Distribution (million \$)	34.0	190.5	239.2	170.2	633.8
Retro Funds Accelerated Distribution Plus Additional Consideration (million \$)	35.7	200.5	252.0	179.3	667.5

Aquilo Fund

31. Private Fund Scheme Creditors with interests in the Aquilo Fund are expected to receive an estimated Aquilo Accelerated Distribution based, for illustrative purposes, on NAV as at 30 September 2021 (adjusted for contingent loss provision), of \$197.2 million and \$207.5 million including the Additional Consideration allocable to Private Fund Scheme Creditors with interests in the Aquilo Fund.

Public Fund

32. Public Fund Scheme Creditors are expected to receive the following based, for illustrative purposes, on NAV as at 31 December 2021:

	Public Fund Scheme Distribution (million \$)	\$/share
Ordinary Shares	\$52.0 million	\$0.35 per Share
C Shares	\$54.1 million	\$0.65 per Share

33. These amounts include the Additional Consideration, which will have been received by the Public Fund as part of the Retro Funds Scheme Distribution.

Investor Support and Early Consent Fee

34. On 27 September 2021, the Scheme Companies announced their proposal for the Buy-Out Transaction on terms that were similar to that described herein. All Scheme Creditors were offered the opportunity to enter into an undertaking to vote in favour of the proposed transaction (an “**Investor Undertaking**”). Those that did so were to be entitled to a consent fee for providing an undertaking to support the Schemes (the “**Early Consent Fee**”).
35. All Scheme Creditors were notified of the availability of the Early Consent Fee on 27 September 2021. Notice was made to Public Fund Scheme Creditors via an announcement sent through the Regulatory News Service (“**RNS**”), with further information and instructions made available on the Schemes Website. Private Fund Scheme Creditors were contacted directly and provided with pre-filled Investor Undertakings that they could return.
36. On 26 October 2021, the Scheme Companies announced that the proposed transaction terms had been improved, as set out in this Explanatory Statement, including that the Early Consent Fee had been increased from 1% to 2% of the Current NAV of the Shares in which Scheme Creditors are beneficially interested and that the deadline for entry into the Investor Undertaking had been extended to 11.59 p.m. (Bermuda Time) on 9 November 2021 (the “**Early Consent Deadline**”). In addition, it was announced that two Scheme Creditors are being paid the Work Fee, as more fully described at “*Part IV—Implementation by the Schemes and Recognition — Work Fee*”. On 6 December, the Scheme Companies announced a further extension of the Early Consent Deadline

for Private Fund Scheme Creditors to 5.00 p.m. (Bermuda Time) on 13 December 2021 (the “**Extended Early Consent Deadline**”).

37. The Early Consent Fee will be funded by an affiliate of Markel Corporation and will only be payable if the Schemes are sanctioned by the Court and the Buy-Out Transaction is implemented. The Early Consent Fee is considered by the Scheme Companies to be appropriate in order to secure early support for the Buy-Out Transaction from the Scheme Companies’ diverse and numerous Scheme Creditors, and in order to provide the Scheme Companies with stability and visibility over the implementation of the Buy-Out Transaction.
38. As of the date of this Explanatory Statement, Investor Undertakings had been provided by 98.2% of the Public Fund Scheme Creditors interested in C Shares of the Public Fund, and 95.4% of Public Fund Scheme Creditors interested in Ordinary Shares of the Public Fund. Investor Undertakings have been provided by Private Fund Scheme Creditors in the following percentages (in each case by value calculated by reference to the Net Asset Value of the Shares held by each Scheme Creditor):
- (a) 99.47% of the Retro Funds 2016 Class;
 - (b) 99.11% of the Retro Funds 2017 Class;
 - (c) 99.87% of the Retro Funds 2018 Class;
 - (d) 99.60% of the Retro Funds 2019 Class; and
 - (e) 100% of the Aquilo Class.

Implementation of the Buy-Out Transaction

39. The Buy-Out Transaction shall be implemented through an acquisition of Reinsurer Shares, with the proceeds of the Loans, as described below.

Acquisition of Reinsurer Shares

40. Pursuant to the terms of the Relationship and Economic Rights Agreement, the Purchaser shall acquire from the Master Fund and the Aquilo Fund (if applicable) all of the Reinsurer Shares, less one Reinsurer Share per each class of Reinsurer Shares. The consideration for the acquisition will be the Buy-Out Amounts.
41. For each SP of the Master Fund and Aquilo Fund (as applicable), the Buy-Out Amounts shall comprise a sufficient amount, together with the Available Distribution Amount and the Administrative Expenses Contribution, to enable the Master Fund to make the Retro Funds Accelerated Distribution and the Aquilo Accelerated Distribution.

Funding of Buy-Out Amounts

42. The Purchaser will finance the Buy-Out Amounts through the Loans from the Funding Cos. The Loans will be co-borrowed by the Reinsurer. The Loans will be mandatorily repayable to the Funding Cos upon proceeds becoming available for distribution by the Reinsurer attributable to particular SPs. Once the Buy-Out Amounts attributable to a particular SP has been repaid, no further amounts shall be paid to the Purchaser or Funding Cos in respect of that SP and the Reinsurer Master Fund SA Shares or Aquilo Fund SA Shares (as applicable) held by the Private Fund in respect of such SP will be cancelled (as described below).

Security for the Loans

43. The Loans will be secured by a security package granted by: (i) the Primary Borrower (as defined in the Purchase Price Loan Agreement, and (ii) the Reinsurer, in respect of both its general account and its segregated accounts that hold assets on behalf of the Master Fund or Aquilo Fund, which

will include, among other things, security over the reversionary interest in the Trust Accounts and a deposit account pledge and control agreement with respect to the Reinsurer's deposit account into which all distributions from the Trust Accounts are paid.

44. The security over the assets of particular SPs will be released upon repayment of the applicable portion of the Buy-Out Amounts to the Funding Cos. Any value remaining in such SPs will thereafter be available for distribution to investors as described at “– *Upside Distributions*” below.

Cancellation of Acquired Shares

45. The Relationship and Economic Rights Agreement will provide that upon repayment to the Funding Cos of any amount of the Buy-Out Amounts attributable to a particular SP, the Reinsurer and the Purchaser shall cancel an equivalent proportion of the Reinsurer Master Fund SA Shares or Reinsurer Aquilo Fund SA Shares held by the Purchaser, such that once 100% of the Buy-Out Amounts for any SP has been repaid, neither the Purchaser nor the Funding Cos shall have any further entitlement to the applicable assets of the Reinsurer (and the security over such assets will be released).

Distribution to Scheme Creditors

46. The applicable portion of each of the Additional Consideration, Administrative Expenses Contribution and Early Consent Fee will be paid by Markel Corporation (or its nominee) to the Private Fund on the Closing Date.
47. The Retro Funds Scheme Distribution and Aquilo Fund Scheme Distribution will then on the Closing Date be effected in accordance with the Private Fund Bye-Laws. It is currently intended that distribution will be in part by way of a redemption of 99% of the Private Fund Shares beneficially held by each Private Fund Scheme Creditor, with the remaining 1% to be paid by way of dividend. The Retro Funds Scheme Distribution and Aquilo Fund Scheme Distribution will be paid to the legal owner of the Private Fund Shares in accordance with the Private Fund's customary process for payment of redemptions. Where Private Fund Scheme Creditors are not the legal owner of the Private Fund Shares in which they are beneficially interested, Private Fund Scheme Creditors will be able to claim their share of the Retro Funds Scheme Distribution or Aquilo Fund Scheme Distribution from the legal owner of such Shares in accordance with the terms of their beneficial entitlement.
48. The Retro Funds Scheme Distribution and the Aquilo Fund Scheme Distribution will be paid to holders of the Private Fund Shares as the Scheme Record Time.
49. Upon receipt of its entitlement to the Retro Funds Scheme Distribution, the Public Fund will distribute the Public Fund Scheme Distribution to Public Fund Scheme Creditors in accordance with Scheme Creditors' proportionate entitlements in the manner determined by the Board of the Public Fund in accordance with the Public Fund Bye-Laws. It is expected that distribution will be by way of a redemption of 99% of the Public Fund Shares (both the Ordinary Shares and the C Shares) held by each Registered Shareholder and CREST Account Holder, with fractional entitlements rounded down to the nearest whole share in accordance with the practice in respect of previous share redemptions by the Public Fund, save that the minimum number of shares that will be held by any Registered Shareholder and CREST Account Holder following the redemption shall be 1.
50. The Public Fund Scheme Distribution will be distributed to holders of Public Fund Shares held as at the Public Fund Distribution Record Date, which date will be announced by the Public Fund as soon as reasonably practicable after the Closing Date.

Distribution of Early Consent Fee

51. As described above at “– *Investor Support and Early Consent Fee*” the aggregate amount of any Early Consent Fee payable to Private Fund Scheme Creditors will be paid to the Private Fund by Markel Corporation (or its nominee) at Closing and will be added to the amount to be distributed to applicable Private Fund Scheme Creditors.
52. The aggregate amount of the Early Consent Fee payable to Public Fund Scheme Creditors will be paid to the Public Fund by Markel Corporation (or its nominee) on or before the Closing Date, and payments to Public Fund Scheme Creditors through CREST (or directly in the case of Public Fund Scheme Creditors with interests in Certificated Shares) shall be initiated within 5 Business Days of the Closing Date.

Upside Distributions

53. After the Closing Date, if and when any capital is released (i) in excess of the Retro Funds Buy-Out Amount allocable to a particular SP 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 Scheme Creditor shall be entitled to receive the amounts distributed that are in excess of any additional transaction costs and ordinary course expenses. Scheme Creditors will accordingly remain entitled to benefit from any upside to Private Fund NAV, should the amounts reserved by the Reinsurer prove to be greater than required to fund claims by cedants against the underlying insurance policies (“**Investor Upside**”).
54. Upon receiving a return from the Private Fund as contemplated in this provision, the Public Fund will distribute the proceeds to its investors from time to time in accordance with its ordinary practices.

Fees

55. As explained above, the Schemes contemplate that two fees will be payable to certain Scheme Creditors, the funding for which will be provided by an affiliate of Markel Corporation:
 - (a) Scheme Creditors who provided an Investor Undertaking prior to 9 November 2021 will be eligible to receive the Early Consent Fee, which is equal to 2% of the Current NAV of the Shares in which they are beneficially interested.
 - (b) Certain Scheme Creditors (PKA and Almitas) will also be entitled to the Work Fee, which is equal to 2% of the Current NAV of the Shares in which they are beneficially interested. PKA will also be paid \$500,000 towards its legal costs incurred in relation to the Private Fund Scheme.

The Releases

56. To enable the cash distribution to be paid to the Scheme Creditors on the Closing Date, and as a condition to and in consideration of the Buy-Out Transaction, each Scheme Creditor, the Purchaser, the Funding Cos, Markel Corporation, 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 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 Scheme Creditors’ Shares. The releases will be contained in a Deed of Release (the “**Deed of Release**”) to be executed on behalf of Scheme Creditors pursuant to the Schemes, as described more fully at “*Part V—Summary of Key Buy-Out Transaction Documents — Deed of Release*”.
57. The parties that will benefit from the releases contained in the Deed of Release (the “**Released Parties**”) are the Scheme Companies themselves, as well as all of the persons listed in the

indemnities in the Management Agreements and the CATCo Group companies' bye-laws (together, the "**Indemnities**") as being entitled to be indemnified by the Scheme Companies or the Reinsurer, and certain other related parties. Markel Corporation is entitled to be indemnified under, *inter alia*, the Private Fund Management Agreement, as are its affiliates, directors, managers, shareholders, partners, members, officers, controlling persons, employees and agents. The Released Parties in the Deed of Release expressly include Markel Corporation, the Adverse Development Cover Provider, and the JPLs, and each of their various associates, affiliates and officers as set out in the Deed of Release. Scheme Creditors will also receive mutual releases.

58. The Release in favour of these parties is unconditional; it includes any claims which would be Carve-Out Claims.
59. The Deed of Release also provides for a release of certain other parties including investment advisers or introducers that would be entitled to an indemnity from the Scheme Company in respect of any Investor Claims, as described above at "*– Indemnities*".
60. The Deed of Release also provides for all of the Released Parties, plus the advisers involved in the Restructuring and the JPLs in their personal capacity to be released from all claims in relation to the Schemes or the Restructuring. The Settling Insurers will be entitled to enforce the releases in respect of any CATCo Claims or CATCo Liabilities (as defined in the Deed of Release) asserted by any Scheme Creditor.
61. The Releases, including the releases of Carve-Out Claims, are necessary to the completion of the Buy-Out Transaction for the following reasons:
 - (a) First, Markel Corporation is only prepared to provide the funding for the Buy-Out Amount, Additional Consideration and Administrative Expenses Contribution, as well as for the Early Consent Fee and the Work Fee, on condition that the Releases are granted. This is because the repayment of the Buy-Out Amount pursuant to the Purchase Price Loan Agreement depends upon the orderly run-off of the Reinsurer. Defending Investor Claims, whether brought directly against the Scheme Companies or indirectly through an Indemnity Claim, would hamper that run off and risk the repayment of the Loans.
 - (b) Secondly, the release of Carve-Out Claims is necessary because as explained above, even though such claims might not ultimately be entitled to be indemnifiable, it is likely that a claim brought in respect of a Carve-Out Claim would still result in the Scheme Companies being required to engage with and fund the defence of such claim, given their on-going obligations under the Indemnities.
62. Markel Corporation will gain no financial benefit from the Buy-Out Transaction, and is instead taking on substantial additional risk (by way of the Purchase Price Loan Agreement, which carries no interest) as well as incurring substantial costs that it will not recoup (namely the Additional Consideration, Administrative Expenses Contribution and the funding for the Early Consent Fee and the Work Fee). In these circumstances, making the Releases an essential condition of the Buy-Out Transaction is considered to be entirely reasonable. In any event, these are the terms which Markel Corporation has insisted upon.
63. While not parties to the Schemes, the Excluded Creditors and their Related Parties, will on the Closing Date provide, contractually pursuant to the terms of the Settlement, parallel releases to the Releases granted pursuant to the Schemes.

Group Settlement Deed

64. As a further essential element of the transaction enabling the Funding Cos to provide the Retro Funds Buy-Out Amount and the Aquilo Buy-Out Amount and the Adverse Development Cover Provider to provide the Adverse Development Cover, the Manager, the Public Fund, the Private

Fund and the Reinsurer will enter into a Group Settlement Deed, pursuant to which the Management Agreements will be terminated and all rights or claims arising therefrom including pursuant to the indemnities contained therein will be released. The termination of the Management Agreements and the release of any claims arising therefrom is intended to ensure that the assets of the Reinsurer, Private Fund or Public Fund cannot be depleted by future Investor Claims.

On-Going Management of the Private Fund, Public Fund and Reinsurer

65. Following the Closing Date, each of the Private Fund, the Public Fund and the Reinsurer will enter into the New Management Agreements with the Manager, pursuant to which the Manager will manage the run-off of the remaining assets of the Private Fund (and indirectly, the Public Fund).
66. The New Management Agreements will be on the same terms as the existing Management Agreements, save that the indemnities given thereby will apply only in respect of claims based on events occurring after the Closing Date.

Bermuda Monetary Authority

67. The Manager, the Private Fund and the Reinsurer are all regulated by the BMA. The Manager has been coordinating with the BMA in relation to the run-off of the CATCo Business since 2019, and Markel Corporation has given confirmations to the BMA that it will ensure that the Manager, the Private Fund and the Reinsurer have sufficient resources to achieve a smooth run-off of the business.
68. The Manager has, together with Markel Corporation, presented the Buy-Out Transaction to the BMA, and has agreed if the Buy-Out Transaction is implemented it will continue to timely share information with the BMA regarding releases of capital by the Reinsurer and repayments of the proceeds of the Loans.
69. The BMA has not raised any concerns regarding the Buy-Out Transaction or the Schemes.
70. The Buy-Out Transaction does not require approval pursuant to the Investment Funds Act or the Insurance Act.

PART IV—IMPLEMENTATION BY THE SCHEMES AND RECOGNITION

This section contains a brief overview of the Schemes. The summary information contained herein does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information presented elsewhere in this Explanatory Statement and the Schemes.

Overview of the Schemes

1. The Schemes are schemes of arrangement pursuant to section 99 of the Companies Act between the Scheme Companies and their respective Scheme Creditors in their capacity as creditors of the Scheme Companies in relation to potential Investor Claims (notwithstanding that the Private Fund and the Public Fund do not admit liability in respect of any Investor Claim). Pursuant to the Schemes, the Scheme Creditors will approve the Scheme Companies' entry into the Buy-Out Transaction and grant the Releases, in consideration for which they will receive the Scheme Consideration.
2. The Schemes are inter-conditional (that is, neither will be implemented if either is not approved by applicable Scheme Creditors and sanctioned by the Court).
3. A scheme of arrangement is a formal procedure under section 99 of the Companies Act which enables a company to agree a compromise or arrangement with its creditors (or members) or any class of its creditors (or members). The Schemes to which this Statement relates are creditors' schemes of arrangement. Under Bermuda law, a creditors' scheme of arrangement requires the following to occur in order to become legally binding:
 - (a) the approval of a majority in number representing at least 75% in value of the relevant creditors or classes of creditors present in person or by proxy and voting at each of the relevant meetings convened to approve the scheme of arrangement;
 - (b) the approval of the relevant court by the making of an order sanctioning the scheme of arrangement; and
 - (c) the delivery of the order sanctioning the scheme of arrangement to the Bermuda Registrar of Companies.
4. If the Schemes are approved by the requisite majorities at each class meeting and sanctioned by the Court and the Sanction Orders are delivered to the Bermuda Registrar of Companies, the Schemes will become effective in accordance with their terms and bind all the Scheme Creditors subject to them, including those Scheme Creditors who voted against the Schemes or did not vote at all and in each case their successors and assigns.
5. The Schemes cannot be sanctioned by the Court unless the Court is satisfied, among other things, that sections 99 and 100 of the Companies Act have been complied with.
6. The Schemes are being proposed in Bermuda because the Scheme Companies are incorporated in Bermuda. For the reasons set out below under the heading "*— Class Constitution*" the Private Fund has proposed and the Court has directed that there be five separate Scheme Meetings of Scheme Creditors in the Private Fund Scheme as described below and the Public Fund has proposed and the Court has directed that there be two separate Scheme Meetings of Scheme Creditors in the Public Fund Scheme. As further explained below, the Private Fund does not consider that the Public Fund's holdings of Shares in the Private Fund fractures any of the classes proposed in respect of the Private Fund Scheme.
7. The actions to be taken by all Scheme Creditors in order to vote at the Scheme Meetings are set out in detail in the sections entitled "*Private Fund Scheme – Action to be Taken / General Information*", and "*Public Fund Scheme – Action to be Taken / General Information*".

Private Fund Scheme

Identity of Private Fund Scheme Creditors

8. The Scheme Creditors with respect to the Private Fund Scheme consist of all persons (other than Excluded Creditors) beneficially interested in the Shares as at the Scheme Record Time (the “**Private Fund Scheme Creditors**”) in their capacity as creditors of the Private Fund (and/or any of its segregated accounts) in relation to potential Investor Claims.
9. Private Fund Scheme Creditors that are invited to submit their voting instructions by instructing their Nominee to submit a Private Fund Investor Letter (or if they are also the Registered Shareholder, by submitting the Private Fund Investor Letter themselves).
10. Full details of how Private Fund Scheme Creditors can appoint proxies and/or submit voting instructions are set out in “*Private Fund Scheme – Action to be Taken / General Information*” and at Appendix A (*Notice of Private Fund Scheme Meeting(s)*).

Voting Value

11. As described in “*Part II—Background of the CATCo Group and the Schemes—Developments Leading up to the Restructuring*”, if any Investor Claims are valid in respect of losses suffered as a result of their investment in the Private Fund, then given the commonality of information available to all Private Fund Scheme Creditors, substantially all Private Fund Scheme Creditors in the same class would be likely to be able to assert an equivalent claim. In that circumstance, all Private Fund Scheme Creditors would have claims to recover the loss that they have suffered through their investment in the Private Fund. The best proportional representation of such Investor Claims for voting purposes is considered to be the current NAV of the shares to which that Private Fund Scheme Creditor is beneficially interested.
12. The current NAV of the Shares to which each Private Fund Scheme Creditor is beneficially interested is also considered to be the best proportional representation of the likely economic outcome for each Private Fund Scheme Creditor both under the Buy-Out Transaction and in any liquidation.
13. The Private Fund therefore considers that the most appropriate way to value for voting purposes the claim of each Private Fund Scheme Creditor is to ascribe each Private Fund Scheme Creditor a voting value equal to the NAV of the Shares in which they are beneficially interested.
14. Private Fund Scheme Creditors will however be given the opportunity to provide details of any Investor Claim which they believe they have prior to the Scheme Meetings and, if the claim is accepted as valid and unique to that Private Fund Scheme Creditor, this may result in their vote being valued at a different amount. Private Fund Scheme Creditors may submit a claim to vote for an alternative amount by completing an Optional Claim Amount Form in the form attached at Appendix F (*Optional Claim Amount Form*) as further described at “*Private Fund Scheme – Action to be Taken / General Information – How to claim an entitlement to vote for an amount other than Net Asset Value*”.

Public Fund Scheme

Identity of Public Fund Scheme Creditors

15. The Scheme Creditors with respect to the Public Fund Scheme consist of all persons beneficially interested in the Ordinary Shares and the C Shares as at the Scheme Record Time (the “**Public Fund Scheme Creditors**”).
16. The majority of Public Fund Scheme Creditors hold their interest in Shares in the Public Fund beneficially through the Depositary which has issued Depositary Interests representing Shares in the Public Fund on a one-for-one basis (“**DI Investors**”). The remaining Public Fund Scheme

Creditors hold their interest in Public Fund shares registered in their name, or the name of their Nominee, in the register of members of the Public Fund (“**Certificated Investors**”).

17. Public Fund Scheme Creditors that are DI Investors are invited to submit their voting instructions either by instructing their CREST Account Holder to submit a CREST Voting Instruction in respect of the Shares in which they are beneficially interested (or if they are also the CREST Account Holder, by submitting the CREST Voting Instruction themselves), or by instructing their CREST Account Holder to submit a Depository Interests Form of Direction (or if they are also the CREST Account Holder, by submitting the Depository Interests Form of Direction themselves).
18. Public Fund Scheme Creditors that are Certificated Investors are invited to submit their voting instructions by instructing their Nominee to submit a Certificated Shares Form of Proxy (or if they are also the Registered Shareholder, by submitting the Certificated Shares Form of Proxy themselves).
19. Full details of how Public Fund Scheme Creditors can appoint proxies and/or submit voting instructions are set out in “*Public Fund Scheme – Action to be Taken / General Information*” and at Appendix B (*Notice of Public Fund Scheme Meeting(s)*).

Voting Value

20. As described in “*Part II—Background of the CATCo Group and the Schemes—Developments Leading up to the Restructuring*”, if any Investor Claims are valid in respect of losses suffered as a result of their investment in the Public Fund, then given the commonality of information available to all Public Fund Scheme Creditors, substantially all Public Fund Scheme Creditors in the same class would be likely to be able to assert an equivalent claim. In that circumstance, all Public Fund Scheme Creditors would have claims to recover the loss that they have suffered through their investment in the Public Fund. The best proportional representation of such Investor Claims for voting purposes is considered to be the current NAV of the shares to which that Public Fund Scheme Creditor is beneficially interested.
21. The current NAV of the Shares to which each Public Fund Scheme Creditor is beneficially interested is also considered to be the best proportional representation of the likely economic outcome for each Public Fund Scheme Creditor both under the Buy-Out Transaction and in any liquidation.
22. The Public Fund therefore considers that the most appropriate way to value for voting purposes the claim of each Public Fund Scheme Creditor is to ascribe each Public Fund Scheme Creditor a voting value equal to the NAV of the Shares in which they are beneficially interested.
23. Public Fund Scheme Creditors will however be given the opportunity to provide details of any Investor Claim which they believe they have prior to the Scheme Meetings and, if the claim is accepted as valid and unique to that Public Fund Scheme Creditor, this may result in their vote being valued at a different amount. Public Fund Scheme Creditors may submit a claim to vote for an alternative amount by completing an Optional Claim Amount Form in the form attached at Appendix F (*Optional Claim Amount Form*) as further described at “*Public Fund Scheme – Action to be Taken / General Information – How to claim an entitlement to vote for an amount other than Net Asset Value*”.

Material Interests of the Directors of the Scheme Companies

24. Each of the directors of the Scheme Companies (except for Robert Vrolyk and Arthur Jones), holds shares in the Scheme Companies. In addition, James Keyes, the Chairman of the Public Fund, also holds Shares in the Private Fund. The following tables shows the shareholding interests of the directors of the Scheme Companies as at 31 December 2021:

Shareholding Interests of Michael Toyer (Private Fund Director) in the Private Fund

Share Class	Number of Shares
Master Fund 2016 SP	2.5258
Master Fund 2017 SP	106.3062
Master Fund 2018 SP	9.0391
Master Fund 2019 SP	8.4768
Total	126.3479

Shareholding Interests of Alastair Barbour (Chairman of the Private Fund) in the Private Fund

Share Class	Number of Shares
Master Fund 2016 SP	2.7102
Master Fund 2017 SP	77.5637
Master Fund 2018 SP	7.6390
Master Fund 2019 SP	8.8218
Total	96.7347

Shareholding Interests of Robert Vrolyk (Private Fund Director) in the Private Fund

Share Class	Number of Shares
Private Fund Shares	0
Total	0

Shareholding Interests of James Keyes (Chairman of the Public Fund) in the Private Fund

Share Class	Number of Shares
Master Fund 2016 SP	1.2842
Master Fund 2017 SP	101.5248
Master Fund 2018 SP	25.4930
Master Fund 2019 SP	19.9539
Total	148.2559

Shareholding Interests of Public Fund Directors in the Public Fund

Director	Ordinary Shares	C Shares
Arthur Jones	0	0
Margaret Gadow	37,060	9,516
James Keyes	263,820	26,193
Total	300,880	35,709
Percentage total issue	0.20%	0.04%

25. If the Schemes are approved and sanctioned, the directors of the Scheme Companies will benefit from the Releases to the extent that the Releases are of Investor Claims which could otherwise be made against them.
26. The director fees, salaries, bonus schemes and other benefits of the directors (as applicable) of the Scheme Companies will not be affected by the success or otherwise of the Schemes and the Buy-Out Transaction and they will receive no special bonus or other reward formulated on the basis of the Schemes becoming effective and/or the Buy-Out Transaction completing.

Class Constitution

27. As explained in the Practice Direction Letter, the Scheme Companies consider that, broadly speaking, all of their Scheme Creditors have the same existing rights and the same rights under the Schemes. However, the classes listed below were proposed for pragmatic reasons.

28. At the Convening Hearing the Court ordered that the Scheme Creditors should vote in the separate classes identified in the following two paragraphs. As the Court indicated at the Convening Hearing, the Early Consent Fee and the Work Fee did not fracture these classes.
29. In accordance with the order made at the Convening Hearing, the Private Fund Scheme will be considered by:
 - (a) one meeting for all Private Fund Scheme Creditors beneficially interested in the 2016 Master Fund SP (the “**Retro Funds 2016 Class**”);
 - (b) one meeting for all Private Fund Scheme Creditors beneficially interested in the 2017 Master Fund SP (the “**Retro Funds 2017 Class**”);
 - (c) one meeting for all Private Fund Scheme Creditors beneficially interested in the 2018 Master Fund SP (the “**Retro Funds 2018 Class**”);
 - (d) one meeting for all Private Fund Scheme Creditors beneficially interested in the 2019 Master Fund SP (the “**Retro Funds 2019 Class**”); and
 - (e) one meeting for all Private Fund Scheme Creditors beneficially interested in the Aquilo Fund (the “**Aquilo Class**”).
30. Similarly, the Public Fund Scheme will be considered by:
 - (a) one meeting for all Public Fund Scheme Creditors beneficially interested in the Ordinary Shares (the “**Public Fund Ordinary Class**”); and
 - (b) one meeting for all Public Fund Scheme Creditors beneficially interested in the C Shares (the “**Public Fund C Class**”).
31. Private Fund Scheme Creditors that are beneficially interested in more than one SP of the Master Fund are members of more than one class of Private Fund Scheme Creditors and will be entitled to vote in each class of which they will be a member.
32. Public Fund Scheme Creditors who hold both Ordinary Shares and C Shares will be entitled to vote at both of the meetings.

Investor Undertaking and the Early Consent Fee

33. With respect to the Early Consent Fee, while only those Scheme Creditors who executed and returned an Investor Undertaking prior to the Early Consent Deadline (and Extended Early Consent Deadline for Private Fund Scheme Creditors) are entitled to receive the Early Consent Fee, the Private Fund and the Public Fund consider that the rights of Scheme Creditors entitled to receive the Early Consent Fee are not so dissimilar to those who are not so entitled, as to make it impossible for them to vote together in a single class. This is on the basis that:
 - (a) all Scheme Creditors have been given an opportunity to enter into an Investor Undertaking prior to the Early Consent Deadline (and Extended Early Consent Deadline for Private Fund Scheme Creditors) in order to receive the Early Consent Fee; and
 - (b) as described at “*Part VI—Alternative If the Schemes Are Not Implemented*”, the AlixPartners Report indicates that, on any view, the returns to Scheme Creditors in a liquidation are likely to be considerably less than if the Schemes are approved and the Buy-Out Transaction is implemented. Accordingly, the Scheme Companies consider that the Early Consent Fee (calculated as 1% of each Scheme Creditor’s Closing NAV) would not have a material effect on whether a Scheme Creditor would support the relevant Scheme.

Work Fee

34. PKA and Almitas will receive the Work Fee if the Schemes become effective, which reflects compensation for the significant time spent by the eligible Scheme Creditors in negotiating and improving the terms of the Schemes for all Scheme Creditors. As of 10 February 2022, PKA represents approximately the following percentages of each of the following Private Fund Classes (after the exclusion of the Excluded Creditors):
- (a) Retro Funds 2016 Class: 30.18%
 - (b) Retro Funds 2017 Class: 31.95%
 - (c) Retro Funds 2018 Class: 30.71%
 - (d) Retro Funds 2019 Class: 45.25%
 - (e) Aquilo Class: 61.70%
35. As of 22 September 2021, Almitas represents approximately the following percentages of each of the Public Fund Classes:
- (a) Public Fund Ordinary Class: 21.81%
 - (b) Public Fund C Class: 24.85%
36. The Work Fee is a fixed percentage (2%) of the net asset value of each applicable Scheme Creditors' interests in the Scheme Companies. The Work Fee is calculated by reference to Current NAV. This approach to NAV has been adopted for the purpose of the Buy-Out Transaction for a whole so as to set a floor on the entitlements of all Scheme Creditors which provides down-side protection for those that committed to the transaction early in the investor outreach process. In addition, if the Schemes become effective, PKA will be paid \$500,000 by Markel Corporation towards its legal costs.
37. As set out in "*Part II—Background of the CATCo Group and the Schemes*", the Scheme Companies sought engagement with many Scheme Creditors in the development of the Restructuring, including PIC. Many investors were willing to support the transaction on the terms proposed. While PIC declined to engage with the Scheme Companies at that stage, PKA and Almitas were willing to and did engage in substantive negotiations regarding the Buy-Out Transaction, and are being paid the Work Fee on account of the time spent by them which will benefit all of the Scheme Creditors if the Schemes become effective.
38. The Scheme Companies believe that the input from PKA and Almitas was critical to the Buy-Out Transaction being proposed in its current form. Notably, the involvement of PKA and Almitas resulted in material improvements to the Buy-Out Transaction which will be to the benefit of all Scheme Creditors if the Restructuring becomes effective.
39. In addition, as with the Early Consent Fee, the funding is being provided by an affiliate of Markel Corporation, the payment of the Work Fee will not in any way diminish funds available for Scheme Creditors not eligible to receive it and, in any event, it has been set at a level which was unlikely to have persuaded PKA and Almitas to support the Schemes if they otherwise considered the Schemes to be against their interests. Therefore, neither of the fees have a material impact on the rights of the Scheme Creditors eligible to receive them, and so do not fracture the proposed classes set out above. The same applies to the payment of \$500,000 towards PKA's legal costs, whether viewed in isolation or together with the Work Fee payable to PKA.

Excluded Creditors

40. As described in “*Part II—Background of the CATCo Group and the Schemes—Developments from December 2021 to February 2022*”, the Manager (acting on its own behalf and on behalf of the Private Fund) and Markel Corporation have entered into the Settlement with the Excluded Creditors and the Excluded Creditors are not Scheme Creditors. Under the Settlement the Excluded Creditors will on the Closing Date receive different treatment to Scheme Creditors. The Excluded Creditors hold interests in the Private Fund (including, as described above, Investor Claims) which are substantially similar to interests held by Private Fund Scheme Creditors. However, the Private Fund has taken the commercial decision to enter into the Settlement and thereby exclude the Excluded Creditors from the scope of the Private Fund Scheme in order to facilitate the timely implementation of the Schemes and return of freed capital to Scheme Creditors and avoid the liquidation of the CATCo Group companies. The opposition of the Excluded Creditors has already resulted in a substantial delay to the original timeline for the implementation of the Schemes, and their continued opposition would likely have caused further expense and delay. The exclusion of the Excluded Creditors from the Scheme does not affect the proposed classes set out above.

Jurisdiction

41. The Scheme Companies consider that the Court has jurisdiction to sanction the Schemes for the following reasons.

Private Fund Scheme – Company under the Companies Act

42. The fact that the Private Fund is incorporated under the laws of Bermuda means that it is a “company” for the purposes of Section 4(1) of the Companies Act.

Public Fund Scheme – Company under the Companies Act

43. The fact that the Public Fund is incorporated under the laws of Bermuda means that it is a “company” for the purposes of Section 4(1) of the Companies Act.

Private Fund Scheme - Investors as creditors under section 99 of the Companies Act

44. The Private Fund is a segregated accounts company under the SAC. The SAC regards the liabilities of each segregated account as enforceable only against that segregated account, such that a creditor of one segregated account cannot recover their claim from a different segregated account or from the company’s general account. Notwithstanding this, a segregated account is not regarded as a separate legal person from the company, and a creditor of a particular segregated account may sue the company in order to recover its claim. Accordingly, the Private Fund Scheme Creditors are creditors under section 99 of the Companies Act and therefore can be bound by the Private Fund Scheme.

Public Fund Scheme - Investors as creditors under section 99 of the Companies Act

45. The Public Fund is not a segregated accounts company and so the issue discussed above does not fall to be considered.
46. The Public Fund Scheme Creditors are therefore also creditors under section 99 of the Companies Act and can therefore be bound by the Public Fund Scheme.

Compromise or Arrangement

47. It is necessary for the proposals under the Schemes to be a “compromise” or “arrangement” between the relevant Scheme Company and its creditors or any class of them. Scheme Creditors will give the Releases and will receive the benefit of their *pro rata* entitlement to the Retro Funds Scheme Distribution, the Aquilo Scheme Distribution and/or the Public Fund Scheme Distribution

(as applicable). Accordingly, the Schemes contain the requisite elements of “give and take” in order to constitute an “arrangement” for these purposes.

Conduct of Scheme Meetings

48. The Scheme Meetings shall be held via the Virtual Meeting Platform. Scheme Creditors or their authorised representatives or proxies will be required to register their attendance at the Scheme Meeting(s) they are entitled to attend via the Virtual Meeting Platform, prior to the commencement of the Scheme Meetings. Scheme Creditors or their authorised representatives or proxies will be contacted no later than the day before the Scheme Meetings and required to complete registration formalities as further described at “*Private Fund Scheme – Action to be Taken / General Information*” and “*Public Fund Scheme – Action to be Taken / General Information*”. Once such registration formalities have been completed, all persons verified as being entitled to attend a Scheme Meeting will be provided with a poll card and details of how to access the Scheme Meeting(s) at which they are entitled to attend virtually.
49. The Public Fund Scheme Meetings shall commence at 8 a.m. (Bermuda time) on 4 March 2022. An introductory address will be given by the Chairperson to all Public Fund Scheme Creditors (or their duly authorised representatives or proxies) present at the relevant Scheme Meeting. Following the conclusion of the introductory address, it is intended that the Chairperson shall convene the Scheme Meetings in the order set out below. With respect to each Scheme Meeting, the Chairperson shall answer written questions submitted in advance and all Public Fund Scheme Creditors (or their duly authorised representatives or proxies) present at the relevant Scheme Meeting shall have the opportunity to ask questions, comment and discuss between themselves. The Chairperson shall close the relevant Scheme Meeting by taking a vote in respect of the Public Fund Scheme.

Scheme Meeting

Scheme Creditors Voting at Scheme Meeting

First Public Fund Scheme Meeting
(Public Fund Ordinary Class)

Scheme Creditors beneficially interested in the Ordinary Shares of the Public Fund, in their capacity as creditors of the Public Fund in relation to their potential Investor Claims.

Second Public Fund Scheme Meeting
(Public Fund C Class)

Scheme Creditors beneficially interested in the C Shares of the Public Fund, in their capacity as creditors of the Public Fund in relation to their potential Investor Claims.

50. The Private Fund Scheme Meetings shall commence at 10.15 a.m. (Bermuda time) on 4 March 2022. An introductory address will be given by the Chairperson to all Private Fund Scheme Creditors (or their duly authorised representatives or proxies) present at the relevant Scheme Meeting. Following the conclusion of the introductory address, it is intended that the Chairperson shall convene the Scheme Meetings in the order set out below. With respect to each Scheme Meeting, the Chairperson shall answer written questions submitted in advance and all Private Fund Scheme Creditors (or their duly authorised representatives or proxies) present at the relevant Scheme Meeting shall have the opportunity to ask questions, comment and discuss between themselves. The Chairperson shall close the relevant Scheme Meeting by taking a vote in respect of the Private Fund Scheme.

Scheme Meeting	Scheme Creditors Voting at Scheme Meeting
First Private Fund Scheme Meeting (Aquila Class)	Scheme Creditors beneficially interested in the Aquilo Fund Shares of the Private Fund, in their capacity as creditors of the Private Fund in relation to their potential Investor Claims.
Second Private Fund Scheme Meeting (Retro Funds 2016 Class)	Scheme Creditors beneficially interested in the 2016 Master Fund SP of the Private Fund, in their capacity as creditors of the Private Fund in relation to their potential Investor Claims.
Third Private Fund Scheme Meeting (Retro Funds 2019 Class)	Scheme Creditors beneficially interested in the 2019 Master Fund SP of the Private Fund, in their capacity as creditors of the Private Fund in relation to their potential Investor Claims.
Fourth Private Fund Scheme Meeting (Retro Funds 2017 Class)	Scheme Creditors beneficially interested in the 2017 Master Fund SP of the Private Fund, in their capacity as creditors of the Private Fund in relation to their potential Investor Claims.
Fifth Private Fund Scheme Meeting (Retro Funds 2018 Class)	Scheme Creditors beneficially interested in the 2018 Master Fund SP of the Private Fund, in their capacity as creditors of the Private Fund in relation to their potential Investor Claims.
51.	Voting at the Scheme Meetings shall be conducted by way of a poll vote rather than by show of hands.
52.	The Chairperson (or a person duly authorised by the Chairperson) shall report the result of the Scheme Meetings to the Court as soon as possible following the Scheme Meetings, and in any event at least 2 days prior to the date of the proposed Sanction Hearing.
Distributions and Releases	
53.	<p>Provided that the Schemes become effective and the Buy-Out Transaction is completed as described in further detail below under the heading “<i>When Will the Schemes Become Effective?</i>” each Scheme Creditor will:</p> <p>(a) be entitled to receive its allocation of the Scheme Consideration; and</p> <p>(b) grant the Releases pursuant to the terms of the Schemes and the Deed of Release,</p> <p>each as more fully described in “<i>Part III - The Schemes and the Buy-Out Transaction</i>” of this Explanatory Statement.</p>
54.	Only holders listed on the Private Fund Register and Public Fund Register will be entitled directly to receive the Scheme Consideration from the Scheme Companies, meaning that, in respect of Depository Interests the payments will be made to the Depository which will then be responsible for forwarding such payments to the holders of Depository Interests in accordance with depository interest arrangements. Similarly, where a holder of Shares or Depository Interests is a nominee of a person beneficially interested in such Shares or Depository Interests, the payments will be made

to such nominee who or which will then be responsible for forwarding such payments to the persons entitled to them under the nominee arrangements.

When Will the Schemes Become Effective?

Sanction Hearings

55. Under section 99 of the Companies Act, a scheme of arrangement becomes effective in accordance with its terms and is binding on the relevant company and all its creditors (or members) when the order of the Court sanctioning the scheme of arrangement is delivered to the Bermuda Registrar of Companies. The Scheme Companies expect that the Sanction Hearing(s) in respect of the Schemes will be held on 11 March 2022, or as soon as reasonably possible thereafter, subject to Court availability. It is open to any Scheme Creditor to appear at the Sanction Hearing either to observe or in the event that such Scheme Creditor wishes to make representations to the Court, including to object to the sanction of the Scheme(s). Once the date of the Sanction Hearing(s) is confirmed by the Court, the Scheme Companies will give notice of it to the Scheme Creditors.

Occurrence of the Lodgement Date

56. Pursuant to the Schemes, following:
- (a) approval by a majority in number representing at least 75% in value of the entitlements of the Scheme Creditors of each class of Scheme Creditors present and voting either in person or by proxy at each of the Scheme Meetings;
 - (b) the making of the Sanction Order(s); and
 - (c) the Sanction Order(s) being filed with the Bermuda Registrar of Companies,
- the Lodgement Date will occur.

The Closing Date and the Longstop Date

57. If the Lodgement Date does not occur on or before the Longstop Date the terms of and the obligations on the parties under or pursuant to the Schemes shall lapse and all the compromises and arrangements provided by the Schemes and the Releases granted pursuant to the Schemes and the Deed of Release shall be of no effect.

Occurrence of the Closing Date

58. The Releases will become effective on the Closing Date and will not take effect unless the Closing Date occurs.
59. It will be a condition precedent to the occurrence of the Closing Date (and the actions to be taken pursuant to the terms of the Schemes on the Closing Date, including the distribution and/or payment of the Retro Funds Scheme Distribution and Aquilo Scheme Distribution in accordance with the terms of the Schemes) that the Conditions Precedent have been satisfied.
60. The Scheme Companies shall use all reasonable endeavours to procure that:
- (a) the Conditions Precedent are satisfied as soon as reasonably practicable following the Lodgement Date;
 - (b) the Closing Date occurs as soon as reasonably practicable following the satisfaction and/or waiver of the Conditions Precedent; and
 - (c) the Closing Date occurs before the Longstop Date.
61. It is anticipated that the Closing Date will occur as soon as possible after 15 March 2022. The Scheme Companies shall publish notice of the occurrence of the Closing Date on the Schemes Website.

62. It is a condition precedent to the occurrence of the Closing Date (and the actions to be taken pursuant to the terms of the Schemes on the proposed Closing Date) that each of the Conditions Precedent has been satisfied or waived.

What Will the Schemes Do?

63. The proposed Buy-Out Transaction involves a compromise and arrangement between the Scheme Companies and the Scheme Creditors in their capacity as creditors of the Private Fund or Public Fund (as applicable) in relation to their potential Investor Claims, to be effected by way of the Schemes, the Deed of Release and the other Transaction Documents.
64. On and from the Lodgement Date, in consideration for the rights to be acquired by Scheme Creditors pursuant to the terms of the Schemes, by the Schemes each Scheme Creditor irrevocably authorises, instructs, empowers and appoints the Scheme Companies (acting by any authorised signatory (being any director of the Scheme Companies or attorney of the Scheme Company appointed pursuant to a duly executed power of attorney)) as true and lawful agent and attorney of that Scheme Creditor (the “**Attorney**”), so that the Attorney may sign, execute and deliver the Deed of Release for and on behalf of that Scheme Creditor, such that each Scheme Creditor will become a party to and be bound by the Deed of Release.
65. The Closing Date will occur as soon as reasonably practicable following satisfaction of the Conditions Precedent, including the grant of the Chapter 15 Enforcement Order by the U.S. Bankruptcy Court. On the Closing Date: (a) the Funding Cos will advance the Loans to the Purchaser and the Reinsurer and the Security will become effective, (b) the Purchaser will acquire the Acquired Shares pursuant to the Relationship and Economic Rights Agreement, (c) the Group Settlement Deed will become effective, (d) the Adverse Development Cover Provider will provide the Adverse Development Cover, (e) the Deed of Release shall become effective, and (f) Markel Corporation (or its nominee) will pay the Administrative Expenses Amount, Additional Consideration and Early Consent Fee to the Private Fund and Public Fund (as appropriate).
66. On the Closing Date, the Private Fund will initiate the Retro Funds Scheme Distribution, the Aquilo Scheme Distribution and the payment of the Early Consent Fee to Private Fund Scheme Creditors that are entitled to it.
67. On the Closing Date the Public Fund will initiate the payment of the Early Consent Fee to eligible Public Fund Scheme Creditors.
68. Within 5 Business Days of receipt of the Retro Funds Accelerated Distribution, the Public Fund will initiate the Public Fund Scheme Distribution.

Assignment of Shares Between Scheme Record Time and Closing Date

69. Private Fund Scheme Creditors or their Nominees may transfer Private Fund Shares, or their beneficial interest in such Shares, after the Scheme Record Time, but will remain bound by the Scheme and the Releases. Notwithstanding any such transfers, the Private Fund Distributions will be made to the holders of such Shares on the Scheme Record Time.
70. The Private Fund shall be under no obligation to recognise any assignment or transfer of any Shares by Scheme Creditors after the Scheme Record Time for the purposes of determining distributions of Scheme Consideration, provided that the Private Fund may, in each case in its sole discretion and subject to the production of such other evidence as it may require and to any other terms and conditions which it may render necessary or desirable, recognise such assignment or transfer for the purposes of determining allocations of the Private Fund Scheme Distribution.
71. Public Fund Scheme Creditors or their Nominees may transfer Public Fund Shares or Depository Interests, or their beneficial interest in such Shares, after the Scheme Record Time, but will remain bound by the Scheme and the Releases. Notwithstanding any such transfers, the Public Fund

Distributions will be made to the holders of such Shares on the Public Fund Distribution Record Date, which will be the date after the Closing date fixed by the Board of the Public Fund for payment of the Public Fund Scheme Distribution.

Modifications

72. The Scheme Companies may, at any Court hearing to sanction the Schemes, consent on behalf of themselves and all Scheme Creditors to any modification of, or addition to, the Schemes and/or any of the Transaction Documents or to any terms or conditions which, in each case, the Court may think fit to approve provided that such modifications, additions, terms or conditions do not have an adverse effect on the rights of the Scheme Creditors (or any of them) under the Schemes or any Transaction Document.

Recognition and Enforcement of the Schemes Under Chapter 15 of the U.S. Bankruptcy Code

73. Chapter 15 of the U.S. Bankruptcy Code (“**Chapter 15**”) is designed to give judicial access to a foreign debtor (or representative thereof) to, among other things, protect a foreign debtor’s U.S. assets and authorise the foreign debtor or its representative to administer a foreign debtor’s U.S. assets. Chapter 15 is predicated on principles of comity and the fair and efficient administration of cross-border insolvencies. Chapter 15 functions through “recognition” of a foreign proceeding.
74. Chapter 15 is commenced by the filing of a petition for recognition of a foreign proceeding. Such foreign proceeding will be recognised as a foreign “main” proceeding if it is pending in the country where a debtor has its centre of its main interests and a foreign “nonmain” proceeding if a debtor has an establishment within the meaning of the U.S. Bankruptcy Code in the foreign country where the proceeding is pending.
75. Upon recognition of a foreign proceeding as a foreign “main proceeding”, the automatic stay and selected other provisions of the U.S. Bankruptcy Code take effect within the U.S.. In addition, upon recognition of a foreign proceeding, a U.S. bankruptcy court can grant other appropriate relief to effectuate the purpose of Chapter 15 and to protect the assets of the debtor or the interests of the creditors. Once a foreign proceeding is “recognised” under Chapter 15, foreign judgments, including the orders authorizing the Schemes will be enforced unless “manifestly contrary to the public policy of the U.S.,” which is a demanding standard.
76. To ensure that the Schemes are given full force and effect in the U.S., the JPL Appointment Orders appointed Simon Appell of AlixPartners UK LLP and John C. McKenna of Finance & Risk Services Ltd. as foreign representatives (the “**Foreign Representatives**”) of the Scheme Companies (and the Manager and Reinsurer) and authorised them to commence the Chapter 15 cases with respect to the Bermuda Proceedings (the “**Chapter 15 Cases**”) in the U.S. Bankruptcy Court for the Southern District of New York (the “**U.S. Bankruptcy Court**”), which they did on 5 October 2021.
77. On 4 November 2021, the U.S. Bankruptcy Court entered an order recognising the Bermuda Proceedings (“**Chapter 15 Recognition Order**”).
78. If the Schemes are approved by the Scheme Creditors and sanctioned by the Court, the Scheme Companies will request that the U.S. Bankruptcy Court enter an order enforcing the terms of the Schemes (“**Chapter 15 Enforcement Order**”). The Scheme Companies will give notice to Scheme Creditors of the application for a Chapter 15 Enforcement Order, and the date on which the application for the Chapter 15 Enforcement Order will be heard, in accordance with the requirements of the U.S. Bankruptcy Court.
79. The grant of the Chapter 15 Enforcement Order in a form satisfactory to the Scheme Companies and Markel Corporation is a condition precedent to the occurrence of the Closing Date.

80. The Scheme Companies will request that the U.S. Bankruptcy Court schedule and hold a hearing to consider the proposed Chapter 15 Enforcement Order as soon as possible after the Sanction Hearing, to avoid any delays in the consummation of the Restructuring.
81. Notice of the Chapter 15 Cases and the relevant dates will be served upon the following parties:
- (a) the Scheme Companies;
 - (b) the Office of the U.S. Trustee for the Southern District of New York;
 - (c) all persons or bodies authorised to administer the foreign proceedings;
 - (d) all entities against whom provisional relief is being sought under section 1519 of the U.S. Bankruptcy Code;
 - (e) all parties, if any, to litigation pending in the U.S. in which either of the Scheme Companies is a party at the time of the filing of the Chapter 15 Cases; and
 - (f) such other parties with an interest in the relevant proceedings that have timely requested notice pursuant to rule 2002 of the U.S. Federal Rules of Bankruptcy Procedure.

Discharge of the JPLs

82. Upon successful implementation of the Buy-Out Transaction and the occurrence of the Closing Date, the JPLs will apply to the Court to be discharged and released and the liquidation proceedings will be discontinued without the Scheme Companies entering into a full liquidation process.

PART V—SUMMARY OF KEY BUY-OUT TRANSACTION DOCUMENTS

Set out below is a summary of the key Transaction Documents pursuant to which the Buy-Out Transaction will be implemented.

Deed of Release

1. On the Closing Date each of the Scheme Creditors, the Private Fund, the Public Fund, the Manager, the Reinsurer, the Funding Cos, the Purchaser, the Adverse Development Cover Provider and Markel Corporation (together, the “**Deed Parties**”) will enter into a deed governed by the laws of Bermuda pursuant to which such parties shall grant mutual releases of certain claims and liabilities (the “**Deed of Release**”).
2. The “**Released Parties**” shall include the Scheme Creditors, the Other Released Parties (as defined in the Deed of Release), the JPLs and the Deed Parties, and each of their Related Parties (as defined in the Deed of Release).
3. More particularly, the Deed of Release shall provide that:
 - (a) as of the Closing Date, each of the Deed Parties conclusively, irrevocably, unconditionally, fully and absolutely waives, releases and forever discharges any and all CATCo Liabilities (as defined in the Deed of Release) of each Released Party and each and every CATCo Claim (as defined in the Deed of Release) which such Party has, ever had, may have or hereafter can, shall or may have against any of the Released Parties and/or their respective property;
 - (b) as of the Closing Date, each of the Deed Parties conclusively, irrevocably, unconditionally, fully and absolutely waives, releases and discharges any and all Transaction Liabilities (as defined in the Deed of Release) of each Released Party and each Adviser and each and every Transaction Claim (as defined in the Deed of Release) which such Party has, ever had, may have or hereafter can, shall or may have against any of the Released Parties, Advisers and/or their respective property;
 - (c) each of the Deed Parties undertakes that it will not commence or continue, or instruct, direct or authorise any other person to commence or continue any Prohibited Proceedings (as defined in the Deed of Release) in respect of or arising from any of the released CATCo Claims or Transaction Claims; and
 - (d) each of the Deed Parties acknowledges that it may later discover facts in addition to or different from those which it presently knows or believes to be true with respect to the subject matter of the Deed of Release, but it is its intention to fully and finally forever settle and release any and all matters, disputes and differences, whether known or unknown, suspected or unsuspected, which presently exist, may later exist or may previously have existed between it and any of the Released Parties, Advisers or Scheme Creditors in respect of the Released CATCo Claims and/or Transaction Claims, and that in furtherance of this intention, the waivers, releases and discharges given in the Deed of Release shall be and shall remain in effect as full and complete general waivers, releases and discharges notwithstanding the discovery or existence of any such additional or different facts.
4. The Settling Insurers will be entitled to enforce the releases in respect of any CATCo Claims or CATCo Liabilities (as defined in the Deed of Release) asserted by any Scheme Creditor.
5. Nothing in the Deed of Release shall have the effect of waiving, releasing or discharging any Excluded Transaction Claims or Excluded CATCo Claims (each as defined in the Deed of Release).

Purchase Price Loan Agreement

6. SPC, Ltd. (the “**Primary Borrower**”), as primary borrower, and the Reinsurer, as co-borrower, will enter into a facility agreement governed by Bermuda law with SOAFC I, Inc., SOAFC II, Inc. and SOAFC III, Ltd., as lenders (together, the “**Lenders**”), SOAFC I, Inc., as facility agent (the “**Facility Agent**”) and SOAFC I, Inc., as security agent, providing for term loan facilities in an amount equal to the Buy-Out Amount required to complete the sale transaction set out in the Relationship and Economic Rights Agreement.
7. The obligations and liabilities of the Primary Borrower and the Reinsurer, as co-borrower, under or in connection with the Purchase Price Loan Agreement will be secured by:
 - (a) a Bermudian law governed debenture over all present and future property of the Primary Borrower;
 - (b) a Bermudian law governed debenture over all present and future property of the Reinsurer;
 - (c) a Bermudian law deposit account control agreements with respect to the general bank accounts of the Reinsurer; and
 - (d) a New York law governed assignment agreement granting security in respect of the rights of the Reinsurer under certain trust account agreements.
8. The Reinsurer, as co-borrower, will be jointly and severally liable for all loans and other secured liabilities of the Primary Borrower under the Purchase Price Loan Agreement.
9. Each loan made to the Primary Borrower under the Purchase Price Loan Agreement (each a “**Loan**”) must be used by the Primary Borrower to finance the purchase price payable by the Primary Borrower to the Private Fund pursuant to the Relationship and Economic Rights Agreement for the purchase of shares issued by the Reinsurer. No interest is payable on any Loan.
10. Each Loan is repayable in full on the earlier of:
 - (a) the date falling five years after the date of the Purchase Price Loan Agreement; and
 - (b) the date which is five Business Days after the date on which the Facility Agent (acting on the instructions of all Lenders) has issued a written demand to the Borrower (as defined in the Purchase Price Loan Agreement) requiring it to repay all the Loans and all other amounts due by it under the Purchase Price Loan Agreement in full.
11. In addition, the Facility Agent may, at any time, require the Borrower (as defined in the Purchase Price Loan Agreement) to repay one or more of the Loans, or any part of any Loan, by giving the Borrower not less than five Business Days’ written notice of the relevant Loan(s), or the relevant amount(s) of such Loan(s), required to be so repaid.
12. The terms of the Purchase Price Loan Agreement require the Loans to be mandatorily prepaid in certain circumstances, including when the Reinsurer receives any amounts that are released from the Trust Accounts from time to time.
13. The Purchase Price Loan Agreement contains representations and covenants (subject, in each case, to certain agreed exceptions, materiality qualifiers and carve-outs) in respect of the Primary Borrower and the Reinsurer. These include, among other things:
 - (a) representations in relation to status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement and bank accounts; and
 - (b) restrictions on, among other things, the granting of security, the making of disposals, the incurrance of financial indebtedness, the provision of financial accommodation, the

granting of guarantees, the issue of shares and the payment of dividends or other distributions and the use of bank accounts.

Relationship and Economic Rights Agreement

14. The Private Fund acting in respect of the Master Fund and the Aquilo Fund, the Reinsurer, the Manager and the Purchaser will each enter into the Relationship and Economic Rights Agreement with effect from the Closing Date. The Relationship and Economic Rights Agreement regulates the terms and conditions on which (i) the Purchaser will acquire from the Private Fund all of the Reinsurer Shares held by the Private Fund prior to the Closing Date less one Reinsurer Share per each class of Reinsurer Shares; (ii) the Private Fund, the Manager and the Reinsurer shall operate on an ongoing basis with respect to future distributions; and (iii) the economic rights of the Purchaser and the Private Fund are determined with respect to their respective Reinsurer Shares following the Closing Date.
15. The Relationship and Economic Rights Agreement provides that upon repayment to the Funding Cos of any amount of the Buy-Out Amounts attributable to a particular SP or the Aquilo Fund, the Reinsurer shall cancel an equivalent proportion of the Reinsurer Shares held by the Purchaser in respect of that SP or the Aquilo Fund, such that once 100% of the Buy-Out Amounts attributable to any SP or the Aquilo Fund have been repaid, the Purchaser shall no longer hold Reinsurer Shares attributable to that SP or the Aquilo Fund, as relevant. Consequently, the Private Fund will once again be the 100% owner of the outstanding Reinsurer Shares applicable to such SP or the Aquilo Fund and any further value that becomes available from the underlying reinsurance assets applicable to such SP or the Aquilo Fund will be available for distribution to the Private Fund, and thereby to Scheme Creditors (including the Public Fund). This will enable Scheme Creditors to benefit from any increase in the Net Asset Value of the applicable SP of the Master Fund or the Aquilo Fund (less any transaction costs or ordinary expenses incurred in the run-off of the businesses in excess of the reserve established on the Closing Date) following completion of the Buy-Out Transaction.

PART VI—ALTERNATIVE IF THE SCHEMES ARE NOT IMPLEMENTED

Likely Alternative if Buy-Out Transaction Not Implemented

1. As described further at “*Part I A—Letter From the Directors of the Scheme Companies*”, if the Schemes are not approved, then the boards of the Scheme Companies have determined that they will be left with no choice but to proceed to seek winding up orders which would convert the current ‘limited powers’ provisional liquidations into ordinary liquidations.
2. Prior to the appointment of the JPLs, AlixPartners were engaged by the CATCo Group to assist with analysing the proposed Restructuring and the Schemes. As part of this work, AlixPartners prepared a report that compares the outcomes to Scheme Creditors under the Initial Proposal against the likely outcomes in a liquidation (“**Initial AlixPartners Report**”). The Initial AlixPartners Report was made available (subject to a ‘click through’ containing applicable conditions) to all Scheme Creditors by publication on the Schemes Website on 27 September 2021, when the Initial Proposal was announced.
3. Following the announcement of the improved transaction terms on 26 October 2021, as further described at “*Part II—Background of the CATCo Group and the Schemes—Continued Negotiation and Improved Proposal*”, the AlixPartners’ report was updated on 28 October 2021 to compare the outcomes to Scheme Creditors under the improved proposal with the likely outcomes in a liquidation (the “**Second AlixPartners Report**”).
4. On 17 November 2021, the Second AlixPartners Report was updated to include additional explanation of the assumptions on which the analysis in the report is based (the “**Third AlixPartners Report**”). On 6 December 2021, the Third AlixPartners Report was further updated to clarify that the analysis therein only related to recoveries against the Scheme Companies (the “**Fourth AlixPartners Report**”). The Fourth AlixPartners Report was in turn further updated on 18 February 2022 to reflect the improved proposal announced on 4 February 2022 and described at “*Part II—Background of the CATCo Group and the Schemes—Further Improved Terms*” and the most recently announced NAV (the “**AlixPartners Report**”). A copy of the AlixPartners Report is at Appendix G (*Comparator Analysis*) and also available on the Schemes website <https://catcobuyout.alixpartners.com>.
5. The following is a summary of the liquidation process and the likely returns to Scheme Creditors in a liquidation. Please refer to the AlixPartners Report for a more thorough analysis by fund and the underlying assumptions used.

Liquidation Process

6. Slide 17 of the AlixPartners Report describes the process that would occur if the Scheme Companies were to enter into liquidation.
7. Slide 18 of the AlixPartners Report summarises the priority of payments to be made by liquidators if the Scheme Companies were to enter into a liquidation.

Potential Returns to Scheme Creditors

8. In order to illustrate the range of possible outcomes for Scheme Creditors in the event of a liquidation, the AlixPartners Report estimates the return to Scheme Creditors in the following two scenarios:
 - (a) The first scenario assumes a liquidation of the Reinsurer and Scheme Companies in which no Investor Claims or indemnity claims are admitted against any of the segregated accounts (the “**No Claims Scenario**”); and

- (b) The second scenario assumes a liquidation of the Reinsurer and Scheme Companies in which Investor Claims are made with a total value equal to 15% of the losses suffered rateably by all segregated accounts of the Private Fund (the “**15% Claims Scenario**”).
- 9. Given the uncertainty as regards what Investor Claims would be admitted in a liquidation and against which segregated accounts, AlixPartners have had to proceed on the basis of possible scenarios and these are the two scenarios they have modelled. They are necessarily uncertain and illustrative only in relation to the scenarios modelled.
- 10. In fact, as mentioned above, the Scheme Companies consider that if any Scheme Creditor has an Investor Claim then all Scheme Creditors are likely also to do so. Accordingly, the 15% Claims Scenario may reflect only a relatively small proportion of Scheme Creditors taking the time and trouble to submit Investor Claims. That may be unlikely. If most of the Investors do successfully submit Investor Claims, or the liquidators promote a scheme of arrangement to deal with Investor Claims, it may be that the costs and expenses of the liquidation, together with distributions to creditors, exhaust the assets of the Scheme Companies with the result that there is no return to the Scheme Creditors in their capacity as members. In that event, the returns the Scheme Creditors would receive through dividends would likely be less than the returns they will receive through the Schemes and the Buy-Out Transaction because of the costs and expenses of the liquidation. Further, the returns the Scheme Creditors would receive through a liquidation would be received significantly later than the returns they will receive through the Schemes and the Buy-Out Transaction, if they proceed.
- 11. The assumptions made for the purpose of modelling each of these scenarios are set out on slides 15 to 19 of the AlixPartners Report.
- 12. In both the No Claims Scenario and the 15% Claims Scenario, it is assumed that:
 - (a) it could take up to 6 years for distributions to be made to members. The estimation and resolution of contingent indemnity claims could be affected by the timing of any claims brought against such persons, which is uncertain because claims could be brought against such persons at any point until the expiry of the statute of limitations, which is 6 years in Bermuda (but may vary in other jurisdictions). The process of resolving Investor Claims may also involve protracted court proceedings. In light of the complex, contingent and potentially contentious nature of the distribution process, and based on experience in the conduct of similar processes, AlixPartners’ best estimate is that it may take up to 6 years before a liquidator could be comfortable making distributions to investors.
 - (b) all costs and liabilities are allocated *pro rata* across all segregated accounts of the Private Fund.
- 13. In the No Claims Scenario it is assumed very limited, if any, claims for losses are brought, with the funds incurring legal adjudication costs in respect of those claims brought, but claims are rejected, therefore no costs for admitted claims through their indemnities with the Manager are included.
- 14. In the 15% Claims Scenario it is assumed:
 - (a) Claims equalling 15% of total investor losses are submitted and allowed against the Scheme Companies and the Manager, meaning its indemnities from the Group are called upon;
 - (b) The figure of 15% was selected for illustrative purposes only, in order to illustrate the cost to Scheme Creditors generally in the event that a number of Investor Claims are established. The AlixPartners’ Report does not consider they are able reliably to estimate the quantum of claims that might be allowed if the Scheme Companies were to go into liquidation, or

whether any greater or smaller proportion of claims would be asserted by Scheme Creditors interested in the Aquilo Fund or Scheme Creditors interested in the Retro Funds; and

- (c) No assumption is made as to which Scheme Creditors submit such claims. The total claim figure is allocated, (for illustrative purposes only) rateably as between the Aquilo Fund and the Master Fund.
15. In the 15% Claims Scenario, the AlixPartners Report assumes that an amount of claims is made and allowed against each of the Master Fund and the Aquilo Fund. The Scheme Companies consider this is an appropriate assumption for the purposes of this illustrative scenario, for the following reasons:
- (a) It cannot be predicted, and no assumption is made, as to which Scheme Creditors would submit claims. The 15% Claims Scenario assumes a proportional amount of claims are asserted and allowed against each of the Master Fund and the Aquilo Fund.
 - (b) In respect of claims submitted by any particular class of Scheme Creditors, the segregated account to which a particular claim is linked or allocated depends on the nature of the claim made and it is impossible to predict in advance how such claim will be asserted or determined. Determining whether or not an Investor Claim could be characterised as linked or would be allocated to any particular segregated account would be a complex process, which may raise novel and litigable issues and, in the context of a liquidation, would likely lead to additional uncertainty, expense and delay.
 - (c) Investor Claims brought by investors in the Sub-Funds would likely be asserted against, and may be allowed or allocated against, the Master Fund where such claims relate to statements or representations regarding the performance of the Master Fund, and/or such claims seek damages on account of loss said to have been suffered as a result of the performance of the Master Fund's investments in the Reinsurer.
 - (d) If a claim were brought against the Manager or other indemnified person, the indemnified person would likely claim against all segregated accounts, including each of the Retro Funds and the Aquilo Fund, because the Private Fund has given an indemnity in respect of each of these segregated accounts of the Private Fund. This would mean that the liability for indemnity claims against the Private Fund could be linked to all of the various segregated accounts of the Private Fund.
16. In both scenarios the AlixPartners Report addresses the likely recoveries from a liquidation of the Scheme Companies. The AlixPartners Report does not address whether any additional recoveries could be made from third parties.
17. The outcomes in these two scenarios are as follows:
- (a) In the No Claims Scenario, where all Investor Claims are rejected, AlixPartners estimate that the average return to Scheme Creditors (in their capacity as members) will be in the region of 55% to 73% of current Net Asset Value; and
 - (a) In the 15% Claims Scenario, AlixPartners estimate that the average return to Scheme Creditors (in their capacity as members) will be in the region of 20% to 27% of current Net Asset Value.

PART VII—RISK FACTORS

The following risk factors are the principal risk factors that arise in connection with the proposed Schemes, but this Part VII—Risk Factors should not be regarded as a comprehensive statement of all potential risks and uncertainties relating to the proposed Schemes. These risk factors should be read in conjunction with all of the other information contained in this document. All statements in this Explanatory Statement are to be read subject to, and are qualified in their entirety by, the matters referred to in this Part VII—Risk Factors.

Additional risks and uncertainties not presently known to the Scheme Companies or that the Scheme Companies currently deem immaterial may also have a material adverse effect on the business, financial condition, or results of the Scheme Companies or the proposed Buy-Out Transaction. Moreover, except as set forth in the section(s) below entitled “Risks Relating to the Schemes” these risk factors assume that the Schemes will be implemented and do not describe all of the risks that would be applicable to the Scheme Companies should the Schemes not be implemented.

All statements in this document are to be read subject to, and are qualified in their entirety by, the matters referred to below.

Risks Relating to the Schemes

Effectiveness of the Schemes Requires the Consent of the Scheme Creditors

In order for the Schemes to be approved by the Scheme Creditors, at each Scheme Meeting a simple majority in number representing not less than 75% by value of the Scheme Creditors that vote at such Scheme Meeting, via webinar or by proxy, must vote in favour. If the requisite majority of Scheme Creditors does not vote in favour of the Schemes at the Scheme Meetings, the Schemes will be withdrawn and the Schemes will not be implemented.

Effectiveness of the Schemes Requires the Satisfaction or Waiver of all Relevant Conditions

The Schemes will become effective and legally binding once certain conditions have been satisfied (or otherwise waived) as described in the Schemes. If any condition is not satisfied, the Schemes will not become effective and the Schemes will not be implemented.

Effectiveness of the Schemes Requires the Sanction of the Court

In order for the Schemes to become effective under Bermuda law, each Scheme must receive the sanction of the Court at the applicable Sanction Hearing and the applicable Sanction Order must be lodged with the Bermuda Registrar of Companies. The Court will not sanction the Schemes unless it is satisfied that the correct procedures have been followed, the proposed Buy-Out Transaction is fair and reasonable and that there are no other reasons why the Schemes should not be approved. Further, it must be satisfied that the Schemes will have substantial effect, in order to exercise its discretion to sanction the Schemes.

The Schemes are Inter-conditional

The effectiveness of each Scheme is conditional on the sanctioning of the other Scheme by the Court. Consequently, if one of the Schemes is not sanctioned by the Court, then both Schemes will fail to become effective.

Parties May Object to the Schemes

Even if the Schemes are approved at the Scheme Meetings, it is possible for a person with an interest in the Schemes (whether a Scheme Creditor or otherwise) to object to the Schemes and to attend or be represented at the Sanction Hearings in order to make representations that the Schemes should not be approved and to appeal against the granting of the Sanction Orders. Therefore, it is possible that objections will be made at or before the Sanction Hearings or that an appeal will be made against the granting of the Sanction Orders.

by the Court and that any such objections or appeal will delay or possibly prevent the intended Buy-Out Transaction.

The Schemes May Be Challenged in Other Jurisdictions

It is possible that a person with an interest in the Schemes may seek to challenge the Schemes after they are sanctioned in a court in a jurisdiction other than Bermuda. There can be no assurance that a court in another jurisdiction would recognise or give effect to the Schemes.

The Releases May Not Be Recognised

As discussed above in “*Part III—The Schemes and the Buy-Out Transaction*”, and as set forth in the Schemes and the Deed of Release, the Schemes contains Releases that provides that the Scheme Creditors will release all Investor Claims against the CATCo Released Parties and their respective property, and all Transaction Claims against the CATCo Released Parties, Scheme Creditors and Advisers and their respective property. The CATCo Parties will grant the same release of Investor Claims against the Scheme Creditors and their respective property. In addition, the Scheme Companies will seek authorisation from the Court to enter into the Deed of Release on behalf of themselves and on behalf of the Scheme Creditors. The Court may not approve the Releases or authorise entry into the Deed of Release. In addition, a U.S. Bankruptcy Court may also not enforce the Releases or the Deed of Release.

There Can Be No Assurance That the Court Will Sanction the Schemes

If the Court does not sanction the Schemes, including for any of the reasons described above, or approves it subject to conditions or amendments which the Scheme Companies, the CATCo Group, the Markel Group, the Scheme Creditors, or any other relevant parties deem unacceptable or would have (directly or indirectly) a material adverse effect on the interests of any Scheme Creditors and such conditions or amendments are not approved by the Scheme Creditors, the Schemes will not become effective and the Buy-Out Transaction contemplated by the Schemes will not be implemented.

The Scheme Companies May Not Obtain an Order Enforcing the Schemes in the U.S.

Even if the Schemes are approved at the Scheme Meetings and are sanctioned by the Court, the effectiveness of the Schemes are conditional, among other things, on entry of orders by the U.S. Bankruptcy Court pursuant to Chapter 15 recognising (the “**Chapter 15 Recognition Order**”) and enforcing the Schemes (the “**Chapter 15 Enforcement Order**” and with the Chapter 15 Recognition Order, the “**Chapter 15 Orders**”). Although the Scheme Companies do not currently anticipate material difficulties in obtaining the Chapter 15 Orders and anticipate that the Chapter 15 Enforcement Order will be provided within a short period of time after the Sanction Orders are obtained (with the Chapter 15 Recognition Order having already been entered), the Scheme Companies do not control the granting of the Chapter 15 Orders or the timing thereof, and there can be no assurance that they will be granted on a timely basis or at all. If the Schemes are not enforced by the U.S. Bankruptcy Court, the Schemes will not be implemented. Even if the Schemes are approved at the Scheme Meetings, it is possible for a person with an interest in the Schemes (whether a Scheme Creditor or otherwise) to object to entry of the Chapter 15 Enforcement Order and to attend or be represented in the Chapter 15 Cases in order to make representations that the Chapter 15 Enforcement Order should not be approved.

Liquidation

If the Schemes are unsuccessful, as a result of a failure to obtain the statutory majorities or the Court’s sanction, the entry of the Chapter 15 Orders, or for any other reason, there is a possibility that the Schemes would proceed to a subsequent hearing at which point a winding up-order could be made. Subject to other appointees being proposed by creditors, the JPLs would then be appointed to liquidate the Scheme Companies’ assets for distribution in accordance with the priorities established by the Companies Act and the Companies (Winding Up) Rules 1982. Please refer to the section “*Part VI—Alternative If the Schemes*

Are Not Implemented” to this Explanatory Statement for a detailed discussion of the effects that a winding-up in Bermuda would have on Scheme Creditor recoveries.

Risks Related to the Buy-Out Transaction

The Buy-Out Transaction May Have Tax Consequences for Scheme Creditors

It is possible that the Buy-Out Transaction contemplated under the Schemes may have tax consequences for Scheme Creditors. Scheme Creditors should consult their own professional advisors regarding these possible tax consequences under the laws of the jurisdictions that apply to them. Scheme Creditors are liable for their own taxes and have no recourse to the Markel Corporation, the Manager, the Private Fund, the Public Fund, the Reinsurer, or the Released Parties.

Scheme Creditors May Not Receive Any Upside Distributions

There may not be sufficient capital available for Upside Distributions. Scheme Creditors’ entitlement to Upside Distributions is subject to whether any capital in excess of the Buy-Out Amounts allocable to a particular SP of the Master Fund or the Aquilo Fund is available *and* approved for distribution by the BMA. Accordingly, whether any capital will ultimately be available for Upside Distributions is subject to several factors, many of which are beyond the Reinsurer’s control, including unanticipated or late-developing losses, failure to receive requisite regulatory approval, and unanticipated transaction and administrative expenses. Any of the foregoing may preclude the availability of any Upside Distributions.

Residual Investments in 2018 and 2019 Master Fund SPs May Be Reduced or Eliminated

The residual investments in the 2018 Master Fund SP and 2019 Master Fund SP may be reduced or eliminated if there are losses beyond the current estimates at the Reinsurer. Such investments may also be reduced or eliminated if parties commence additional litigation related to potential Investor Claims, which may require substantial expenditures for legal defence or settlements.

Risks Relating to Potential Litigation

As noted above, litigation by one or more Scheme Creditors may give rise to Claims that reduce recovery for other Scheme Creditors. Such litigation Claims may trump Investor Claims under Bermuda insolvency laws or otherwise. While the automatic stay should prevent such Claims from being asserted or prosecuted against the CATCo Group in Bermuda now that the Provisional Liquidation proceedings have commenced and against the CATCo Group in the U.S. once the Chapter 15 is recognised as a foreign “main” proceeding, such Claims may be able to be asserted or prosecuted if (a) the Chapter 15 is not recognised in the U.S., or (b) the U.S. Bankruptcy Court does not recognise the Provisional Liquidation proceedings as foreign main proceedings. Following the implementation of the Schemes, the releases given thereby and as recognised by the U.S. Bankruptcy Court should prevent further litigation, however there would be a risk that certain Scheme Creditors may nevertheless seek to bring such litigation. Such Claims may be able to be asserted if a court were to find that the releases were not effective or if the Schemes and Releases are not recognised pursuant to Chapter 15 in the U.S..

In addition, former investors and parties that are not Releasing Parties, including cedants and former employees, may file claims against the Manager or other members of CATCo Group. While the Chapter 15 Cases are intended to enjoin such action against parties in the U.S., it is possible that the U.S. Bankruptcy Court does not enter an order approving such injunction. Moreover, the injunction may not enjoin parties outside the U.S. from bringing actions in other jurisdictions. Seeking recognition of the releases in such jurisdictions, defending these claims or settling them will require funds which will decrease the capital available for distribution.

PART VIII—THE PRIVATE FUND SCHEME

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

(COMMERCIAL COURT)

Case 2021: No. 307

IN THE MATTER OF MARKEL CATCO REINSURANCE FUND LTD.

AND IN THE MATTER OF THE COMPANIES ACT 1981

SCHEME OF ARRANGEMENT

UNDER SECTION 99 OF THE COMPANIES ACT 1981

BETWEEN

MARKEL CATCO REINSURANCE FUND LTD.

– AND THE –

SCHEME CREDITORS (AS DEFINED HEREIN)

1. Definitions and Interpretation

1.1 Definitions

In this Scheme, the following expressions shall, unless the context otherwise requires, have the following meanings:

“Acquired Shares” means the shares in the segregated accounts of the Reinsurer to be acquired by the Purchaser from the Private Fund in exchange for the Buy-Out Amounts in accordance with the terms of the Relationship and Economic Rights Agreement.

“Additional Consideration” means an amount to be allocated to all Scheme Creditors equal to each Scheme Creditor’s *pro rata* entitlement (based on the proportion that the Closing NAV of each Scheme Creditor’s shareholding in the Private Fund comprises in relation to the aggregate Closing NAV of all Private Fund shareholders including the Excluded Creditors) to \$44 million.

“Administrative Expenses” means the Transaction Costs, the Ordinary Course Fees and the Reserve.

“Administrative Expenses Contribution” means an aggregate cash amount equal to the greater of: (i) \$20 million, and (ii) Transaction Costs, less any amount of Transaction Costs which has been paid by the Private Fund and allocated against the NAV of the Settling Shares, which amount will be contributed by Markel Corporation or one of its Affiliates to the Private Fund and attributed to Retro Funds Shares and Aquilo Fund Shares *pro-rata* in proportion to the Current NAV of such shares.

“Adverse Development Cover” means adverse development cover (and/or entering into new reinsurance contracts, or amending existing reinsurance contracts) to one or more fronting reinsurers of the Aquilo Fund that will enable the release of trapped cash to the Private Fund.

“Adverse Development Cover Provider” means Markel Bermuda Limited, an Affiliate of Markel Corporation, or any other Affiliate of Markel Corporation that will provide the Adverse Development Cover.

“Advisers” means:

- (a) AlixPartners UK LLP;
- (b) ASW Law Limited;
- (c) Skadden, Arps, Slate, Meagher & Flom LLP and its affiliates (and Counsel instructed by Skadden, Arps, Slate, Meagher & Flom LLP and its affiliates to advise on, and to appear before the Supreme Court of Bermuda in relation to, the Schemes) as legal advisers to the Scheme Companies;
- (d) Conyers Dill & Pearman Limited;
- (e) Finance and Risk Services Limited;
- (f) Simpson, Thacher & Bartlett LLP; and
- (g) the JPLs in the personal capacities,

together with the respective Related Parties of each of the foregoing.

“Affiliate” means, in respect of a company:

- (a) a company that directly or indirectly owns, controls, or holds with power to vote, 50 percent or more of the outstanding voting securities of the company, other than an entity that holds such securities:

- (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or
 - (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (b) a company 50 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the company, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 50 percent or more of the outstanding voting securities of the company, other than an entity that holds such securities:
 - (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or
 - (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (c) a person whose business is operated under a lease or operating agreement by the company, or person substantially all of whose property is operated under an operating agreement with the company; or
- (d) an entity that operates the business or substantially all of the property of the company under a lease or operating agreement.

“Ancillary Transaction Documents” means the Security Documents and all scheduled, instruments, resolutions or other documentation necessary to implement and give effect to the Transaction Documents.

“Aquila Accelerated Distribution” means a cash distribution to holders of Aquilo Fund Shares as at the Scheme Record Time in an amount equal to 100% of the Closing NAV of the Aquilo Fund Shares.

“Aquila Buy-Out Amount” means the purchase price to be paid by the Purchaser to the Private Fund (pursuant to the terms of the Relationship and Economic Rights Agreement) in exchange for the Acquired Shares in respect of the Aquilo Fund.

“Aquila Fund” means the Aquilo Fund of the Private Fund.

“Aquila Fund Shares” means the shares issued by the Aquilo Fund to its shareholders.

“Aquila Scheme Distribution” means a distribution to Private Fund Scheme Creditors with interests in Shares issued by the Aquilo Fund of:

- a) each shareholders’ proportion of the Aquilo Accelerated Distribution; and
 - b) each shareholders’ proportion of the Additional Consideration,
- such distributions to be allocated to Private Fund Scheme Creditors with interests in Shares issued by the Aquilo Fund *pro rata* in proportion to their Closing NAV and to be made in accordance with the Private Fund Bye-Laws.

“Attorney” has the meaning given in Clause 3.1 of this Scheme.

“Bermuda Proceedings” means, collectively, the Provisional Liquidations and the Schemes.

“Bermuda Registrar of Companies” means the Registrar of Companies in Bermuda.

“Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York and Bermuda.

“Buy-Out Amounts” means the Aquilo Buy-Out Amount and the Retro Funds Buy-Out Amount.

“Buy-Out Transaction” means the transaction to be implemented by the Schemes, including (without limitation) the acquisition of the Acquired Shares by the Purchaser in consideration for the Buy-Out Amounts, the Adverse Development Cover becoming effective, the execution of the Deed of Release, and the distribution of the Scheme Consideration to Scheme Creditors.

“C Shares” means the issued and outstanding series C shares of the Public Fund and includes (save where the context so requires) the Depository Interests issued by the Depository in respect of those shares.

“Chapter 15” means Chapter 15 of the U.S. Bankruptcy Code.

“Chapter 15 Cases” means the Chapter 15 cases with respect to the Bermuda Proceedings.

“Chapter 15 Enforcement Order” means an order issued by the U.S. Bankruptcy Court recognising and enforcing the terms of this Scheme and the Buy-Out Transaction, on terms satisfactory to the Scheme Company and the Undertaking Parties.

“Claim” means a claim, potential claim, counterclaim, potential counterclaim, right of set-off, indemnity, cause of action, demand, suit, right to payment (whether or not such right is reduced to judgment), right or interest of any kind or nature whatsoever, whether in law or in equity, civil or criminal, contractual or in tort (including, but not limited to, negligence, fraud or breach of fiduciary duty), and whether direct or derivative in nature, whether known or unknown, suspected or unsuspected, contingent or actual, liquidated or unliquidated, matured or unmatured, direct or indirect, disputed or undisputed, secured or unsecured, fixed or undetermined, present or future, however and whenever arising and in whatever capacity and jurisdiction.

“Closing Date” means the date on which each of the steps set out in Clause 3.5(a), (b) and (c) has occurred.

“Closing NAV” is an amount equal to Current NAV:

- (i) *plus* the Transaction Costs Reserve Release (where applicable),
- (ii) *plus* the Administrative Expenses Contribution,
- (iii) *less* Administrative Expenses.

“Conditions Precedent” means the conditions precedent for the Schemes set out in Clause 3.2 of the Scheme and Clause 3.2 of the Public Fund Scheme.

“Court” means the Supreme Court of Bermuda.

“Current NAV” means, if the Net Asset Value attributable to the Shares that has been announced for the most recent month end prior to the Closing Date, adjusted to exclude the impact of any Transaction Costs or increased reserve on account of Transaction Costs or litigation liabilities reflected in such amount, is greater than the Net Asset Value of the Shares as of 31 August 2021, then the Net Asset Value attributable to the Shares that has been announced for the most recent month end prior to the Closing Date, or otherwise the Net Asset Value of the Shares as of 31 August 2021.

“Deed of Release” means a deed of release to be dated on or about the Closing Date between the Scheme Creditors, the Public Fund Scheme Creditors, the Scheme Company, the Public Fund, the Manager, the Reinsurer, the Funding Cos, the Purchaser, the Adverse Development Cover Provider and Markel Corporation pursuant to which the parties shall grant releases of certain claims and liabilities as contemplated by the Schemes.

“Depository” means Link Market Services Trustees (Nominees) Limited, acting in the capacity as Depository for the Public Fund.

“Depository Interests” means the dematerialised depository interests issued by the Depository in respect of the issued and outstanding Ordinary Shares and C Shares.

“Early Consent Fee Amount” means a cash fee equal to 2% of the aggregate Current NAV of Scheme Creditors who had executed support undertakings by 9 November 2021 at 11.59 p.m. (Bermuda time).

“Excluded Creditors” means the “Investor Parties” subject to and as defined in the Settlement Agreement.

“Explanatory Statement” means the explanatory statement issued by the Scheme Companies in compliance with section 99 and section 100(1)(a) of the Companies Act relating to the Schemes.

“Funding Cos” means SOAFC I, Inc., SOAFC II, Inc. and SOAFC III, Ltd as lenders pursuant to the Purchase Price Loan Agreement.

“Group Settlement Deed” means a deed to be entered in to by the Manager, the Public Fund, the Private Fund and the Reinsurer, pursuant to which, on and from the Closing Date, the Management Agreements will be terminated and all rights or claims arising therefrom including pursuant to the indemnities contained therein will be released.

“HWH” means HWH Realty Holdings LLC.

“Insurance Management Agreement” means that certain discretionary insurance management agreement dated 8 December 2015 between the Manager and the Reinsurer.

“Investor Claims” means all Claims at any time arising out of, relating to, or in connection with any investment in or exposure to the Scheme Companies (and/or any of their segregated accounts, if applicable) or the Markel CATCo Business, and/or the Scheme Creditors’ Shares, including, without limitation, any such Claims: based on any oral or written statements or omissions by any person; based in tort (including, but not limited to, negligence, fraud or breach of fiduciary duty), contract, or the laws that govern the offer and sale of securities under the law of any jurisdiction; based on breach of fiduciary or other duties or breach of any contracts or deviations from operations; based on any argument or theory of alter ego, vicarious liability, agency, or piercing the corporate veil; for breach of representation, warranty or undertaking; based on an event of default or under any indemnity given under or in connection with any such Claim; based on indemnification, whether statutory or otherwise in any jurisdiction; for damages, restitution, contribution, attorneys’ fees, costs, or other liability; or as a result of any recovery by any person of a payment on the grounds of preference or otherwise, and any Claims which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

“JPLs” means Simon Appell and John McKenna in their capacities as joint provisional liquidators of the Scheme Company, the Public Fund, the Manager and the Reinsurer.

“Loan” has the meaning given to that term under the Purchase Price Loan Agreement.

“Lodgement Date” has the meaning given in Clause 2.2 of this Scheme.

“Management Agreements” means, collectively, (a) the Private Fund Management Agreement, (b) the Public Fund Management Agreement and (c) the Insurance Management Agreement.

“Manager” means Markel CATCo Investment Management Ltd.

“**Markel CATCo Business**” means the retro-reinsurance and reinsurance business carried out by the Manager and the Reinsurer with respect to the assets held by the Scheme Companies and the management and solicitation of investments in respect thereof.

“**Markel Corporation**” means the corporation which indirectly wholly owns Markel CATCo Investment Management Ltd. and is incorporated in the Commonwealth of Virginia (USA).

“**Markel Group**” means Markel Corporation and its Affiliates.

“**Master Fund**” means the Segregated Account known as the Markel CATCo Diversified Fund.

“**Master Fund SP**” means side pocket shares of the Private Fund issued in respect of the Master Fund.

“**Net Asset Value**” or “**NAV**” has the meaning set out in the Private Fund Bye-Laws.

“**Ordinary Course Fees**” means the aggregate of the following amounts in respect of each SP of the Retro Funds, and the Aquilo Fund, which amounts are allocated to Retro Funds Shares or Aquilo Fund Shares *pro rata* in proportion to the Current NAV of such Shares:

	Operating expenses estimate	Reserve	Total
2016 Master Fund SP	0	\$141,653	\$141,653
2017 Master Fund SP	\$1,982,885	\$1,202,747	\$3,185,632
2018 Master Fund SP	\$3,982,732	\$1,817,844	\$5,800,575
2019 Master Fund SP	\$4,038,313	\$1,538,543	\$5,576,857
Aquilo	\$1,131,284	\$526,257	\$1,657,540

“**Ordinary Shares**” means the issued and outstanding ordinary shares of the Public Fund and includes (save where the context so requires) the Certificated Shares and the Depositary Interests issued by the Depositary in respect of those shares.

“**Partners**” means Partners Capital Investment Group LLP.

“**Principal Transaction Documents**” means the Deed of Release, the Purchase Price Loan Agreement and the Relationship and Economics Rights Agreement, each in substantially the form made available to Scheme Creditors on the Schemes Website, subject to any modification made in accordance with the terms of this Scheme.

“**Private Fund**” means Markel CATCo Reinsurance Fund Ltd.

“**Private Fund Bye-Laws**” means the bye-laws of the Private Fund.

“**Private Fund Management Agreement**” means that certain discretionary investment management agreement dated 8 December 2015 between the Manager and the Private Fund on behalf of each Segregated Account.

“**Private Fund Sanction Order**” means the office copy of the order of the Court sanctioning the Scheme.

“**Private Fund Shares**” means the shares issued by the Private Fund in respect of the Segregated Accounts.

“Proceeding” means any process, suit, action, legal or other proceeding, including without limitation any arbitration, mediation, alternative dispute resolution, judicial review, adjudication, demand, execution, distraint, restraint, forfeiture, re-entry, seizure, lien, enforcement of judgment or enforcement of any security.

“Provisional Liquidations” means the liquidation proceedings commenced by each of the Manager, the Private Fund, the Public Fund, and the Reinsurer under Part XIII of the Companies Act, in their present form or with or subject to any modifications, additions or conditions approved or imposed by the Court or approved in accordance with the terms of each such liquidation proceeding.

“Public Fund” means CATCo Reinsurance Opportunities Fund Ltd.

“Public Fund Management Agreement” means that certain discretionary investment management agreement dated 8 December 2015 between the Manager and the Public Fund.

“Public Fund Sanction Order” means the office copy of the order of the Court sanctioning the Public Fund Scheme.

“Public Fund Scheme” means the scheme of arrangement in respect of the Public Fund.

“Public Fund Scheme Creditors” means all persons that are beneficially interested in the Public Fund Shares as at the Scheme Record Time, in their capacity as creditors of the Public Fund in relation to their potential Investor Claims.

“Public Fund Scheme Distribution” means the distribution of the Retro Funds Scheme Distribution received by the Public Fund to Public Fund Shareholders in accordance with the terms of the Public Fund Scheme.

“Public Fund Shares” means the Ordinary Shares and/or the C Shares, as applicable.

“Purchase Price Loan Agreement” means the loan agreement, to be dated on or about the Closing Date, between *inter alios*, the Funding Cos, the Purchaser and the Reinsurer, pursuant to which the Funding Cos will advance the Loans to the Purchaser for the purchase of the Acquired Shares.

“Purchaser” means SPC, Ltd. as purchaser pursuant to the Relationship and Economic Rights Agreement.

“Reinsurer” means Markel CATCo Re Ltd.

“Relationship and Economic Rights Agreement” means that certain relationship agreement, to be dated on or about the Closing Date, between the Purchaser, the Private Fund, the Manager and the Reinsurer governing the purchase of the Acquired Shares and economic rights of the Reinsurer and the Private Fund on a go forward basis. .

“Released Parties” has the meaning given to it in the Deed of Release.

“Reserve” means a reserve of approximately \$5.2 million to cover Ordinary Course Fees.

“Retro Funds” means, collectively, the Master Fund, the Diversified Fund II, the Limited Diversified Arbitrage Fund, the Diversified Arbitrage Fund, the GTL Diversified Fund, the Markel Diversified Fund and the QIC Diversified Fund.

“Retro Funds Accelerated Distribution” means a cash distribution to holders of Retro Fund Shares in an amount equal to 100% of the Closing NAV of each Scheme Creditors’ Retro Funds Shares.

“Retro Funds Buy-Out Amount” means the purchase price to be paid by the Purchaser to the Private Fund (pursuant to the terms of the Relationship and Economic Rights Agreement) in exchange for the Acquired Shares in respect of the Retro Funds.

“Retro Funds Scheme Distribution” means a distribution to Private Fund Scheme Creditors with interests in the Retro Funds of:

- (a) each shareholders’ proportion of the Retro Funds Accelerated Distribution; and
- (b) each shareholders’ proportion of the Additional Consideration,

such distributions to be allocated to Private Fund Scheme Creditors with interests in the Retro Funds *pro rata* in proportion to their Closing NAV and to be made in accordance with the Private Fund Bye-Laws.

“Retro Funds Shares” means the Shares issued by the Retro Funds to their shareholders, other than any such shares held by another Retro Fund.

“Sanction Orders” means the Private Fund Sanction Order and the Public Fund Sanction Order.

“Scheme” means the scheme of arrangement in relation to the Private Fund under section 99 of the Companies Act in its present form or with or subject to any modifications, additions or conditions approved or imposed by the Court or approved in accordance with the terms of each such scheme of arrangement.

“Scheme Company” means the Private Fund, and together with the Public Fund, the **“Scheme Companies”**.

“Scheme Consideration” means the entitlements of Scheme Creditors and the Public Fund Scheme Creditors pursuant to the Schemes, including without limitation, the Retro Funds Scheme Distribution, Aquilo Scheme Distribution and/or the Public Fund Scheme Distribution, as applicable.

“Scheme Creditors” means all persons other than Excluded Creditors that are beneficially interested in the Private Fund Shares as at the Scheme Record Time, in their capacity as creditors of the Private Fund (and/or any of its segregated accounts) in relation to their potential Investor Claims.

“Scheme Record Time” means 1 March 2022 at 2 p.m. (Bermuda Time).

“Schemes Website” means the website providing further information related to the Schemes and the Buy-Out Transaction at <https://catcobuyout.alixpartners.com>.

“Security” means the security to be granted in favour of the Funding Cos to secure repayment of the Loans, as set out in the Purchase Price Loan Agreement.

“Security Documents” means the documents in a form reasonably satisfactory to the Funding Cos pursuant to which the Security is granted.

“Segregated Account” means each of the following funds: (a) Master Fund, (b) Diversified Fund II, (c) Limited Diversified Arbitrage Fund, (d) Diversified Arbitrage Fund, (e) GTL Diversified Fund, (f) Markel Diversified Fund, (g) QIC Diversified Fund, and (h) Aquilo Fund.

“Settlement Agreement” means the agreement dated 3 February 2022 between Markel Corporation, the Manager (on its own behalf and on behalf of the Private Fund), HWH and certain funds managed by Partners.

“Shares” means, with respect to the Private Fund, the Private Fund Shares and, with respect to the Public Fund, the Public Fund Shares.

“SP” means a side pocket, a distinct class of shares issued in respect of any particular Segregated Account, holders of which are entitled to share in a defined pool of assets.

“Transaction Costs” means the transaction costs for implementing the Schemes (including the fees and costs incurred by the JPLs, the U.S. Expert and all legal and other advisers to the Scheme Companies, including the Advisers), which shall, to the extent not already allocated, be allocated as follows:

- a) in respect of the Retro Funds, an allocation of 90% of the Transaction Costs to all Retro Funds Shares, *pro rata* in proportion to the Current NAV of such shares; and
- b) in respect of the Aquilo Funds, an allocation of 10% of the Transaction Costs to all Aquilo Fund Shares, *pro rata* in proportion to the Current NAV of such shares.

“Transaction Costs Reserve Release” means in respect of each Retro Fund SP, 75% of the amount held by the Private Fund in respect of such SP as a reserve on account of potential litigation costs related to Investor Claims.

“Transaction Documents” means the Ancillary Transaction Documents and the Principal Transaction Documents.

“U.S. Bankruptcy Court” means the U.S. Bankruptcy Court for the Southern District of New York.

“U.S. Expert” means Daniel M. Glosband, in respect to a legal opinion prepared on behalf of the Manager in support of the Schemes.

“Undertaking Parties” means the Manager, the Reinsurer, the Funding Cos and the Purchaser.

“Work Fee” means a cash fee equal to 2% of the Current NAV of funds managed by PKA A/S and Almitas Capital.

1.2 *Interpretation*

In this Scheme, unless the context otherwise requires or otherwise expressly provides for:

- (a) references to “Clauses” are references to the Clauses of this Scheme;
- (b) references to a “person” include references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or state agency;
- (c) references to a statute or statutory provision include the same as subsequently modified, amended or re-enacted from time to time;
- (d) references to an agreement, deed or document shall be deemed to also refer to such agreement, deed or document as amended, supplemented, restated, varied, replaced and/or novated (in whole or in part) from time to time and to any agreement, deed or document executed pursuant thereto;
- (e) references to time shall be to prevailing Bermuda time;
- (f) the singular includes the plural and *vice versa* and words importing one gender shall include all genders;
- (g) the term “including” means “including without limitation;” and
- (h) headings are for ease of reference only and shall not affect the interpretation of this Scheme.

2. **Application and Effectiveness of the Scheme**

2.1 The compromise and arrangement effected by the Scheme shall bind:

- (a) all Scheme Creditors;
- (b) the Scheme Company; and

- (c) each of Undertaking Parties in accordance with the terms of their undertaking to be so bound.
- 2.2 Unless otherwise stated, the provisions of the Scheme shall take effect on and from the time that both of the following conditions are satisfied:
 - (a) the Public Fund Scheme has been sanctioned by the Court; and
 - (b) copies of the Sanction Orders are delivered to the Bermuda Registrar of Companies for registration (the “**Lodgement Date**”).
- 2.3 As soon as reasonably practicable following the Lodgement Date, the Scheme Company shall notify the Scheme Creditors in accordance with Clause 6.9 (*Notice*) (including through the Schemes Website) that the Scheme has become effective.
- 3. Implementation of the Buy-Out Transaction**
- 3.1 On and from the Lodgement Date, each Scheme Creditor hereby irrevocably authorises, instructs, empowers and appoints the Scheme Company (acting by any authorised signatory (being any director of the Scheme Company or attorney of the Scheme Company appointed pursuant to a duly executed power of attorney)) as the true and lawful agent and attorney of that Scheme Creditor (the “**Attorney**”), so that the Attorney may:
 - (a) sign, execute and deliver the Deed of Release for and on behalf of that Scheme Creditor, such that each Scheme Creditor will become a party to and be bound by the Deed of Release;
 - (b) take any such other action as may be reasonably necessary, or desirable, to give effect to the terms of the Scheme, the Deed of Release or any other Transaction Document;
 - (c) agree on its behalf any amendments to the Scheme, Deed of Release or any other Transaction Document, which the Scheme Company and (if applicable) the other person(s) party to the Scheme, the Deed of Release or such other Transaction Document (acting reasonably and in good faith) consider(s) necessary, or desirable, in order to ensure that, without limitation:
 - (i) the information and categories of information contained, or referred to, in any formula, schedule, annex or similar, signature blocks, parties’ provisions, notice details or blank in any Transaction Document reflect the relevant information and categories of information as of the applicable date;
 - (ii) any Transaction Document may be duly executed and delivered; and/or
 - (iii) the Deed of Release and any other Transaction Document is legal, valid, binding and enforceable upon the parties to them in accordance with the Scheme.
- 3.2 The Closing Date shall occur as soon as reasonably practicable following the occurrence of each of the following (together, the “**Conditions Precedent**”):
 - (a) the Manager, the Public Fund, the Private Fund and the Reinsurer have entered into the Group Settlement Deed;
 - (b) the U.S. Bankruptcy Court has issued the Chapter 15 Enforcement Order; and
 - (c) each of the conditions precedent set out in the Purchase Price Loan Agreement have been satisfied.
- 3.3 The Scheme Company shall take all steps and execute all documents as are reasonably required to satisfy the Conditions Precedent as soon as possible following the Lodgement Date.

- 3.4 On or before the Closing Date the following shall occur:
- (a) the Scheme Company and the Undertaking Parties (as applicable) shall enter into and implement the Purchase Price Loan Agreement and the Relationship and Economic Rights Agreement;
 - (b) the Reinsurer and the Purchaser shall grant the Security;
 - (c) the Funding Cos shall provide the Loans to the Purchaser pursuant to the terms of the Purchase Price Loan Agreement;
 - (d) the Purchaser shall acquire the Acquired Shares pursuant to the Relationship and Economic Rights Agreement;
 - (e) relevant steps will be taken by the Private Fund so that the Adverse Development Cover becomes effective; and
 - (f) the Purchaser or one of its Affiliates (as applicable) will pay to the Private Fund and/or the Public Fund, as relevant, the Additional Consideration, the Administrative Expenses Contribution, and the Early Consent Fee Amount; and
 - (g) the Work Fee will be paid to those parties entitled to it as agreed between the Scheme Companies and those parties.
- 3.5 On the Closing Date the following shall occur:
- (a) the Deed of Release will be executed by the Scheme Company on its own behalf (in respect of its general account and each of the Retro Funds and the Aquilo Fund) and on behalf of the Scheme Creditors and by all other parties thereto and shall become effective in accordance with its terms;
 - (b) the Group Settlement Deed shall become effective; and
 - (c) the Scheme Company shall initiate the Retro Funds Scheme Distribution and the Aquilo Scheme Distribution in accordance with the Private Fund Bye-Laws; and
 - (d) the Scheme Company shall initiate the payment of the Early Consent Fee to eligible Private Fund Scheme Creditors.
- 3.6 The Scheme Company shall take all steps and execute all documents as are reasonably required to cause the Closing Date to occur as soon as reasonably practicable following satisfaction of the Conditions Precedent.
- 3.7 If the Closing Date does not occur on or before the date which is 15 Business Days after the Lodgement Date (or such other date not later than 45 Business Days after the Lodgement Date as the Scheme Company may determine and of which notice is given to all Scheme Creditors), the terms of and the obligations on the parties under or pursuant to clauses 3 of the Scheme shall lapse and all the compromises and arrangements provided by the Scheme (including the execution of the Deed of Release on behalf of any or all of the Scheme Creditors) shall be of no effect.
- 3.8 The authority granted under Clause 3.1 above shall be treated for all purposes whatsoever and without limitation as having been granted by deed under the laws of Bermuda.
- 4. Action Contrary to the Scheme**
- 4.1 Prior to the Closing Date (or, if earlier, the date on which the Scheme lapses in accordance with Clause 3.8), the Scheme Creditors shall not take any actions which would be inconsistent with the Schemes, including exercising any rights, remedies, powers or discretions in respect of any Investor Claim (or instructing any other person to do the same).

5. General

Modification

- 5.1 The Scheme Creditors hereby agree that the Scheme Company may, at any Court hearing to sanction this Scheme, consent on behalf of itself and all Scheme Creditors to any modification of, or addition to, this Scheme, the Deed of Release and/or any of the other Transaction Documents or any terms or conditions which, in each case, the Court may think fit to approve or impose, provided that such modification, addition, term or condition does not have an adverse effect on the rights of the Scheme Creditors, or any of them.

Assignments or Transfers

- 5.2 The Scheme Company shall not be under any obligation to recognise any assignment or transfer of Shares that occurs in the period after the Scheme Record Time up to the Closing Date, provided that, where the Scheme Company has received from the relevant parties written notice of such assignment or transfer, the Scheme Company may in its absolute discretion and subject to such evidence as it may reasonably require, agree to recognise such assignment or transfer, subject to the assignee or transferee agreeing to be bound by the terms of this Scheme and to be treated as a Scheme Creditor for the purposes of this Scheme.

Exercise of Discretion

- 5.3 Where, under or pursuant to any provision of this Scheme, a matter is to be determined by the Scheme Company, it shall be determined by the board of directors of the Scheme Company, in their discretion in such manner as they may consider fair and reasonable. If any difficulty shall arise in determining any such matter either generally or in any particular case or in ensuring the result described above, it shall be resolved by the board of directors of the Scheme Company in such manner as it shall consider to be fair and reasonable and its decision shall, insofar as permitted by law, be final and binding on all concerned.

Performance of Obligations on Dates Other than a Business Day

- 5.4 If any obligation is to be performed under the terms of this Scheme on a date other than a Business Day and is not capable of being performed on such date, the relevant obligation shall be performed on the next Business Day.

Further Assurance

- 5.5 On and from the Lodgement Date, each Scheme Creditor undertakes to the Scheme Company, and the Scheme Company undertakes to each Scheme Creditor, to provide such further assistance (at the cost of the Scheme Company) as may be reasonably required to implement the Scheme.

Severability

- 5.6 If at any time any provision of the Scheme is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of that provision under the law of any other jurisdiction nor the legality, validity or enforceability of any other provision of the Scheme under the law of that jurisdiction shall in any way be affected or impaired thereby.

Notice

- 5.7 Any notice or other written communication to be given under or in relation to this Scheme shall be given in the English language in writing and shall be deemed to have been duly given if it is posted to the Scheme Website.

Governing Law and Jurisdiction

- 5.8 The operative terms of this Scheme and any non-contractual obligations arising out of or in connection with this Scheme shall be governed by and construed in accordance with the laws of Bermuda. The Scheme Creditors and the Scheme Company hereby agree that the Court shall have exclusive jurisdiction to hear and determine any suit, action or Proceeding and to settle any dispute which arises out of or in connection with the terms of this Scheme or its implementation or out of any action taken or omitted to be taken under this Scheme or in connection with the administration of this Scheme and for such purposes the Scheme Creditors and the Scheme Company irrevocably submit to the jurisdiction of the Court.

Dated this day of

PART IX—THE PUBLIC FUND SCHEME

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

(COMMERCIAL COURT)

Case 2021: No. 309

IN THE MATTER OF MARKEL CATCO REINSURANCE FUND LTD.

AND IN THE MATTER OF THE COMPANIES ACT 1981

SCHEME OF ARRANGEMENT

UNDER SECTION 99 OF THE COMPANIES ACT 1981

BETWEEN

CATCO REINSURANCE OPPORTUNITIES FUND LTD.

- AND THE -

SCHEME CREDITORS (AS DEFINED HEREIN)

1. Definitions and Interpretation

1.1 Definitions

In this Scheme, the following expressions shall, unless the context otherwise requires, have the following meanings:

“Acquired Shares” means the shares in the segregated accounts of the Reinsurer, to be acquired by the Purchaser from the Private Fund in exchange for the Buy-Out Amounts in accordance with the terms of the Relationship and Economic Rights Agreement.

“Additional Consideration” means an amount to be allocated to all Scheme Creditors equal to each Scheme Creditor’s *pro rata* entitlement (based on the proportion that the Closing NAV of each Scheme Creditor’s shareholding in the Private Fund comprises in relation to the aggregate Closing NAV of all Private Fund shareholders including the Excluded Creditors) to \$44 million.

“Administrative Expenses” means the Transaction Costs, the Ordinary Course Fees and the Reserve.

“Administrative Expenses Contribution” means an aggregate cash amount equal to the greater of: (i) \$20 million, and (ii) Transaction Costs, less any amount of Transaction Costs which has been paid by the Private Fund and allocated against the NAV of the Settling Shares, which amount will be contributed by Markel Corporation or one of its Affiliates to the Private Fund and attributed to Retro Funds Shares and Aquilo Fund Shares *pro-rata* in proportion to the Current NAV of such shares.

“Adverse Development Cover” means adverse development cover (and/or entering into new reinsurance contracts, or amending existing reinsurance contracts) to one or more fronting reinsurers of the Aquilo Fund that will enable the release of trapped cash to the Private Fund.

“Adverse Development Cover Provider” means Markel Bermuda Limited, an Affiliate of Markel Corporation, or any other Affiliate of Markel Corporation that will provide the Adverse Development Cover.

“Advisers” means:

- (a) AlixPartners UK LLP;
- (b) ASW Law Limited;
- (c) Skadden, Arps, Slate, Meagher & Flom LLP and its affiliates (and Counsel instructed by Skadden, Arps, Slate, Meagher & Flom LLP and its affiliates to advise on, and to appear before the Supreme Court of Bermuda in relation to, the Schemes) as legal advisers to the Scheme Companies;
- (d) Conyers Dill & Pearman Limited;
- (e) Finance and Risk Services Limited; and
- (f) Simpson, Thacher & Bartlett LLP; and
- (g) the JPLs in the personal capacities,

together with the respective Related Parties of each of the foregoing.

“Affiliate” means, in respect of a company:

- (a) a company that directly or indirectly owns, controls, or holds with power to vote, 50 percent or more of the outstanding voting securities of the company, other than an entity that holds such securities:

- (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or
 - (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (b) a company 50 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the company, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 50 percent or more of the outstanding voting securities of the company, other than an entity that holds such securities—
 - (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or
 - (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (c) a person whose business is operated under a lease or operating agreement by the company, or person substantially all of whose property is operated under an operating agreement with the company; or
- (d) an entity that operates the business or substantially all of the property of the company under a lease or operating agreement.

“Ancillary Transaction Documents” means the Security Documents and all scheduled, instruments, resolutions or other documentation necessary to implement and give effect to the Transaction Documents.

“Aquila Accelerated Distribution” means a cash distribution to Private Fund Scheme Creditors with interests in Shares issued by the Aquilo Fund in an amount equal to 100% of the Closing NAV of the Aquilo Fund Shares

“Aquila Buy-Out Amount” means the purchase price to be paid by the Purchaser to the Private Fund (pursuant to the terms of the Relationship and Economic Rights Agreement) in exchange for the Acquired Shares in respect of the Aquilo Fund .

“Aquila Fund” means the Aquilo Fund of the Private Fund.

“Aquila Fund Shares” means the shares issued by the Aquilo Fund to its shareholders.

“Aquila Scheme Distribution” means a distribution to Private Fund Scheme Creditors with interests in Shares issued by the Aquilo Fund of:

- a) each shareholders’ proportion of the Aquilo Accelerated Distribution; and
 - b) each shareholders’ proportion of the Additional Consideration,
- such distributions to be allocated to Private Fund Scheme Creditors with interests in Shares issued by the Aquilo Fund *pro rata* in proportion to their Closing NAV and to be made in accordance with the Private Fund Bye-Laws.

“Attorney” has the meaning given in Clause 4.1 of this Scheme.

“Bermuda Proceedings” means, collectively, the Provisional Liquidations and the Schemes.

“Bermuda Registrar of Companies” means the Registrar of Companies in Bermuda.

“Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York and Bermuda.

“Buy-Out Amounts” means the Aquilo Buy-Out Amount and the Retro Funds Buy-Out Amount.

“Buy-Out Transaction” means the transaction to be implemented by the Schemes, including (without limitation) the acquisition of the Acquired Shares by the Private Fund in consideration for the Buy-Out Amounts, the Adverse Development Cover becoming effective, the execution of the Deed of Release, and the distribution of the Scheme Consideration to Scheme Creditors.

“C Share Distribution” means the distribution by the Public Fund paid to Distribution Date C Shareholders of the amount of the Retro Funds Scheme Distribution received by the Public Fund attributable to C Shares, less the C Share Expenses Reserve, in accordance with the Bye-Laws of the Public Fund.

“C Share Expenses Reserve” means \$1,076,403.

“C Shares” means the issued and outstanding series C shares of the Public Fund and includes (save where the context so requires) the Depository Interests issued by the Depository in respect of those shares.

“Certificated Shares” means the Public Fund Shares issued in certificated form.

“Chapter 15” means Chapter 15 of the U.S. Bankruptcy Code.

“Chapter 15 Cases” means the Chapter 15 cases with respect to the Bermuda Proceedings.

“Chapter 15 Enforcement Order” means an order issued by the U.S. Bankruptcy Court recognising and enforcing the terms of this Scheme and the Buy-Out Transaction, on terms satisfactory to the Scheme Company and the Undertaking Parties.

“Claim” means a claim, potential claim, counterclaim, potential counterclaim, right of set-off, indemnity, cause of action, demand, suit, right to payment (whether or not such right is reduced to judgment), right or interest of any kind or nature whatsoever, whether in law or in equity, civil or criminal, contractual or in tort (including, but not limited to, negligence, fraud or breach of fiduciary duty), and whether direct or derivative in nature, whether known or unknown, suspected or unsuspected, contingent or actual, liquidated or unliquidated, matured or unmatured, direct or indirect, disputed or undisputed, secured or unsecured, fixed or undetermined, present or future, however and whenever arising and in whatever capacity and jurisdiction.

“Closing Date” means the date of completion on which each of the steps set out in Clause 3.5(a), (b) and (c) has occurred.

“Closing NAV” is an amount equal to Current NAV:

- (i) *plus* the Transaction Costs Reserve Release (where applicable),
- (ii) *plus* the Administrative Expenses Contribution,
- (iii) *less* Administrative Expenses .

“Conditions Precedent” means the conditions precedent for the Schemes set out in Clause 3.2 of the Scheme and Clause 3.2 of the Private Fund Scheme.

“Court” means the Supreme Court of Bermuda.

“Current NAV” means, if the Net Asset Value attributable to the Shares that has been announced for the most recent month end prior to the Closing Date, adjusted to exclude the impact of any Transaction Costs or increased reserve on account of Transaction Costs or litigation liabilities reflected in such amount, is greater than the Net Asset Value of the Shares as of 31 August 2021, then the Net Asset Value attributable to the Shares that has been announced for the most recent month end prior to the Closing Date, or otherwise the Net Asset Value of the Shares as of 31 August 2021.

“Deed of Release” means a deed of release to be dated on or about the Closing Date between the Scheme Creditors, the Private Fund Scheme Creditors, the Scheme Company, the Private Fund, the Manager, the Reinsurer, the Funding Cos, the Purchaser, the Adverse Development Cover Provider and Markel Corporation pursuant to which the parties shall grant releases of certain claims and liabilities as contemplated by the Schemes.

“Depository” means Link Market Services Trustees (Nominees) Limited, acting in the capacity as Depository for the Public Fund.

“Depository Interests” means the dematerialised depository interests issued by the Depository in respect of the issued and outstanding Ordinary Shares and C Shares.

“Distribution Date C Shareholders” means holders of C Shares or Depository Interests representing C Shares on the Public Fund Distribution Record Date.

“Distribution Date Ordinary Shareholders” means the holders of Ordinary Shares or Depository Interests representing Ordinary Shares on the Public Fund Distribution Record Date.

“Early Consent Fee Amount” means a cash fee equal to 2% of the aggregate Current NAV of Scheme Creditors who had executed support undertakings by 9 November 2021 at 11.59 p.m. (Bermuda time).

“Excluded Creditors” has the meaning given to it in the Private Fund Scheme.

“Explanatory Statement” means the explanatory statement issued by the Scheme Companies in compliance with section 99 and section 100(1)(a) of the Companies Act relating to the Schemes.

“Funding Cos” means SOAFC I, Inc., SOAFC II, Inc. and SOAFC III Ltd as lenders pursuant to the Purchase Price Loan Agreement.

“Group Settlement Deed” means a deed to be entered in to by the Manager, the Public Fund, the Private Fund and the Reinsurer, pursuant to which, on and from the Closing Date, the Management Agreements will be terminated and all rights or claims arising therefrom including pursuant to the indemnities contained therein will be released.

“Insurance Management Agreement” means that certain discretionary insurance management agreement dated 8 December 2015 between the Manager and the Reinsurer.

“Investor Claims” means all Claims at any time arising out of, relating to, or in connection with any investment in or exposure to the Scheme Companies (and/or any of their segregated accounts, if applicable) or the Markel CATCo Business, and/or the Scheme Creditors’ Shares, including, without limitation, any such Claims: based on any oral or written statements or omissions by any person; based in tort (including, but not limited to, negligence, fraud or breach of fiduciary duty), contract, or the laws that govern the offer and sale of securities under the law of any jurisdiction; based on breach of fiduciary or other duties or breach of any contracts or deviations from operations; based on any argument or theory of alter ego, vicarious liability, agency, or piercing the corporate veil; for breach of representation, warranty or undertaking; based on an event of default or under any indemnity given under or in connection with any such Claim; based on indemnification, whether statutory or otherwise in any jurisdiction; for damages, restitution, contribution, attorneys’ fees, costs, or other liability; or as a result of any recovery by any person of a payment on the grounds of preference or otherwise, and any Claims which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

“JPLs” means Simon Appell and John McKenna in their capacities as joint provisional liquidators of the Scheme Company, the Private Fund, the Manager and the Reinsurer.

“Loan” has the meaning given to that term under the Purchase Price Loan Agreement.

“Lodgement Date” has the meaning given in Clause 2.2 of this Scheme.

“Management Agreements” means, collectively, (a) the Private Fund Management Agreement, (b) the Public Fund Management Agreement and (c) the Insurance Management Agreement.

“Manager” means Markel CATCo Investment Management Ltd.

“Markel CATCo Business” means the retro-reinsurance and reinsurance business carried out by the Manager and the Reinsurer with respect to the assets held by the Scheme Companies and the management and solicitation of investments in respect thereof.

“Markel Corporation” means the corporation which indirectly wholly owns Markel CATCo Investment Management Ltd. and is incorporated in the Commonwealth of Virginia (USA).

“Markel Group” means Markel Corporation and its Affiliates.

“Master Fund” means the Segregated Account known as the Markel CATCo Diversified Fund.

“Master Fund SP” means side pocket shares of the Private Fund issued in respect of the Master Fund.

“Net Asset Value” or **“NAV”** means assets at fair value less liabilities, including any accrued but unpaid expenses.

“Ordinary Course Fees” means the aggregate of the following amounts in respect of each SP of the Retro Funds, and the Aquilo Fund, which amounts are allocated to Retro Funds Shares or Aquilo Fund Shares *pro rata* in proportion to the Current NAV of such Shares:

	Operating expenses estimate	Reserve	Total
2016 Master Fund SP	0	\$141,653	\$141,653
2017 Master Fund SP	\$1,982,885	\$1,202,747	\$3,185,632
2018 Master Fund SP	\$3,982,732	\$1,817,844	\$5,800,575
2019 Master Fund SP	\$4,038,313	\$1,538,543	\$5,576,857
Aquilo	\$1,131,284	\$526,257	\$1,657,540

“Ordinary Share Distribution” means the distribution by the Public Fund to Distribution Date Ordinary Shareholders of the amount of the Retro Funds Scheme Distribution received by the Public Fund attributable to Ordinary Shares, less the Ordinary Share Expenses Reserve, in accordance with the Bye-Laws of the Public Fund.

“Ordinary Share Expenses Reserve” means \$1,130,252.

“Ordinary Shares” means the issued and outstanding ordinary shares of the Public Fund and includes (save where the context so requires) the Certificated Shares and the Depositary Interests issued by the Depositary in respect of those shares.

“Principal Transaction Documents” means the Deed of Release, the Purchase Price Loan Agreement, and the Relationship and Economics Rights Agreement, each in substantially the form made available to Scheme Creditors on the Schemes Website, subject to any modification made in accordance with the terms of this Scheme.

“Private Fund” means Markel CATCo Reinsurance Fund Ltd.

“Private Fund Management Agreement” means that certain discretionary investment management agreement dated 8 December 2015 between the Manager and the Private Fund on behalf of each Segregated Account.

“Private Fund Sanction Order” means the office copy of the order of the Court sanctioning the Private Fund Scheme.

“Private Fund Scheme” means the scheme of arrangement in respect of the Private Fund.

“Private Fund Scheme Creditors” means all persons other than Excluded Creditors that are beneficially interested in the Private Fund Shares as at the Scheme Record Time, in their capacity as creditors of the Private Fund (and/or any of its segregated accounts) in relation to their potential Investor Claims.

“Private Fund Shares” means the shares issued by the Private Fund in respect of the Segregated Accounts.

“Proceeding” means any process, suit, action, legal or other proceeding, including without limitation any arbitration, mediation, alternative dispute resolution, judicial review, adjudication, demand, execution, distraint, restraint, forfeiture, re-entry, seizure, lien, enforcement of judgment or enforcement of any security.

“Provisional Liquidations” means the liquidation proceedings commenced by each of the Manager, the Private Fund, the Public Fund, and the Reinsurer under Part XIII of the Companies Act, in their present form or with or subject to any modifications, additions or conditions approved or imposed by the Court or approved in accordance with the terms of each such liquidation proceeding.

“Public Fund” means CATCo Reinsurance Opportunities Fund Ltd.

“Public Fund Bye-Laws” means the bye-laws of the Public Fund.

“Public Fund Distribution Record Date” means the record date fixed by the Board of Directors of the Public Fund for payment of the Public Fund Scheme Distribution.

“Public Fund Management Agreement” means that certain discretionary investment management agreement dated 8 December 2015 between the Manager and the Public Fund.

“Public Fund Sanction Order” means the office copy of the order of the Court sanctioning the Scheme.

“Public Fund Scheme Distribution” means the C Share Distribution and the Ordinary Share Distribution.

“Public Fund Shares” means the Ordinary Shares and/or the C Shares, as applicable.

“Purchase Price Loan Agreement” means the loan agreement, to be dated on or about the Closing Date, between *inter alios*, the Funding Cos, the Purchaser and the Reinsurer, pursuant to which the Funding Cos will advance the Loans to the Purchaser for the purchase of the Acquired Shares.

“Purchaser” means SPC, Ltd. as purchaser pursuant to the Relationship and Economic Rights Agreement.

“Reinsurer” means Markel CATCo Re Ltd.

“Relationship and Economic Rights Agreement” means that certain relationship agreement, to be dated on or about the Closing Date, between the Purchaser, the Private Fund, the Manager and the Reinsurer governing the purchase of the Acquired Shares and economic rights of the Reinsurer and the Private Fund on a go forward basis.

“Released Parties” has the meaning given to it in the Deed of Release.

“Reserve” means a reserve of approximately \$5.2 million to cover Ordinary Course Fees.

“Retro Funds” means, collectively, the Master Fund, the Diversified Fund II, the Limited Diversified Arbitrage Fund, the Diversified Arbitrage Fund, the GTL Diversified Fund, the Market Diversified Fund and the QIC Diversified Fund.

“Retro Funds Accelerated Distribution” means a cash distribution to Private Fund Scheme Creditors with interests in the Retro Funds in an amount equal to 100% of the Closing NAV of each Private Fund Scheme Creditor’s Retro Funds Shares.

“Retro Funds Buy-Out Amount” means the purchase price to be paid by the Purchaser to the Private Fund (pursuant to the terms of the Relationship and Economic Rights Agreement) in exchange for the Acquired Shares in respect of the Retro Funds

“Retro Funds Scheme Distribution” means a distribution to Private Fund Scheme Creditors with interests in the Retro Funds of:

a) each shareholders’ proportion of the Retro Funds Accelerated Distribution; and

b) each shareholders’ proportion of the Additional Consideration,

such distributions to be allocated to Private Fund Scheme Creditors with interests in the Retro Funds *pro rata* in proportion to their Closing NAV and to be made in accordance with the Private Fund Bye-Laws.

“Retro Funds Shares” means the Shares issued by the Retro Funds to their shareholders, other than any such shares held by another Retro Fund.

“Sanction Orders” means the Public Fund Sanction Order and the Private Fund Sanction Order.

“Scheme” means the scheme of arrangement in relation to the Public Fund under section 99 of the Companies Act in its present form or with or subject to any modifications, additions or conditions approved or imposed by the Court or approved in accordance with the terms of each such scheme of arrangement.

“Scheme Company” means the Public Fund.

“Scheme Consideration” means the entitlements of Scheme Creditors and the Private Fund Scheme Creditors pursuant to the Schemes, including without limitation, the Retro Funds Scheme Distribution, Aquilo Scheme Distribution and/or the Public Fund Scheme Distribution, as applicable.

“Scheme Creditors” all persons that are beneficially interested in the Public Fund Shares, as at the Scheme Record Time in their capacity as creditors of the Public Fund in relation to their potential Investor Claims.

“Scheme Record Time” means 1 March 2022 at 2 p.m. (Bermuda Time).

“Schemes Website” means the website providing further information related to the Schemes and the Buy-Out Transaction at <https://catcobuyout.alixpartners.com>.

“Security” means the security to be granted in favour of the Funding Cos to secure repayment of the Loans, as set out in the Purchase Price Loan Agreement.

“Security Documents” means the documents in a form reasonably satisfactory to the Funding Cos pursuant to which the Security is granted.

“Segregated Account” means each of the following funds: (a) Master Fund, (b) Diversified Fund II, (c) Limited Diversified Arbitrage Fund, (d) Diversified Arbitrage Fund, (e) GTL Diversified Fund, (f) Markel Diversified Fund, (g) QIC Diversified Fund, and (h) Aquilo Fund.

“Shares” means, with respect to the Private Fund, the Private Fund Shares and, with respect to the Public Fund, the Public Fund Shares.

“SP” means a side pocket, a distinct class of shares issued in respect of any particular Segregated Account, holders of which are entitled to share in a defined pool of assets.

“Transaction Costs” means the transaction costs for implementing the Schemes (including the fees and costs incurred by the JPLs, the U.S. Expert and all legal and other advisers to the Scheme Companies, including the Advisers), which shall, to the extent not already allocated, be allocated as follows:

- a) in respect of the Retro Funds, an allocation of 90% of the Transaction Costs to all Retro Fund Shares, *pro rata* in proportion to the Current NAV of such shares; and
- b) in respect of the Aquilo Funds, an allocation of 10% of the Transaction Costs to all Aquilo Fund Shares, *pro rata* in proportion to the Current NAV of such shares.

“Transaction Costs Reserve Release” means in respect of each Retro Fund SP, 75% of the amount held by the Private Fund in respect of such SP as a reserve on account of potential litigation costs related to Investor Claims.

“Transaction Documents” means the Ancillary Transaction Documents and the Principal Transaction Documents.

“Undertaking Parties” means the Manager, the Reinsurer, the Funding Cos and the Purchaser.

“U.S. Expert” means Daniel M. Glosband, in respect to a legal opinion prepared on behalf of the Manager in support of the Schemes.

“Work Fee” means a cash fee equal to 2% of the Current NAV of funds managed by PKA A/S and Almitas Capital.

1.2 Interpretation

In this Scheme, unless the context otherwise requires or otherwise expressly provides for:

- (a) references to “Clauses” are references to the Clauses of this Scheme;
- (b) references to a “person” include references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or state agency;
- (c) references to a statute or statutory provision include the same as subsequently modified, amended or re-enacted from time to time;
- (d) references to an agreement, deed or document shall be deemed to also refer to such agreement, deed or document as amended, supplemented, restated, varied, replaced and/or novated (in whole or in part) from time to time and to any agreement, deed or document executed pursuant thereto;
- (e) references to time shall be to prevailing Bermuda time;
- (f) the singular includes the plural and *vice versa* and words importing one gender shall include all genders;
- (g) the term “including” means “including without limitation;” and
- (h) headings are for ease of reference only and shall not affect the interpretation of this Scheme.

2. Application and Effectiveness of the Scheme

- 2.1 The compromise and arrangement effected by the Scheme shall bind:
- (a) all Scheme Creditors
 - (b) the Scheme Company; and
 - (c) each of the Undertaking Parties in accordance with the terms of their undertaking to be so bound.
- 2.2 Unless otherwise stated, the provisions of the Scheme shall take effect on and from the time that both of the following conditions are satisfied:
- (a) the Private Fund Scheme has been sanctioned by the Court; and
 - (b) copies of the Sanction Orders are delivered to the Bermuda Registrar of Companies for registration (the “**Lodgement Date**”).
- 2.3 As soon as reasonably practicable following the Lodgement Date, the Scheme Company shall notify the Scheme Creditors in accordance with Clause 6.9 (*Notice*) (including through the Schemes Website) that the Scheme has become effective

3. Implementation of the Buy-Out Transaction

- 3.1 On and from the Lodgement Date, each Scheme Creditor hereby irrevocably authorises, instructs, empowers and appoints the Scheme Company (acting by any authorised signatory (being any director of the Scheme Company or attorney of the Scheme Company appointed pursuant to a duly executed power of attorney)) as the true and lawful agent and attorney of that Scheme Creditor (the “**Attorney**”), so that the Attorney may:
- (a) sign, execute and deliver the Deed of Release for and on behalf of that Scheme Creditor, such that each Scheme Creditor will become a party to and be bound by the Deed of Release;
 - (b) take any such other action as may be reasonably necessary, or desirable, to give effect to the terms of the Scheme, the Deed of Release or any other Transaction Document;
 - (c) agree on its behalf any amendments to the Scheme, Deed of Release or any other Transaction Document, which the Scheme Company and (if applicable) the other person(s) party to the Scheme, the Deed of Release or such other Transaction Document (acting reasonably and in good faith) consider(s) necessary, or desirable, in order to ensure that, without limitation:
 - (i) the information and categories of information contained, or referred to, in any formula, schedule, annex or similar, signature blocks, parties’ provisions, notice details or blank in any Transaction Document reflect the relevant information and categories of information as of the applicable date;
 - (ii) any Transaction Document may be duly executed and delivered; and/or
 - (iii) the Deed of Release and any other Transaction Document is legal, valid, binding and enforceable upon the parties to them in accordance with the Scheme.
- 3.2 The Closing Date shall occur as soon as reasonably practicable following the occurrence of each of the following (together, the “**Conditions Precedent**”):
- (a) the Manager, the Public Fund, the Private Fund and the Reinsurer have entered into the Group Settlement Deed; and
 - (b) the U.S. Bankruptcy Court has issued the Chapter 15 Enforcement Order; and

- (c) each of the conditions precedent set out in the Purchase Price Loan Agreement have been satisfied.
- 3.3 The Scheme Company shall take all steps and execute all documents as are required to satisfy the Conditions Precedent as soon as possible following the Lodgement Date.
- 3.4 On or before the Closing Date the following shall occur:
 - (a) the Private Fund and the Undertaking Parties (as applicable) shall enter into and implement the Purchase Price Loan Agreement and the Relationship and Economic Rights Agreement;
 - (b) the Reinsurer and the Purchaser shall grant the Security;
 - (c) the Funding Cos shall provide the Loans to the Purchaser pursuant to the terms of the Purchase Price Loan Agreement;
 - (d) the Purchaser shall acquire the Acquired Shares pursuant to the Relationship and Economic Rights Agreement;
 - (e) relevant steps will be taken by the Private Fund so that the Adverse Development Cover becomes effective; and
 - (f) the Purchaser or one of its Affiliates (as applicable) will pay to the Private Fund and/or the Public Fund, as relevant, the Additional Consideration, the Administrative Expenses Contribution, and the Early Consent Fee Amount; and
 - (g) the Work Fee will be paid to those parties entitled to it as agreed between the Scheme Companies and those parties.
- 3.5 On the Closing Date the following shall occur:
 - (a) the Deed of Release will be executed by the Scheme Company on its own behalf and on behalf of the Scheme Creditors and by all other parties thereto and shall become effective in accordance with its terms;
 - (b) the Group Settlement Deed shall become effective;
 - (c) the Private Fund shall initiate the Retro Funds Scheme Distribution and the Aquilo Scheme Distribution in accordance with the Private Fund Bye-Laws; and
 - (d) the Scheme Company shall initiate the payment of the Early Consent Fee to eligible Public Fund Scheme Creditors.
- 3.6 The Scheme Company shall take all steps and execute all documents as are reasonably required to cause the Closing Date to occur as soon as reasonably practicable following satisfaction of the Conditions Precedent.
- 3.7 The Scheme Company shall make the Public Fund Scheme Distribution to Scheme Creditors in accordance with the Public Fund Bye-Laws within 5 Business Days of receipt of its share of the Retro Funds Scheme Distribution.
- 3.8 If the Closing Date does not occur on or before the date which is 15 Business Days after the Lodgement Date (or such other date not later than 45 Business Days after the Lodgement Date as the Scheme Company may determine and of which notice is given to all Scheme Creditors), the terms of and the obligations on the parties under or pursuant to clause 3 of the Scheme shall lapse and all the compromises and arrangements provided by the Scheme (including the execution of the Deed of Release on behalf of any or all of the Scheme Creditors) shall be of no effect.
- 3.9 The authority granted under Clause 3.1 above shall be treated for all purposes whatsoever and without limitation as having been granted by deed under the laws of Bermuda.

4. Action Contrary to the Scheme

- 4.1 Prior to the Closing Date (or, if earlier, the date on which the Scheme lapses in accordance with Clause 3.9), the Scheme Creditors shall not take any actions which would be inconsistent with the Schemes, including exercising any rights, remedies, powers or discretions in respect of any Investor Claim (or instructing any other person to do the same).

5. General

Modification

- 5.1 The Scheme Creditors hereby agree that the Scheme Company may, at any Court hearing to sanction this Scheme, consent on behalf of itself and all Scheme Creditors to any modification of, or addition to, this Scheme, the Deed of Release and/or any of the other Transaction Documents or any terms or conditions which, in each case, the Court may think fit to approve or impose, provided that such modification, addition, term or condition does not have an adverse effect on the rights of the Scheme Creditors, or any of them.

Assignments or Transfers

- 5.2 The Scheme Company shall not be under any obligation to recognise any assignment or transfer of Shares that occurs in the period after the Public Fund Distribution Record Date up to the Closing Date, provided that, where the Scheme Company has received from the relevant parties written notice of such assignment or transfer, the Scheme Company may in its absolute discretion and subject to such evidence as it may reasonably require, agree to recognise such assignment or transfer, subject to the assignee or transferee agreeing to be bound by the terms of this Scheme and to be treated as a Scheme Creditor for the purposes of this Scheme.

Exercise of Discretion

- 5.3 Where, under or pursuant to any provision of this Scheme, a matter is to be determined by the Scheme Company, it shall be determined by the Board of Directors, in their discretion in such manner as they may consider fair and reasonable. If any difficulty shall arise in determining any such matter either generally or in any particular case or in ensuring the result described above, it shall be resolved by the Board of Directors in such manner as it shall consider to be fair and reasonable and its decision shall, insofar as permitted by law, be final and binding on all concerned.

Performance of Obligations on Dates Other than a Business Day

- 5.4 If any obligation is to be performed under the terms of this Scheme on a date other than a Business Day and is not capable of being performed on such date, the relevant obligation shall be performed on the next Business Day.

Further Assurance

- 5.5 On and from the Lodgement Date, each Scheme Creditor undertakes to the Scheme Company, and the Scheme Company undertakes to each Scheme Creditor, to provide such further assistance (at the cost of the Scheme Company) as may be reasonably required to implement the Scheme.

Severability

- 5.6 If at any time any provision of the Scheme is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of that provision under the law of any other jurisdiction nor the legality, validity or enforceability of any other provision of the Scheme under the law of that jurisdiction shall in any way be affected or impaired thereby.

Notice

- 5.7 Any notice or other written communication to be given under or in relation to this Scheme shall be given in the English language in writing and shall be deemed to have been duly given if it is posted to the Scheme Website.

Governing Law and Jurisdiction

- 5.8 The operative terms of this Scheme and any non-contractual obligations arising out of or in connection with this Scheme shall be governed by and construed in accordance with the laws of Bermuda. The Scheme Creditors and the Scheme Company hereby agree that the Court shall have exclusive jurisdiction to hear and determine any suit, action or Proceeding and to settle any dispute which arises out of or in connection with the terms of this Scheme or its implementation or out of any action taken or omitted to be taken under this Scheme or in connection with the administration of this Scheme and for such purposes the Scheme Creditors and the Scheme Company irrevocably submit to the jurisdiction of the Court.

Dated this day of

PART X—DEFINITIONS AND INTERPRETATION

Definitions

The following expressions shall, unless the context otherwise requires, have the following meanings:

“\$” or “**Dollar**” means the United States Dollar.

“**15% Claims Scenario**” has the meaning given to the term in the section “*Potential Returns to Scheme Creditors*” of “*Part VI—Alternative if the Schemes are not Implemented*”.

“**2014 Aquilo SP**” means the SP of the Aquilo Fund for policy year 2014.

“**2015 Aquilo SP**” means the SP of the Aquilo Fund for policy year 2015.

“**2016 Aquilo SP**” means the SP of the Aquilo Fund for policy year 2016.

“**2016 Master Fund SP**” means the SP of the Master Fund for policy year 2016.

“**2016 Master Fund SP Investors**” means Scheme Creditors in the SP of the Master Fund for policy year 2016.

“**2017 Aquilo SP**” means the SP of the Aquilo Fund for policy year 2017.

“**2017 Master Fund SP**” means the SP of the Master Fund for policy year 2017.

“**2017 Master Fund SP Investors**” means Scheme Creditors in the SP of the Master Fund for policy year 2017.

“**2018 Aquilo SP**” means the SP of the Aquilo Fund for policy year 2018.

“**2018 Master Fund SP**” means the SP of the Master Fund for policy year 2018.

“**2018 Master Fund SP Investors**” means Scheme Creditors in the SP of the Master Fund for policy year 2018.

“**2019 Aquilo SP**” means the SP of the Aquilo Fund for policy year 2019.

“**2019 Master Fund SP**” means the SP of the Master Fund for policy year 2019.

“**2019 Master Fund SP Investors**” means Scheme Creditors in the SP of the Master Fund for policy year 2019.

“**2020 Aquilo SP**” means the SP of the Aquilo Fund for policy year 2020.

“**Acquired Shares**” means the shares in the segregated accounts of the Reinsurer to be acquired by the Purchaser from the Private Fund in exchange for the Buy-Out Amounts in accordance with the terms of the Relationship and Economic Rights Agreement.

“**Additional Consideration**” means an amount to be allocated to all Scheme Creditors equal to each Scheme Creditor’s *pro rata* entitlement (based on the proportion that the Closing NAV of each Scheme Creditor’s shareholding in the Private Fund comprises in relation to the aggregate Closing NAV of all Private Fund shareholders including the Excluded Creditors) to \$44 million.

“**Administrative Expenses**” means the Transaction Costs, the Ordinary Course Fees and the Reserve.

“**Administrative Expenses Contribution**” means an aggregate cash amount equal to the greater of: (i) \$20 million, and (ii) Transaction Costs, less any amount of Transaction Costs which has been paid by the Private Fund and allocated against the NAV of the Settling Shares, which amount will be contributed by Markel Corporation or one of its Affiliates to the Private Fund and attributed to Retro Funds Shares and Aquilo Fund Shares *pro-rata* in proportion to the Current NAV of such shares.

“Adverse Development Cover” means adverse development cover (and/or entering into new reinsurance contracts, or amending existing reinsurance contracts) to one or more fronting reinsurers of the Aquilo Fund that will enable the release of trapped cash to the Private Fund.

“Adverse Development Cover Provider” means Markel Bermuda Limited, an Affiliate of Markel Corporation, or any other Affiliate of Markel Corporation that will provide the Adverse Development Cover.

“Advisers” means:

- (a) AlixPartners UK LLP;
- (b) ASW Law Limited;
- (c) Skadden, Arps, Slate, Meagher & Flom LLP and its affiliates (and Counsel instructed by Skadden, Arps, Slate, Meagher & Flom LLP and its affiliates to advise on, and to appear before the Supreme Court of Bermuda in relation to, the Schemes) as legal advisers to the Scheme Companies;
- (d) Conyers, Dill & Pearman Limited;
- (e) Finance and Risk Services Limited;
- (f) Simpson, Thacher & Bartlett LLP; and
- (g) the JPLs in their personal capacities,

together with the respective Related Parties of each of the foregoing.

“Affiliate” means, in respect of a company:

- (a) a company that directly or indirectly owns, controls, or holds with power to vote, 50 percent or more of the outstanding voting securities of the company, other than an entity that holds such securities:
 - (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or
 - (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (b) a company 50 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the company, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 50 percent or more of the outstanding voting securities of the company, other than an entity that holds such securities—
 - (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or
 - (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (c) a person whose business is operated under a lease or operating agreement by the company, or person substantially all of whose property is operated under an operating agreement with the company; or
- (d) an entity that operates the business or substantially all of the property of the company under a lease or operating agreement.

“Affiliated Managed Fund” means an investment fund managed by an affiliate of Markel Corporation.

“AlixPartners” means AlixPartners UK LLP.

“AlixPartners Report” means the report prepared by AlixPartners which sets out AlixPartners’ estimate, based on information provided by the Scheme Companies, of the total return for Scheme Creditors under the Buy-Out Transaction, and the potential return to Scheme Creditors in certain alternative scenarios and appended at Appendix G (*Comparator Analysis*).

“Almitas” means Almitas Capital.

“Allowed Proceeding” means any Proceeding in relation to a Claim that has not been released pursuant to the Schemes and/or the Deed of Release.

“Ancillary Transaction Documents” means the Security Documents and all scheduled, instruments, resolutions or other documentation necessary to implement and give effect to the Transaction Documents.

“Aquila Accelerated Distribution” means a cash distribution to holders of Aquilo Fund Shares as at the Scheme Record Time in an amount equal to 100% of the Closing NAV of the Aquilo Fund Shares.

“Aquila Buy-Out Amount” means the purchase price to be paid by the Purchaser to the Private Fund (pursuant to the terms of the Relationship and Economic Rights Agreement) in exchange for the Acquired Shares in respect of the Aquilo Fund.

“Aquila Class” means the class of Private Fund Scheme Creditors beneficially interested in the Aquilo Fund for the purpose of voting on the Private Fund Scheme.

“Aquila Fund” means the Aquilo Fund of the Private Fund.

“Aquila Fund Investor” means a holder of Aquilo Fund Shares.

“Aquila Fund SA Shares” means the preference shares issued by the Private Fund in respect of the Aquilo Fund.

“Aquila Fund Shares” means the Shares issued by the Aquilo Fund to its shareholders.

“Aquila Scheme Distribution” means a distribution to Private Fund Scheme Creditors with interests in Shares issued by the Aquilo Fund of:

a) each shareholders’ proportion of the Aquilo Accelerated Distribution; and

b) each shareholders’ proportion of the Additional Consideration,

such distributions to be allocated to Private Fund Scheme Creditors with interests in Shares issued by the Aquilo Fund *pro rata* in proportion to their Closing NAV and to be made in accordance with the Private Fund Bye-Laws.

“Aquila SPs” means the SPs with respect to the class of shares issued in respect of the Aquilo Fund.

“Attorney” means the Scheme Companies (acting by any authorised signatory (being any director of a Scheme Company or attorney of a Scheme Company appointed pursuant to a duly executed power of attorney)) in their capacities as true and lawful agent and attorney of the Scheme Creditors, as appointed pursuant to the Schemes.

“Available Distribution Amount” has the meaning given to that term at “*The Retro Funds Buy-Out*” of “*Part III—The Schemes and the Buy-Out Transaction*”.

“Bermuda Proceedings” means, collectively, the Provisional Liquidations and the Schemes.

“Bermuda Registrar of Companies” means the Registrar of Companies in Bermuda.

“BMA” means the Bermuda Monetary Authority, the integrated regulator of the financial services sector in Bermuda.

“Borrower” has the meaning given to that term under the Purchase Price Loan Agreement.

“Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York and Bermuda.

“Buy-Out Amounts” means the Aquilo Buy-Out Amount and the Retro Funds Buy-Out Amount.

“Buy-Out Transaction” means the transaction to be implemented by the Schemes, including (without limitation) the acquisition of the Acquired Shares by the Purchaser in consideration for the Buy-Out Amounts, the issuance of the Adverse Development Cover, the grant of the Releases, and the distribution of the Scheme Consideration to Scheme Creditors.

“C Members” means the holders of C Shares.

“C Share Distribution” means the distribution by the Public Fund paid to Distribution Date C Shareholders of the amount of the Retro Funds Scheme Distribution received by the Public Fund attributable to C Shares, less the C Share Expenses Reserve, in accordance with the Bye-Laws of the Public Fund.

“C Share Expenses Reserve” means \$1,076,403.

“C Shares” means the issued and outstanding series C shares of the Public Fund and includes (save where the context so requires) the Depository Interests issued by the Depository in respect of those shares.

“Carve-Out” means a carve-out for fraud, wilful default or similar actions.

“Carve-Out Claims” means Investor Claims brought against Indemnified Persons which are ultimately determined to fall within the Carve-Out.

“CATCO Group” means, collectively, the Manager, the Private Fund, the Public Fund and the Reinsurer.

“CATCo Parties” has the meaning given to it in the Deed of Release.

“CATCo Released Parties” has the meaning given to it in the Deed of Release.

“cedants” has the meaning given to that term at *“Part II—Background of the CATCo Group and the Schemes”*.

“Certificated Investor” means a person with beneficial interests in Certificated Shares.

“Certificated Shares” means the Public Fund Shares issued in certificated form.

“Certificated Shares Form of Proxy” means the form of instruction and proxy in the form appended at Appendix E (*Certificated Shares Form of Proxy*).

“Chairperson” means the chair of the applicable Scheme Meeting.

“Chapter 15” means chapter 15 of the U.S. Bankruptcy Code.

“Chapter 15 Cases” means the Chapter 15 cases with respect to the Bermuda Proceedings.

“Chapter 15 Enforcement Order” means an order issued by the U.S. Bankruptcy Court recognising and enforcing the terms of this Scheme and the Buy-Out Transaction, on terms satisfactory to the Scheme Company and the Undertaking Parties.

“Chapter 15 Orders” means, collectively, the Chapter 15 Enforcement Order and the Chapter 15 Recognition Order.

“Chapter 15 Recognition Order” means the order dated 4 November 2021 by the U.S. Bankruptcy Court pursuant to Chapter 15 recognising the Bermuda Proceedings.

“Claim” means a claim, potential claim, counterclaim, potential counterclaim, right of set-off, indemnity, cause of action, demand, suit, right to payment (whether or not such right is reduced to judgment), right or interest of any kind or nature whatsoever, whether in law or in equity, civil or criminal, contractual or in tort (including, but not limited to, negligence, fraud or breach of fiduciary duty), and whether direct or derivative in nature, whether known or unknown, suspected or unsuspected, contingent or actual, liquidated or unliquidated, matured or unmatured, direct or indirect, disputed or undisputed, secured or unsecured, fixed or undetermined, present or future, however and whenever arising and in whatever capacity and jurisdiction.

“Closing Date” means the date of completion on which the Scheme Creditors will receive the Scheme Consideration pursuant to the Buy-Out Transaction contemplated by the Schemes.

“Closing NAV” is an amount equal to Current NAV:

- (i) *plus* the Transaction Costs Reserve Release (where applicable),
- (ii) *plus* the Administrative Expenses Contribution,
- (iii) *less* Administrative Expenses.

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Companies Act” means the Companies Act 1981 of Bermuda, as amended.

“Conditions Precedent” means the conditions precedent for the Schemes set out in Clause 3.2 of the Private Fund Scheme and Clause 3.2 of the Public Fund Scheme.

“Convening Hearing” means the hearing before the Bermuda Supreme Court on 7 and 8 December 2021, at which the Scheme Companies sought orders convening the Scheme Meetings.

“Court” means the Supreme Court of Bermuda.

“CREST” means the system for the paperless settlement of trades in securities and the holdings of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001.

“CREST Account Holder” means a participant in CREST.

“CREST Applications Host” means the system that is operated to receive, manage and control the processing of messages by the CREST system.

“CREST Manual” means the CREST Manual published by Euroclear, as amended from time to time.

“CREST Voting Instruction” means an instruction to the Depositary submitted on behalf of DI Investors for the purpose of voting at the Public Fund Scheme Meeting(s) by using the CREST voting service in accordance with the procedures described at *“Public Fund Scheme – Action to be Taken / General Information”* and set out in the CREST Manual.

“Current NAV” means, if the Net Asset Value attributable to the Shares that has been announced for the most recent month end prior to the Closing Date, adjusted to exclude the impact of any

Transaction Costs or increased reserve on account of Transaction Costs or litigation liabilities reflected in such amount, is greater than the Net Asset Value of the Shares as of 31 August 2021, then the Net Asset Value attributable to the Shares that has been announced for the most recent month end prior to the Closing Date, or otherwise the Net Asset Value of the Shares as of 31 August 2021.

“D&O Insurance” means directors’ and officers’ insurance.

“Deed of Release” means a deed of release to be dated on or about the Closing Date between the Scheme Creditors, the Public Fund Scheme Creditors, the Scheme Company, the Public Fund, the Manager, the Reinsurer, the Funding Cos, the Purchaser, the Adverse Development Cover Provider and Markel Corporation pursuant to which the parties shall grant releases of certain claims and liabilities as contemplated by the Schemes.

“Deed Parties” means each of the Scheme Creditors, the Private Fund, the Public Fund, the Manager, the Reinsurer, the Funding Cos, the Adverse Development Cover Provider and Markel Corporation.

“Depository” means Link Market Services Trustees (Nominees) Limited, acting in the capacity as Depository for the Public Fund.

“Depository Deed” means a Deed Poll entered into by the Depository dated 10 December 2010 in relation to the Depository Interests.

“Depository Interests” means the dematerialised depository interests issued by the Depository in respect of the issued and outstanding Ordinary Shares and C Shares.

“Depository Interests Form of Direction” means the form of instruction and proxy in the form appended at Appendix D (*Depository Interests Form of Direction*).

“DI Investors” means Public Fund Scheme Creditors that are beneficially interested in Depository Interests issued by the Depository representing Public Fund Ordinary Shares or C Shares on a one for one basis.

“Distribution Date” means the date on which distributions of the Retro Funds Scheme Consideration, Aquilo Fund Scheme Consideration and Public Fund Scheme Consideration by the Scheme Companies to Scheme Creditors will be initiated.

“Distribution Date C Shareholders” means holders of C Shares or Depository Interests representing C Shares on the Public Fund Distribution Record Date.

“Distribution Date Ordinary Shareholders” means the holders of Ordinary Shares or Depository Interests representing Ordinary Shares on the Public Fund Distribution Record Date.

“E&O” means errors and omissions.

“Early Consent Deadline” means 11.59 p.m. (Bermuda Time) on 9 November 2021, the date by which Scheme Creditors were required to return an Investor Undertaking in order to become eligible to receive the Early Consent Fee.

“Early Consent Fee” means a cash fee (funded by an affiliate of the Markel Corporation) received by Scheme Creditors that entered into the Investor Undertaking and voted to approve the Scheme(s).

“Eugenia” means Eugenia II Investment Holdings Ltd.

“Eugenia Complaint” means the complaint raised by Eugenia in the Eugenia Litigation.

“Eugenia Litigation” means the proceeding relating to the litigation claim filed by Eugenia in the Florida Court in October 2020.

“Eugenia Motion to Dismiss” means the motion to dismiss the Eugenia Litigation in January 2021.

“Euroclear” means Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales.

“Excluded Creditors” means the “Investor Parties” subject to and as defined in the Settlement Agreement.

“Excluded Transaction Claims” means any Transaction Claim or Transaction Liability:

- (a) arising in respect of rights under any Transaction Document, including any debt owed under the Purchase Price Loan;
- (b) arising or resulting from fraud, gross negligence or willful misconduct by any Released Party in connection with the Schemes or the Buy-Out Transaction;
- (c) against any Adviser arising under a duty of care which has been expressly assumed or acknowledged in writing by the relevant Adviser or which can only be excluded in accordance with applicable law or professional regulation and has not been so excluded, or which cannot be released, waived or excluded under applicable law or professional regulation; and
- (d) arising as a result of a breach of a person’s obligations under, or any actual or purported rescission or repudiation of, the Scheme, this Deed or any of the Transaction Documents.

“Explanatory Statement” means this explanatory statement issued by the Scheme Companies in compliance with section 99 and section 100(1)(a) of the Companies Act relating to the Schemes.

“Extended Early Consent Deadline” means the extension of the Early Consent Deadline for Private Scheme Creditors to 5.00 p.m. (Bermuda Time) on 13 December 2021.

“Facility Agent” has the meaning given to that term under the Purchase Price Loan Agreement.

“Financial Promotion Order” means the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2000, as amended.

“Florida Court” means the U.S. District Court for the Middle District of Florida.

“Foreign Representatives” means the JPLs acting as authorised foreign representatives in the Chapter 15 Cases.

“Form of Direction” means the form of direction for use by holders of Depository Interests in order to direct how the Depositary should cast its vote as a registered holder of ordinary shares and series C shares of the Public Fund at the applicable Scheme Meeting(s).

“Fourth AlixPartners Report” means the fourth report prepared by AlixPartners that was updated to clarify that the analysis therein only related to recoveries against the Scheme Companies, and published on 6 December 2021.

“FRSL” means Finance & Risk Services Ltd.

“FSMA” means the Financial Services and Markets Act 2000.

“Funding Cos” means SOAFC I, Inc., SOAFC II, Inc. and SOAFC III, Ltd as lenders pursuant to the Purchase Price Loan Agreement.

“Group Settlement Deed” means a deed to be entered in to by the Manager, the Public Fund, the Private Fund and the Reinsurer, pursuant to which, on and from the Closing Date, the Management

Agreements will be terminated and all rights or claims arising therefrom including pursuant to the indemnities contained therein will be released.

“HMRC” means HM Revenue & Customs.

“HWH” means HWH Realty Holdings LLC.

“Hypothetical Deal Structure Slide” means a slide in the Investor Deck entitled, ‘Underwriting Approach – Hypothetical Deal Structure’.

“Identification Documents”, with respect to a person, means:

- (a) official proof of personal identity (for example, a copy of his or her passport or driving licence with photocard); and
- (b) a copy of the resolution authorising him or her to act on behalf of a Scheme Creditor, or other proof of authorisation which is acceptable to the Private Fund or the Chairperson in respect of a Private Fund Scheme Meeting, or to the Public Fund or the Chairperson in respect of a Public Fund Scheme Meeting.

“Indemnities” means the indemnities in the Management Agreements and the CATCo Group companies’ bye-laws.

“Indemnified Party” means the Manager and its affiliates, directors, managers, shareholders, officers, controlling persons, employees, sub-advisors (and their respective affiliates, directors, managers, shareholders, partners, members, officers, controlling persons, employees, and agents), and agents (including any individual who serves at the Investment Manager’s request as director, officer, partner, trustee, or the like of another entity) and/or the legal representatives and controlling persons of any of them, pursuant to the Private Fund Management Agreement.

“Indemnified Persons” means a wide group of persons who are entitled to indemnity out of the Private Fund, Public Fund or Reinsurer.

“Initial AlixPartners Report” means the initial report prepared by AlixPartners that compared that compares the outcomes to Scheme Creditors under the Initial Proposal against the likely outcomes in a liquidation, and published on 27 September 2021.

“Initial Early Consent Deadline” means 22 October 2021 at 11.59 p.m ADT.

“Initial Proposal” means the public announcement of the Buy-Out Transaction in September 2021

“Insurance Act” means the Insurance Act 1978 of Bermuda (as amended), and its related regulations.

“Insurance Management Agreement” means that certain discretionary insurance management agreement dated 8 December 2015 between the Manager and the Reinsurer.

“Investment Funds Act” means the Investment Funds Act 2006 of Bermuda, as amended.

“Investor Claims” means all Claims at any time arising out of, relating to, or in connection with any investment in or exposure to the Scheme Companies (and/or any of their segregated accounts, if applicable) or the Markel CATCo Business, and/or the Scheme Creditors’ Shares, including, without limitation, any such Claims: based on any oral or written statements or omissions by any person; based in tort (including, but not limited to, negligence, fraud or breach of fiduciary duty), contract, or the laws that govern the offer and sale of securities under the law of any jurisdiction; based on breach of fiduciary or other duties or breach of any contracts or deviations from operations; based on any argument or theory of alter ego, vicarious liability, agency, or piercing the corporate veil; for breach of representation, warranty or undertaking; based on an event of default or under any indemnity given under or in connection with any such Claim; based on

indemnification, whether statutory or otherwise in any jurisdiction; for damages, restitution, contribution, attorneys' fees, costs, or other liability; or as a result of any recovery by any person of a payment on the grounds of preference or otherwise, and any Claims which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

"Investor Deck" means an investor deck that was widely disseminated to investors in the Private Fund.

"Investor Undertaking" means a letter of undertaking in the form proposed by the Scheme Companies by which Scheme Creditors have undertaken to vote in favour of the Scheme(s).

"Investor Upside" has the meaning given to it in the section "*Upside Distributions*" of "*Part III—The Schemes and the Buy-Out Transaction*".

"IRS" means the U.S. Internal Revenue Service.

"JPL Appointment Orders" means the orders dated 1 October 2021 issued by the Court evidencing the appointment of the JPLs.

"JPLs" means Simon Appell of AlixPartners and John McKenna of Finance & Risk Services Ltd. acting as joint provisional liquidators, with limited powers for restructuring purposes, of the Scheme Companies, the Manager and the Reinsurer, appointed pursuant to the JPL Appointment Order.

"Latest Practicable Date" means 16 February 2022, being the most recent date on which it was practicable to provide certain information required under this Explanatory Statement.

"Lenders" has the meaning given to that term under the Purchase Price Loan Agreement.

"Litigation Claimants" means HWH and the Partners Litigants.

"Loan" has the meaning given to that term under the Purchase Price Loan Agreement.

"Lodgement Date" means the time at which copies of the Sanction Orders are delivered to the Bermuda Registrar of Companies for registration.

"Longstop Date" means 29 April 2022 (or such later date as may be agreed in writing by the Scheme Companies and the Funding Cos).

"Management Agreements" means, collectively, (a) the Private Fund Management Agreement, (b) the Public Fund Management Agreement and (c) the Insurance Management Agreement.

"Manager" means Markel CATCo Investment Management Ltd.

"Markel CATCo Business" means the retro-reinsurance and reinsurance business carried out by the Manager and the Reinsurer with respect to the assets held by the Scheme Companies and the management and solicitation of investments in respect thereof.

"Markel Corporation" means the corporation which indirectly wholly owns Markel CATCo Investment Management Ltd. and is incorporated in the Commonwealth of Virginia (USA).

"Markel Group" means Markel Corporation and its Affiliates.

"Markel Investors" means Affiliates of Markel Corporation that are investors in either the Private Fund or the Public Fund.

"Master Fund" means the Segregated Account known as the Markel CATCo Diversified Fund.

"Master Fund SP" means side pocket shares of the Private Fund issued in respect of the Master Fund.

“Master Fund SA Shares” means the preference shares issued by the Private Fund in respect of the Master Fund.

“Mr Belisle” means the former chief executive officer of the Manager, Anthony Belisle.

“Net Asset Value” or **“NAV”** means assets at fair value less liabilities, including any accrued but unpaid expenses.

“New Management Agreements” means the management agreements to be entered into between the Private Fund, the Public Fund and the Reinsurer respectively, and the Manager, to provide for the on-going management of the Markel CATCo Business following the Closing Date.

“No Claims Scenario” has the meaning given to the term in the section *“Potential Returns to Scheme Creditors”* of *“Part VI—Alternative if the Schemes are not Implemented”*.

“Nominee” means a broker, bank, nominee or other intermediary holding Private Fund Shares or Public Fund Shares (as the case may be) for and on behalf of a Scheme Creditor.

“Notice of Scheme Meetings” means the notice of scheme meetings, the form of which is set out in Appendices A and B of this Explanatory Statement.

“Optional Claim Amount Form” means the claim form in the form appended at Appendix F (*Optional Claim Amount Form*).

“Optional Claim Amount Voting Deadline” means 28 February 2022 at 5 p.m. (Bermuda time).

“Ordinary Course Fees” means the aggregate of the following amounts in respect of each SP of the Retro Funds, and the Aquilo Fund, which amounts are allocated to Retro Funds Shares or Aquilo Fund Shares *pro rata* in proportion to the Current NAV of such Shares:

	Operating expenses estimate	Reserve	Total
2016 Master Fund SP	0	\$141,653	\$141,653
2017 Master Fund SP	\$1,982,885	\$1,202,747	\$3,185,632
2018 Master Fund SP	\$3,982,732	\$1,817,844	\$5,800,575
2019 Master Fund SP	\$4,038,313	\$1,538,543	\$5,576,857
Aquilo	\$1,131,284	\$526,257	\$1,657,540

“Ordinary Members” means the holders of Ordinary Shares.

“Other Released Parties” has the meaning given to it in the Deed of Release.

“Ordinary Share Distribution” means the distribution by the Public Fund to Distribution Date Ordinary Shareholders of the amount of the Retro Funds Scheme Distribution received by the Public Fund attributable to Ordinary Shares, less the Ordinary Share Expenses Reserve, in accordance with the Bye-Laws of the Public Fund.

“Ordinary Share Expenses Reserve” means \$1,130,252.

“Ordinary Shares” means the issued and outstanding ordinary shares of the Public Fund and includes (save where the context so requires) the Certificated Shares and the Depository Interests issued by the Depository in respect of those shares.

“Partners” means Partners Capital Investment Group LLP.

“Partners Litigants” means certain funds managed by Partners that in December 2021 filed a complaint against Mr Belisle in Florida, seeking damages for fraud and negligent misrepresentation in connection with such funds’ investment in the Private Fund.

“PIC” means Pension Insurance Corporation plc.

“PKA” means funds managed by PKA A/S.

“Practice Direction Letter” means the letter issued to Scheme Creditors on 28 October 2021 by the Scheme Companies in accordance with Practice Direction No. 18 of 2007 ‘Guidelines applicable to Schemes of Arrangement under Section 99 of the Companies Act 1981’.

“Primary Borrower” has the meaning given to that term under the Purchase Price Loan Agreement.

“Principal Transaction Documents” means the Deed of Release, the Purchase Price Loan Agreement, and the Relationship and Economics Rights Agreement, each in substantially the form made available to Scheme Creditors on the Schemes Website, subject to any modification made in accordance with the terms of this Scheme.

“Private Fund” means Markel CATCo Reinsurance Fund Ltd.

“Private Fund Bye-Laws” means the bye-laws of the Private Fund.

“Private Fund Investor Letter” means the form of instruction and proxy in the form appended at Appendix C (*Private Fund Investor Letter*).

“Private Fund Management Agreement” means that certain discretionary investment management agreement dated 8 December 2015 between the Manager and the Private Fund on behalf of each Segregated Account.

“Private Fund Register” means the Private Fund’s register of members.

“Private Fund Registrar” means Centaur Fund Services (Bermuda) Limited acting in its capacity as registrar of the Shares of the Private Fund.

“Private Fund Scheme” means the scheme of arrangement in respect of the Private Fund.

“Private Fund Scheme Creditors” means all persons other than Excluded Creditors that are beneficially interested in the Private Fund Shares as at the Scheme Record Time, in their capacity as creditors of the Private Fund (and/or any of its segregated accounts) in relation to their potential Investor Claims.

“Private Fund Scheme Meetings” means the meetings of the Private Fund Scheme Creditors to vote on the Private Fund Scheme convened pursuant to an order of the Court (and any meetings called following an adjournment).

“Private Fund Scheme Sanction Order” means the office copy of the order of the Court sanctioning the Private Fund Scheme.

“Private Fund Shares” means the shares issued by the Private Fund in respect of the Segregated Accounts.

“Proceeding” means any process, suit, action, legal or other proceeding, including without limitation any arbitration, mediation, alternative dispute resolution, judicial review, adjudication, demand, execution, distraint, restraint, forfeiture, re-entry, seizure, lien, enforcement of judgment or enforcement of any security.

“Prohibited Proceedings” means any Proceedings against the Released Parties or Advisers and/or their respective property in any jurisdiction whatsoever, except for an Allowed Proceeding.

“Provisional Liquidations” means the liquidation proceedings commenced by each of the Manager, the Private Fund, the Public Fund, and the Reinsurer under Part XIII of the Companies Act, in their present form or with or subject to any modifications, additions or conditions approved or imposed by the Court or approved in accordance with the terms of each such liquidation proceeding.

“Public Fund” means CATCo Reinsurance Opportunities Fund Ltd.

“Public Fund Bye-Laws” means the bye-laws of the Public Fund.

“Public Fund C Class” means the class of Public Fund Scheme Creditors beneficially interested in the C Shares for the purpose of voting on the Public Fund Scheme.

“Public Fund Distribution Record Date” means the record date for the Public Fund Scheme Distribution, which date will be announced by the Public Fund as soon as practicable after the Closing Date.

“Public Fund Management Agreement” means that certain discretionary investment management agreement dated 8 December 2015 between the Manager and the Public Fund.

“Public Fund Ordinary Class” means the class of Public Fund Scheme Creditors beneficially interested in the Ordinary Shares for the purpose of voting on the Public Fund Scheme.

“Public Fund Register” means the Public Fund’s register of members.

“Public Fund Registrar” means Link Market Services Guernsey Limited acting in its capacity as registrar of the Ordinary Shares and the C Shares of the Public Fund.

“Public Fund Sanction Order” means the office copy of the order of the Court sanctioning the Scheme.

“Public Fund Scheme” means the scheme of arrangement in respect of the Public Fund.

“Public Fund Scheme Creditors” all persons that are beneficially interested in the Public Fund Shares, as at the Scheme Record Time in their capacity as creditors of the Public Fund in relation to their potential Investor Claims.

“Public Fund Scheme Distribution” means the C Share Distribution and the Ordinary Share Distribution.

“Public Fund Scheme Meetings” means the meetings of the Public Fund Scheme Creditors to vote on the Public Fund Scheme convened pursuant to an order of the Court (and any meetings called following an adjournment).

“Public Fund Scheme Sanction Order” means the office copy of the order of the Court sanctioning the Public Fund Scheme.

“Public Fund Shares” means the Ordinary Shares and/or the C Shares, as applicable.

“Public Fund Transactions” has the meaning given in the section *“United Kingdom”* of the section *“Certain Tax Considerations”*.

“Purchase Price Loan Agreement” means the loan agreement, to be dated on or about the Closing Date, between *inter alios*, the Funding Cos, the Purchaser and the Reinsurer, pursuant to which the Funding Cos will advance the Loans to the Purchaser for the purchase of the Acquired Shares.

“Purchaser” means SPC, Ltd. as purchaser pursuant to the Relationship and Economic Rights Agreement.

“Recapitalised Shares” has the meaning given in the section *“U.S. Federal Income Tax Consequences to the Private Fund”* of the section *“Certain Tax Considerations”*.

“Registered Shareholder” means a registered holder of Private Fund Shares or Public Fund Shares (as applicable), as recorded in the share registers of the Private Fund or Public Fund (as applicable).

“Reinsurer” means Markel CATCo Re Ltd.

“Reinsurer Master Fund SA Shares” means the Reinsurer Shares held by the Private Fund on behalf of the Master Fund.

“Reinsurer Shares” means the preference shares of \$0.001 par value each in the capital of the Reinsurer.

“Related Parties” has the meaning given to it in the Deed of Release.

“Relationship and Economic Rights Agreement” means that certain relationship agreement, to be dated on or about the Closing Date, between the Purchaser, the Private Fund, the Manager and the Reinsurer governing the purchase of the Acquired Shares and economic rights of the Reinsurer and the Private Fund on a go forward basis.

“Released Investor Claims” means Investor Claims waived, released or discharged pursuant to Clause 2.1 or Clause 2.2 of the Deed of Release.

“Released Parties” has the meaning given to it in the Deed of Release.

“Released Transaction Claims” means Transaction Claims waived, released or discharged pursuant to Clause 3 of the Deed of Release.

“Releases” means the releases of Investor Claims and Transaction Claims pursuant to the Schemes and the Deed of Release.

“Relevant Persons” has the meaning given to that term at *“United Kingdom”* of the *“Important Securities Law Notice”*.

“Reserve” means a reserve of approximately \$5.2 million to cover Ordinary Course Fees.

“Restricted Jurisdictions” has the meaning given to that term at *“Overseas Shareholder Considerations”* of the *“Important Securities Law Notice”*.

“Restructuring” means the implementation of the Buy-Out Transaction.

“retro” means retrocessional.

“Retro Funds” means, collectively, the Master Fund, the Diversified Fund II, the Limited Diversified Arbitrage Fund, the Diversified Arbitrage Fund, the GTL Diversified Fund, the Markel Diversified Fund and the QIC Diversified Fund.

“Retro Funds 2016 Class” means the class of Private Fund Scheme Creditors beneficially interested in the 2016 Master Fund SP for the purpose of voting on the Private Fund Scheme.

“Retro Funds 2017 Class” means the class of Private Fund Scheme Creditors beneficially interested in the 2017 Master Fund SP for the purpose of voting on the Private Fund Scheme.

“Retro Funds 2018 Class” means the class of Private Fund Scheme Creditors beneficially interested in the 2018 Master Fund SP for the purpose of voting on the Private Fund Scheme.

“Retro Funds 2019 Class” means the class of Private Fund Scheme Creditors beneficially interested in the 2019 Master Fund SP for the purpose of voting on the Private Fund Scheme.

“Retro Funds Accelerated Distribution” means a cash distribution to Private Fund Scheme Creditors with interests in the Retro Funds in an amount equal to 100% of the Closing NAV of each Scheme Creditors’ Retro Funds Shares.

“Retro Funds Buy-Out Amount” means the purchase price to be paid by the Purchaser to the Private Fund (pursuant to the terms of the Relationship and Economic Rights Agreement) in exchange for the Acquired Shares in respect of the Retro Funds.

“Retro Funds Cash” means cash on hand at the relevant Segregated Account of the Retro Funds.

“Retro Funds Scheme Distribution” means a distribution to Private Fund Scheme Creditors with interests in the Retro Funds of:

(a) each shareholders’ proportion of the Retro Funds Accelerated Distribution; and

(b) each shareholders’ proportion of the Additional Consideration,

such distributions to be allocated to Private Fund Scheme Creditors with interests in the Retro Funds *pro rata* in proportion to their Closing NAV and to be made in accordance with the Private Fund Bye-Laws.

“Retro Funds Shares” means the Shares issued by the Retro Funds to their shareholders, other than any such shares held by another Retro Fund.

“RNS” means Regulated News Service owned by the London Stock Exchange, used to transmit regulatory and non-regulatory information published by companies and organisations.

“SAC Act” means the Segregated Accounts Companies Act 2000, as amended.

“Sale Investments” has the meaning given to it in the Relationship and Economic Rights Agreement.

“Sanction Hearing” means the hearing to be held on 11 March 2022 (or as soon as reasonably possible thereafter, subject to Court availability) in respect of the Scheme Company’s application to the Court to sanction the Scheme.

“Sanction Orders” means the Private Fund Sanction Order and the Public Fund Sanction Order.

“Scheme” means the scheme of arrangement in relation to each Scheme Company under section 99 of the Companies Act in its present form or with or subject to any modifications, additions or conditions approved or imposed by the Court or approved in accordance with the terms of each such scheme of arrangement.

“Scheme Company” means either of the Private Fund and the Public Fund.

“Scheme Companies” means the Private Fund and the Public Fund.

“Scheme Consideration” means the entitlements of Scheme Creditors pursuant to the Schemes, including without limitation, the Retro Funds Scheme Distribution, Aquilo Scheme Distribution and/or the Public Fund Scheme Distribution, as applicable.

“Scheme Creditors” means the Private Fund Scheme Creditors and/or the Public Fund Scheme Creditors, as applicable.

“Scheme Meetings” means either the Private Fund Scheme Meetings or the Public Fund Scheme Meetings or both, as the context so requires.

“Scheme Opposition” has the meaning given to it in *“Part II—Background of the CATCo Group and the Schemes—Developments from December 2021 to February 2022”*

“Scheme Record Time” means 1 March 2022 at 2 p.m. (Bermuda time).

“Schemes Website” means the website providing further information related to the Schemes and the Buy-Out Transaction at <https://catcobuyout.alixpartners.com>.

“Second AlixPartners Report” means the second report prepared by AlixPartners that compared the outcomes to Scheme Creditors against the likely outcomes in a liquidation, and published on 28 October 2021.

“Security” means the security to be granted in favour of the Funding Cos to secure repayment of the Loans, as set out in the Purchase Price Loan Agreement.

“Security Documents” means the documents in a form reasonably satisfactory to the Funding Cos by which the Security is granted.

“Segregated Account” means each of the following funds: (a) Master Fund, (b) Diversified Fund II, (c) Limited Diversified Arbitrage Fund, (d) Diversified Arbitrage Fund, (e) GTL Diversified Fund, (f) Markel Diversified Fund, (g) QIC Diversified Fund, and (h) Aquilo Fund.

“Settled Shares” means the Private Fund Shares held by the Excluded Creditors, to be redeemed on the Closing Date pursuant to the terms of the Settlement Agreement.

“Settlement” means the agreement between the Manager (on its own behalf and on behalf of the Private Fund), Markel Corporation and the Excluded Creditors, as recorded in the Settlement Agreement.

“Settlement Agreement” means the agreement dated 3 February 2022 between Markel Corporation, the Manager (on its own behalf and on behalf of the Private Fund), HWH and certain funds managed by Partners.

“Settlement Payment” means a payment of \$20 million to be made to the Excluded Creditors on the Closing Date pursuant to the terms of the Settlement Agreement.

“Settling Insurers” means certain insurers of the Manager that contribute towards the Settlement Payment pursuant to the Manager’s D&O Insurance.

“Share Sale” has the meaning given in the section *“U.S. Federal Income Tax Consequences to the Private Fund”* of the section *“Certain Tax Considerations”*.

“Shares” means, with respect to the Private Fund, the Private Fund Shares and, with respect to the Public Fund, the Public Fund Shares.

“Skadden” means Skadden, Arps, Slate, Meagher & Flom (UK) LLP and its Affiliates.

“Solvency Question” has the meaning given in *“Part IA – Letter from the Directors of the Scheme Companies”*.

“SP” means a side pocket, a distinct class of shares issued in respect of any particular Segregated Account, holders of which are entitled to share in a defined pool of assets.

“Sub-Funds” means the Retro Funds except for the Master Fund.

“Supporting Investors” means the Scheme Creditors that have entered into Investor Undertakings.

“Third AlixPartners Report” means the third report prepared by AlixPartners that compared the outcomes to Scheme Creditors against the likely outcomes in a liquidation, and published on 17 November 2021.

“Transaction Claims” means all Claims arising out of, relating to, or in connection with (i) the preparation, negotiation, sanction or implementation of the Schemes and/or the Transaction and/or the Deed of Release and/or any of the Transaction Documents; and (ii) the execution of the Deed

of Release and/or any of the Transaction Documents and the carrying out of the steps and transactions contemplated herein and therein in accordance with their terms.

“Transaction Costs” means the transaction costs for implementing the Schemes (including the fees and costs incurred by the JPLs, the U.S. Expert and all legal and other advisers to the Scheme Companies, including the Advisers), which shall, to the extent not already allocated, be allocated as follows:

- (a) in respect of the Retro Funds, an allocation of 90% of the Transaction Costs to all Retro Fund Shares, *pro rata* in proportion to the Current NAV of such shares; and
- (b) in respect of the Aquilo Funds, an allocation of 10% of the Transaction Costs to all Aquilo Fund Shares, *pro rata* in proportion to the Current NAV of such shares.

“Transaction Costs Reserve” means an amount of \$10 million reserved by the Private Fund from certain of the Segregated Accounts on account of potential litigation costs related to Investor Claims.

“Transaction Costs Reserve Release” means in respect of each Retro Fund SP, 75% of the amount held by the Private Fund in respect of such SP as a reserve on account of potential litigation costs related to Investor Claims.

“Transaction Documents” means the Ancillary Transaction Documents and the Principal Transaction Documents.

“Trust Accounts” means those certain accounts of the Reinsurer that hold the assets of the Segregated Accounts and capital trapped as collateral for insurance policies.

“U.K.” means the United Kingdom.

“Undertaking Parties” means the Manager, the Reinsurer, the Funding Cos and the Purchaser.

“Upside Distribution” means each Scheme Creditor’s proportional share of any capital released in excess of the Buy-Out Amounts allocable to a particular SP of the Master Fund or the Aquilo Fund and approved for distribution by the BMA.

“U.S.” or **“United States”** means the United States of America.

“U.S. Bankruptcy Code” means title 11 of the United States Code.

“U.S. Bankruptcy Court” means the United States Bankruptcy Court for the Southern District of New York.

“U.S. Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the U.S. Securities and Exchange Commission promulgated thereunder.

“U.S. Expert” means Daniel M. Glosband, in respect to a legal opinion prepared on behalf of the Manager in support of the Schemes.

“U.S. Investor” has the meaning given in the section *“United States Federal Income Taxation”* of the section *“Certain Tax Considerations”*.

“US Litigation” has the meaning given to it in *“Part II—Background of the CATCo Group and the Schemes—Developments from December 2021 to February 2022”*.

“U.K. tax resident” means resident in the U.K. for U.K. tax purposes.

“Virtual Meeting Platform” means the virtual meeting platform hosted by Microsoft Teams or similar in respect of the Scheme Meetings for the Private Fund Scheme and the Public Fund Scheme.

“Voting Deadline” means 2 p.m. (Bermuda time) 1 March 2022.

“Work Fee” means a cash fee equal to 2% of the Current NAV of funds managed by PKA A/S and Almitas Capital.

Interpretation

Unless the context otherwise requires or otherwise expressly provides for:

- (a) references to “Parts” or “Sections” are references to Parts or Sections of this Explanatory Statement;
- (b) references to a “person” include references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or state agency;
- (c) references to a statute or statutory provision include the same as subsequently modified, amended or re-enacted from time to time;
- (d) references to an agreement, deed or document shall be deemed to also refer to such agreement, deed or document as amended, supplemented, restated, varied, replaced and/or novated (in whole or in part) from time to time and to any agreement, deed or document executed pursuant thereto;
- (e) references to time shall be to prevailing Bermuda time;
- (f) the singular includes the plural and *vice versa* and words importing one gender shall include all genders;
- (g) the term “including” means “including without limitation;” and
- (h) headings are for ease of reference only and shall not affect the interpretation of this Explanatory Statement or the Schemes.

APPENDIX A—NOTICE OF PRIVATE FUND SCHEME MEETINGS

In the Supreme Court of Bermuda

Civil Jurisdiction – Commercial Court

Case 2021: No. 307

In the Matter of

MARKEL CATCO REINSURANCE FUND LTD.

(provisional liquidators appointed – for restructuring purposes)

(the “Scheme Company”)

And in the Matter of Section 99 of the Companies Act 1981

NOTICE OF SCHEME MEETINGS

NOTICE IS HEREBY GIVEN that by an order dated 16 February 2022, the Court has directed that meetings of five classes of creditors (the “**Scheme Creditors**”) of the Scheme Company be convened at 10.15 a.m. on 4 March 2022 (the “**Scheme Meetings**”) to vote upon the scheme of arrangement proposed in respect of the Scheme Company pursuant to the section 99 of the Companies Act 1981 of Bermuda (the “**Scheme**”) as set out in the explanatory statement dated 18 February 2022 (the “**Explanatory Statement**”).

A capitalised term used in this notice and not otherwise defined herein shall have the meaning set out in Part X (*Definitions and Interpretation*) of the Explanatory Statement.

Simon Appell or John McKenna shall act as chair of the Scheme Meetings (the “**Chairperson**”) and shall report the result of the Scheme Meetings to the Court.

The Private Fund Scheme Meetings shall commence at 10.15 a.m. (Bermuda time) on 4 March 2022. An introductory address will be given by the Chairperson to all Private Fund Scheme Creditors (or their duly authorised representatives or proxies) present at the relevant Scheme Meeting. Following the conclusion of the introductory address, it is intended that the Chairperson shall convene the Scheme Meetings in the order set out below. With respect to each Scheme Meeting, the Chairperson shall answer written questions submitted in advance and all Private Fund Scheme Creditors (or their duly authorised representatives or proxies) present at the relevant Scheme Meeting shall have the opportunity to ask questions, comment and discuss between themselves. The Chairperson shall close the relevant Scheme Meeting by taking a vote in respect of the Private Fund Scheme.

Scheme Meeting

First Private Fund Scheme Meeting
(Aquila Class)

Second Private Fund Scheme Meeting
(Retro Funds 2016 Class)

Scheme Creditors Voting at Scheme Meeting

Scheme Creditors beneficially interested in the Aquilo Fund Shares of the Private Fund, in their capacity as creditors of the Private Fund in relation to their potential Investor Claims.

Scheme Creditors beneficially interested in the 2016 Master Fund SP of the Private Fund, in their capacity

	as creditors of the Private Fund in relation to their potential Investor Claims.
Third Private Fund Scheme Meeting (Retro Funds 2019 Class)	Scheme Creditors beneficially interested in the 2019 Master Fund SP of the Private Fund, in their capacity as creditors of the Private Fund in relation to their potential Investor Claims.
Fourth Private Fund Scheme Meeting (Retro Funds 2017 Class)	Scheme Creditors beneficially interested in the 2017 Master Fund SP of the Private Fund, in their capacity as creditors of the Private Fund in relation to their potential Investor Claims.
Fifth Private Fund Scheme Meeting (Retro Funds 2018 Class)	Scheme Creditors beneficially interested in the 2018 Master Fund SP of the Private Fund, in their capacity as creditors of the Private Fund in relation to their potential Investor Claims.

After the voting has concluded, the Chairperson shall re-open all of the Scheme Meetings together, make any closing remarks and bring the Scheme Meetings to a close. It is proposed that the results of the Scheme Meetings will be announced as soon as reasonably practicable following the Scheme Meetings.

Scheme Creditors are strongly encouraged to appoint the Chairperson as their proxy to vote at the Scheme Meeting at which they are entitled to vote by ensuring that a completed Private Fund Investor Letter has been validly delivered by 2 p.m. (Bermuda time) on 1 March 2022 (the “**Voting Deadline**”) in accordance with the procedure described at “*Private Fund Scheme – Action to be Taken / General Information*” of the Explanatory Statement.

Scheme Creditors that wish to appoint a proxy other than the Chairperson to attend and vote, or attend and vote in person (via the Virtual Meeting Platform) should ensure that a completed Private Fund Investor Letter, indicating that they wish to appoint a proxy other than the Chairperson or attend in person (via the Virtual Meeting Platform), has been delivered by the Voting Deadline in accordance with the procedure described at “*Private Fund Scheme – Action to be Taken / General Information*” of the Explanatory Statement.

Scheme Creditors or their authorised representatives or proxies will be required to register their attendance at the Scheme Meeting(s) they are entitled to attend via the Virtual Meeting Platform, prior to the commencement of the Scheme Meetings. Scheme Creditors or their authorised representatives or proxies will be contacted to complete registration formalities no later than the day before the Scheme Meetings and will be required to verify their identity and entitlement to attend the Scheme Meetings by providing Identification Documents. Scheme Creditors that intend to attend virtually and are not the Registered Shareholder, must supply proof that they hold a beneficial entitlement to the relevant Shares. Scheme Creditors must also ensure that the details and authority of either the Scheme Creditor or its/their authorised representative or proxy that attends the Scheme Meetings are consistent with the details provided in their Private Fund Investor Letter.

Once such registration formalities have been completed, all persons verified as being entitled to attend a Scheme Meeting will be provided with a poll card and details of how to access the Scheme Meeting(s) at which they are entitled to attend virtually. Scheme Creditors or their authorised representatives or proxies must be registered prior to the commencement of the Scheme Meetings.

The Virtual Meeting Platform used for the Scheme Meetings will allow each Scheme Creditor or proxy in attendance to be seen and heard by the Chairperson, to raise queries or objections and consult with other Scheme Creditors. Voting at the Scheme Meetings will be conducted by way of a poll vote rather than by show of hands. Scheme Creditors may also submit written questions in advance of the relevant Scheme Meeting by email to the Chairperson at catcobuyout@alixpartners.com. Emails with written questions must be received no less than 72 hours before the start of the relevant Scheme Meeting. If any questions are received by email after this time, the Chairperson will have a discretion as to whether to address them at the relevant Scheme Meeting.

Any vote cast by or on behalf of a Scheme Creditor at a Scheme Meeting shall override any voting instruction previously provided in a Private Fund Investor Letter and the Chairperson shall not be obliged to verify any such discrepancies with the Scheme Creditor.

The directors of the Scheme Company note the measures issued by the Bermuda Government in view of the ongoing COVID-19 pandemic. At the time of publication of this Explanatory Statement, the Bermuda Government has prohibited large public gatherings, save in certain limited circumstances. In light of these measures, together with the uncertainty as to any additional and/or alternative measures that may be put in place by the Bermuda Government, the Scheme Meetings will be held virtually.

The Explanatory Statement is available from <https://catcobuyout.alixpartners.com>. A Scheme Creditor may request a hard copy of the Explanatory Statement free of charge using the contact details provided below.

If a Scheme Creditor is unclear about, or has any questions concerning, the action it is required to take, the Scheme Creditor should contact the Scheme Company or Centaur Fund Services (Bermuda) Limited or the Scheme Company's legal advisors at the contact details provided below:

Centaur Fund Services (Bermuda) Limited

By Email: investorservices.bda@centaurfs.com

Legal Advisors to the Scheme Company:

Skadden, Arps, Slate, Meagher & Flom (UK) LLP

Attention: Peter Newman, Nicole Stephansen, James Falconer, Kathlene M Burke

By Post: Skadden, Arps, Slate, Meagher & Flom (UK) LLP, 40 Bank Street, London E14 5DS, UK

By Telephone: +44 20 7519 7000

APPENDIX B—NOTICE OF PUBLIC FUND SCHEME MEETINGS

In the Supreme Court of Bermuda

Civil Jurisdiction – Commercial Court

Case 2021: No. 309

In the Matter of

CATCO REINSURANCE OPPORTUNITIES FUND LTD.

(provisional liquidators appointed for restructuring purposes)

(the “Scheme Company”)

And in the Matter of Section 99 of the Companies Act 1981

NOTICE OF SCHEME MEETINGS

NOTICE IS HEREBY GIVEN that by an order dated 16 February 2022, the Court has directed that meetings of two classes of creditors (the “**Scheme Creditors**”) of the Scheme Company be convened at 8 a.m. (Bermuda time) on 4 March 2022 (the “**Scheme Meetings**”) to vote upon the scheme of arrangement proposed in respect of the Scheme Company pursuant to the section 99 of the Companies Act (the “**Scheme**”) as set out in the explanatory statement dated 18 February 2022 (the “**Explanatory Statement**”).

A capitalised term used in this notice and not otherwise defined herein shall have the meaning set out in Part X (*Definitions and Interpretation*) of the Explanatory Statement.

Simon Appell or John McKenna shall act as chair of the Scheme Meetings (the “**Chairperson**”) and shall report the result of the Scheme Meetings to the Court.

The Public Fund Scheme Meetings shall commence at 8 a.m. (Bermuda time) on 4 March 2022. An introductory address will be given by the Chairperson to all Public Fund Scheme Creditors (or their duly authorised representatives or proxies) present at the relevant Scheme Meeting. Following the conclusion of the introductory address, it is intended that the Chairperson shall convene the Scheme Meetings in the order set out below. With respect to each Scheme Meeting, the Chairperson shall answer written questions submitted in advance and all Public Fund Scheme Creditors (or their duly authorised representatives or proxies) present at the relevant Scheme Meeting shall have the opportunity to ask questions, comment and discuss between themselves. The Chairperson shall close the relevant Scheme Meeting by taking a vote in respect of the Public Fund Scheme.

Scheme Meeting	Scheme Creditors Voting at Scheme Meeting
First Public Fund Scheme Meeting (Public Fund Ordinary Class)	Scheme Creditors beneficially interested in the Ordinary Shares of the Public Fund, in their capacity as creditors of the Public Fund in relation to their potential Investor Claims.
Second Public Fund Scheme Meeting (Public Fund C Class)	Scheme Creditors beneficially interested in the C Shares of the Public Fund, in their capacity as creditors

of the Public Fund in relation to their potential Investor Claims.

After the voting has concluded, the Chairperson shall re-open all of the Scheme Meetings together, make any closing remarks and bring the Scheme Meetings to a close. It is proposed that the results of the Scheme Meetings will be announced as soon as reasonably practicable following the Scheme Meetings.

Scheme Creditors are strongly encouraged to appoint the Chairperson as their proxy to vote at the Scheme Meeting at which they are entitled to vote by ensuring that a completed Depository Interests Form of Direction or Certificated Shares Form of Proxy (as applicable), has been validly delivered by 2 p.m. (Bermuda time) on 1 March 2022 (the “**Voting Deadline**”), or (in respect to Scheme Creditors with interests in Depository Interests only) a completed CREST Voting Instruction, has been validly submitted by the Voting Deadline, in accordance with the procedure described at “*Public Fund Scheme – Action to be Taken / General Information*” of the Explanatory Statement.

Scheme Creditors that wish to appoint a proxy other than the Chairperson to attend and vote, or attend and vote in person (via the Virtual Meeting Platform) should ensure that a completed Depository Interests Form of Direction or Certificated Shares Form of Proxy (as applicable), indicating that they wish to appoint a proxy other than the Chairperson or attend in person (via the Virtual Meeting Platform), has been delivered by the Voting Deadline in accordance with the procedure described at “*Public Fund Scheme – Action to be Taken / General Information*” of the Explanatory Statement.

Scheme Creditors or their authorised representatives or proxies will be required to register their attendance at the Scheme Meeting(s) they are entitled to attend via the Virtual Meeting Platform, prior to the commencement of the Scheme Meetings. Scheme Creditors or their authorised representatives or proxies will be contacted to complete registration formalities no later than the day before the Scheme Meetings and will be required to verify their identity and entitlement to attend the Scheme Meetings by providing Identification Documents. Scheme Creditors that intend to attend virtually and are not the CREST Account Holder or Registered Shareholder (as applicable), must supply proof that they hold a beneficial entitlement to the relevant Shares. Scheme Creditors must also ensure that the details and authority of either the Scheme Creditor or its/their authorised representative or proxy that attends the Scheme Meetings are consistent with the details provided in their Depository Interests Form of Direction or Certificated Shares Form of Proxy (as applicable).

Once such registration formalities have been completed, all persons verified as being entitled to attend a Scheme Meeting will be provided with a poll card and details of how to access the Scheme Meeting(s) at which they are entitled to attend virtually. Scheme Creditors or their authorised representatives or proxies must be registered prior to the commencement of the Scheme Meetings.

The Virtual Meeting Platform used for the Scheme Meetings will allow each Scheme Creditor or proxy in attendance to be seen and heard by the Chairperson, to raise queries or objections and consult with other Scheme Creditors. Voting at the Scheme Meetings will be conducted by way of a poll vote rather than by show of hands. Scheme Creditors may also submit written questions in advance of the relevant Scheme Meeting by email to the Chairperson at catcobuyout@alixpartners.com. Emails with written questions must be received no less than 72 hours before the start of the relevant Scheme Meeting. If any questions are received by email after this time, the Chairperson will have a discretion as to whether to address them at the relevant Scheme Meeting.

Any vote cast by or on behalf of a Scheme Creditor at a Scheme Meeting shall override any voting instruction previously provided in a CREST Voting Instruction, Depository Interests Form of Direction or Certificated

Shares Form of Proxy and the Chairperson shall not be obliged to verify any such discrepancies with the Scheme Creditor.

The directors of the Scheme Company note the measures issued by the Bermuda Government in view of the ongoing COVID-19 pandemic. At the time of publication of this Explanatory Statement, the Bermuda Government has prohibited large public gatherings, save in certain limited circumstances. In light of these measures, together with the uncertainty as to any additional and/or alternative measures that may be put in place by the Bermuda Government, the Scheme Meetings will be held virtually.

The Explanatory Statement is available from <https://catcobuyout.alixpartners.com>. A Scheme Creditor may request a hard copy of the Explanatory Statement free of charge using the contact details provided below.

If a Scheme Creditor is unclear about, or has any questions concerning, the action it is required to take, the Public Fund Scheme Creditor should contact AlixPartners or the Scheme Company's legal advisors at the contact details provided below:

AlixPartners

By Email: catcobuyout@alixpartners.com

Legal Advisors to the Scheme Company:

Skadden, Arps, Slate, Meagher & Flom (UK) LLP

Attention: Peter Newman, Nicole Stephansen, James Falconer, Kathlene M Burke

By Post: Skadden, Arps, Slate, Meagher & Flom (UK) LLP, 40 Bank Street, London E14 5DS, UK

By Telephone: +44 20 7519 7000

APPENDIX C—PRIVATE FUND INVESTOR LETTER

in relation to the shares (the “**Shares**”) in

*Markel CATCo Reinsurance Fund Ltd. (provisional liquidators appointed for restructuring purposes)
(the “Private Fund”)*

in relation to the Scheme Meetings (the “**Scheme Meetings**”) in respect of the Private Fund’s proposed scheme of arrangement pursuant to section 99 of the Companies Act 1981 of Bermuda (the “**Scheme**”).

Capitalised terms used but not otherwise defined in this Private Fund Investor Letter shall have the meaning set out in “Part X—(Definitions and Interpretation)” of the explanatory statement describing the Scheme (the “**Explanatory Statement**”).

Nominees/ Registered Shareholders submitting this Private Fund Investor Letter must do so either on their own behalf (where they hold Shares beneficially as principal) or on the instruction, and with the authority, of the person(s) on whose behalf they hold Shares.

Voting Deadline

In order for Private Fund Scheme Creditors to vote on the Scheme at the Scheme Meetings, they must submit a Private Fund Investor Letter on or before the Voting Deadline.

Any Private Fund Scheme Creditor that wishes to wish to submit an alternative claim amount for voting purposes at the Scheme Meeting should complete Part 4 and the Optional Claim Amount Form located at Appendix F of the Explanatory Statement and return it together with the information described therein as an attachment to this Private Fund Investor Letter and return by the Optional Claim Amount Voting Deadline.

Private Fund Investor Letter Submission

Private Fund Investor Letters must be submitted electronically in pdf format to Centaur Fund Services (Bermuda) Limited by email to investorservices.bda@centaurfs.com. Original paper copies of signed Private Fund Investor Letters should not be sent to Centaur Fund Services (Bermuda) Limited, the Scheme Company or to the Joint Provisional Liquidators.

PART 1: REGISTERED SHAREHOLDER AND NUMBER OF SHARES
(To be completed by the Registered Shareholder/ Nominee)

Full name of Registered
Shareholder/ Nominee

Number of Shares held

By signing below the Registered Shareholder/ Nominee confirms that:

- (a) it is the beneficial owner (or Registered Shareholder or Nominee with authority from the beneficial owner to act on their behalf) of the Shares set out under the heading “Ending Shares” on each investor statement attached as a schedule to this Private Fund Investor Letter;
- (b) it has obtained all necessary consents, authorisations, approvals and/or permissions required to be obtained by it under the laws and regulations applicable to it in any jurisdiction in order to sign this Private Fund Investor Letter on its own behalf, or on behalf of the Private Fund Scheme Creditor (beneficial owner), including giving the voting instructions and appointing the person named in Part 2 of this Private Fund Investor Letter (if applicable) to attend and speak at the Scheme Meeting(s);
- (c) it has submitted only one Private Fund Investor Letter in respect to the Shares set out under the heading “Ending Shares” on each investor statement attached as a schedule to this Private Fund Investor Letter;
- (d) if this Private Fund Investor Letter is submitted by a Nominee on behalf of a Private Fund Scheme Creditor (beneficial owner), the Private Fund Scheme Creditor (beneficial owner) has confirmed to the Nominee that it has instructed only one Nominee to submit a Private Fund Investor Letter on its behalf; and
- (e) the Private Fund Scheme Creditor (beneficial owner) to whom this form relates gives the voting representations, warranties and undertakings set out at Part 4 of this form.

Authorised Signatory

Date

PART 2: PROXY AND VOTING INSTRUCTIONS

This Part 3 (*Proxy and Voting Instructions*) must be completed by the Registered Shareholder/ Nominee on behalf of the Private Fund Scheme Creditor (beneficial owner) and delivered to Centaur Fund Services (Bermuda) Limited prior to the Voting Deadline. This Part 2 will be used to appoint a proxy in respect of the relevant Scheme Meeting(s) the Private Fund Scheme Creditor is entitled to vote at.

A: Attendance At Scheme Meeting

The Private Fund Scheme Creditor wishes:

(Note: Tick one box only. To appoint different proxies for different Scheme Meetings that the Private Fund Scheme Creditor is entitled to vote at, you may use a continuation sheet)

☐

to appoint the Chairperson as proxy to attend and vote on its behalf at all Scheme Meetings it is entitled to vote at, or only at the following Scheme Meeting: _____

(please now complete paragraph B)

☐

to appoint the following person to attend and vote on its behalf at all Scheme Meetings it is entitled to vote at, or only at the following Scheme Meeting: _____

Name

Address

Telephone Number

Email

Institution

(please now complete paragraph B)

☐

to attend and vote in person (via the Virtual Meeting Platform) or by a duly authorised representative, if a corporation. The following person is authorised to attend and vote:

Name

Address

Telephone Number

Email

Institution

(please now complete paragraph C)

B: Voting Instruction

The Private Fund Scheme Creditor instructs its proxy to vote:

(Note: tick one box per Scheme Meeting the Private Fund Scheme Creditor is entitled to vote at – write number of Shares voted or tick box to vote all the Shares held in that class).

2016 Master Fund SP

- ☐ FOR the resolution to approve the Scheme
- ☐ AGAINST the resolution to approve the Scheme
- ☐ Proxy's discretion *(not available where the Chairperson is appointed as proxy)*

2017 Master Fund SP

- ☐ FOR the resolution to approve the Scheme
- ☐ AGAINST the resolution to approve the Scheme
- ☐ Proxy's discretion *(not available where the Chairperson is appointed as proxy)*

2018 Master Fund SP

- ☐ FOR the resolution to approve the Scheme
- ☐ AGAINST the resolution to approve the Scheme
- ☐ Proxy's discretion *(not available where the Chairperson is appointed as proxy)*

2019 Master Fund SP

- ☐ FOR the resolution to approve the Scheme
- ☐ AGAINST the resolution to approve the Scheme
- ☐ Proxy's discretion *(not available where the Chairperson is appointed as proxy)*

Aquilo Fund

- ☐ FOR the resolution to approve the Scheme
- ☐ AGAINST the resolution to approve the Scheme
- ☐ Proxy's discretion *(not available where the Chairperson is appointed as proxy)*

C. Non-Binding Voting Intention – Attendance in Person (via the Virtual Meeting Platform)

The Private Fund Scheme Creditor wishes to vote at the Scheme Meeting(s) at which it is entitled to vote as follows. The Private Fund Scheme Creditor understands that this expression of intention is not binding and that it may vote as it sees fit at the Scheme Meeting(s).

(Note: Tick one box only).

☐

FOR the resolution to approve the Scheme at all Scheme Meetings it is entitled to vote at

☐

AGAINST the resolution to approve the Scheme at all Scheme Meetings it is entitled to vote at

PART 3 - VOTING VALUE (OPTIONAL)

By default the claims of all Private Fund Scheme Creditors will be assessed for voting purposes by reference to the Net Asset Value of the Shares in which they are beneficially interested.

Any Private Fund Scheme Creditor that wishes to submit an alternative claim amount for consideration by the Chairperson for voting purposes at the Scheme Meeting(s) may check the box below and complete the Optional Claim Amount Form located at Appendix F of the Explanatory Statement and return it together with the information described below as an attachment to this Private Fund Investor Letter and return by the Optional Claim Amount Voting Deadline.

- ☐ Optional Claim Amount Form attached (*check only if you are attaching an Optional Claim Amount Form*)

PART 4: VOTING REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

By submitting, delivering or procuring the delivery of this Private Fund Investor Letter, each Private Fund Scheme Creditor (beneficial owner) to which this letter relates represents, warrants and undertakes to the Private Fund, and each CATCo Company and Markel Corporation that:

1. It is lawful to seek voting instructions from that Private Fund Scheme Creditor;
2. A Private Fund Investor Letter has not already been submitted, or if it has, Centaur Fund Services (Bermuda) Limited has been notified and provided information that will identify such Private Fund Investor Letter, including the number of Shares voted and how such vote was cast;
3. It considers that it has an Investor Claim against the Private Fund;
4. It is assuming all of the risks inherent in the Private Fund Scheme Creditor participating in the Scheme and has undertaken all appropriate analysis of the implications of participating in the Scheme without relying on the Private Fund, the CATCo Companies the JPLs or Markel Corporation;
5. Neither Markel Corporation, Centaur Fund Services (Bermuda) Limited, the JPLs, the Advisors nor any of its or their affiliates, directors, officers or employees has made any recommendation to the Private Fund Scheme Creditor(s) as to whether or how to vote in relation to the Scheme, and that the Private Fund Scheme Creditor(s) has made its own decision with regard to voting based on any legal, tax or financial advice that it has deemed necessary to seek;
6. No information has been provided to the Private Fund Scheme Creditor(s) by the Private Fund, Markel Corporation, the CATCo Companies, the JPLs, the Advisors, Centaur Fund Services (Bermuda) Limited or any of their respective affiliates, directors, officers, advisers or employees with regard to the tax consequences to that Private Fund Scheme Creditor arising from the Scheme or Buy-Out Transaction, and that it is solely liable for any taxes or similar payments imposed on it under the laws of any applicable jurisdiction as a result of the implementation of the Scheme or Buy-Out Transaction, and that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against Private Fund, Markel Corporation, the CATCo Companies, the JPLs, the Advisors, Centaur Fund Services (Bermuda) Limited or any of their respective affiliates, directors, officers, advisers or employees in respect of such taxes or similar payments.
7. If an Optional Claim Amount Form has been attached to this form, any information provided in substantiation of an amount claimed for voting purposes in the Optional Claim Amount Form is truthful, accurate and complete, and the Private Fund Scheme Creditor has not omitted to provide any information or evidence which would or may affect the Chairperson's assessment of such claim for voting purposes.

APPENDIX D – DEPOSITORY INTERESTS FORM OF DIRECTION

CATCo Reinsurance Opportunities Fund Ltd. (provisional liquidators appointed for restructuring purposes) (the “Public Fund”)

This Depository Interests Form of Direction must be completed by the CREST Account Holder on behalf of the Public Fund Scheme Creditor (beneficial owner) with interests in the Depository Interests representing ordinary shares or C shares (together, “**Shares**”) in the Public Fund, in respect of the Public Fund’s proposed scheme of arrangement pursuant to section 99 of the Companies Act 1981 of Bermuda (the “**Scheme**”), and delivered via email to AlixPartners at catcobuyout@alixpartners.com prior to the Voting Deadline, which is **2 p.m. (Bermuda time) on 1 March 2022**.

Instructions for Crest Account Holder: complete part 1, part 2A or 2B or 2C and part 3. Part 4 is optional.

PART 1: CREST ACCOUNT HOLDER DETAILS

I/we,

CREST Account Holder

CREST Account Number

CREST Participant ID

No. Ordinary Shares (Depository Interests)

No. C Shares (Depository Interests)

being a holder of Depository Interests representing shares in the Public Fund hereby instruct Link Market Services Trustees (Nominees) Limited, the Depository, to submit a proxy on behalf the persons beneficially interested in the Depository Interests identified above in respect of the Scheme Meetings to be held on 4 March 2022 (the “**Scheme Meetings**”) (and at any adjournment thereof) in accordance with the details set out in Parts 2A and 3 below, or, if Parts 2B, 2C or 4 is completed, hereby submit a proxy in respect of the Scheme Meetings in accordance with the details set out in Parts 2, 3 and 4 below. You may use a continuation sheet where indicated.

By signing below the CREST Account Holder confirms that:

- (a) it has obtained all necessary consents, authorisations, approvals and/or permissions required to be obtained by it under the laws and regulations applicable to it in any jurisdiction in order to sign this Depository Interests Form of Direction on behalf of the Public Fund Scheme Creditor (beneficial owner), including giving the voting instructions and appointing the person named in Parts 1 and 3 of this Depository Interests Form of Direction (if applicable) to attend and speak at the Scheme Meeting;
- (b) the CREST Account Holder has submitted only one Depository Interests Form of Direction on behalf of the Public Fund Scheme Creditor (beneficial owner) identified (or whose representative is identified) in Part 2;
- (c) where a Public Fund Scheme Creditor (beneficial owner) has not provided full identification details in Part 2, the Public Fund Scheme Creditor (beneficial owner) on whose behalf this Depository Interests Form of Direction is submitted has confirmed to the CREST Account Holder that it has instructed only one CREST Account Holder to submit a Depository Interests Form of Direction on its behalf; and
- (d) the Public Fund Scheme Creditor (beneficial owner) to whom this form relates gives the voting representations, warranties and undertakings set out at Part 5 of this form.

Authorised Signatory

Date

PART 2: PROXY AND VOTING INSTRUCTIONS

Please complete Part 2A, or Part 2B or Part 2C and indicate in the spaces below the number of each class of shares the Public Fund Scheme Creditor (beneficial owner) wishes to be voted 'for' or 'against' the resolution to approve the Scheme in the Scheme Meeting(s) they are entitled to vote at.

Part 2A – Appoint Chairperson as Proxy; Voting Instructions

The Public Fund Scheme Creditor (beneficial owner) gives the following instructions:

(If there is more than one Public Fund Scheme Creditor (beneficial owner) identified at Part 3, you may use a continuation sheet).

Ordinary Shares	For	Against
To: (i) appoint the Chairperson as proxy to attend and vote on its behalf, and (ii) approve the resolution to approve the Scheme		

C Shares	For	Against
To: (i) appoint the Chairperson as proxy to attend and vote on its behalf, and (ii) approve the resolution to approve the Scheme		

Part 2B – Appoint a Proxy Other than the Chairperson; Voting Instructions

The Public Fund Scheme Creditor (beneficial owner) gives the following instructions:

(If there is more than one Public Fund Scheme Creditor (beneficial owner) identified at Part 3, you may use a continuation sheet).

Ordinary Shares	For	Against	Proxy's Discretion
To: (i) appoint the person named below as proxy to attend and vote on its behalf, and (ii) approve the resolution to approve the Scheme			

C Shares	For	Against	Proxy's Discretion
To: (i) appoint the person named below as proxy to attend and vote on its behalf, and (ii) approve the resolution to approve the Scheme			

Proxy details:

Name _____

Address _____

Telephone number _____

Email _____

Institution _____

Part 2C – Attend and Vote in Person (via the Virtual Meeting Platform)

The Public Fund Scheme Creditor (beneficial owner) gives the following instructions:

(If there is more than one Public Fund Scheme Creditor (beneficial owner) identified at Part 3, you may use a continuation sheet).

Non-Binding Indicative Vote	For	Against
Ordinary Shares		
C Shares		

Attendee details:

Name _____

Address _____

Telephone number _____

Email _____

Institution _____

PART 3: BENEFICIAL OWNER DETAILS

If the CREST Account Holder is not the Public Fund Scheme Creditor (beneficial owner), **please identify the Public Fund Scheme Creditor (beneficial owner) on whose behalf you are submitting this Depository Interests Form of Direction.** If such Public Fund Scheme Creditor (beneficial owner) does not wish to provide details of its/their identity, please identify a person with full legal right and authority to act on behalf of that Public Fund Scheme Creditor (beneficial owner) as its representative.

Full legal name of beneficial
owner

Name of authorised person /
representative

Tel. no. of authorised person
(including country code)

Email address of authorised
person

If the CREST Account Holder holds the Shares on behalf of more than one Public Fund Scheme Creditor (beneficial owner), details of each Public Fund Scheme Creditor (beneficial owner) may be provided on a continuation sheet attached to this Depository Interests Form of Direction.

PART 4 - VOTING VALUE (OPTIONAL)

By default the claims of all Public Fund Scheme Creditors will be assessed for voting purposes by reference to the Net Asset Value of the shares in which they are beneficially interested.

Any Public Fund Scheme Creditor that wishes to submit an alternative claim amount for consideration by the Chairperson for voting purposes at the Scheme Meeting may check the box below and complete the Optional Claim Amount Form located at Appendix F of the Explanatory Statement and return it together with the information described therein as an attachment to this Depository Interests Form of Direction by the Optional Claim Amount Voting Deadline, which is **5 p.m. (Bermuda time) on 28 February 2022.**

- ☐ Optional Claim Amount Form attached (*check only if you are attaching an Optional Claim Amount Form*)

PART 5 - VOTING REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

By submitting, delivering or procuring the delivery of this Depository Interests Form of Direction, each Public Fund Scheme Creditor (beneficial owner) to which this letter relates represents, warrants and undertakes to the Public Fund, and each CATCo Company and Markel Corporation that:

- 1) It is lawful to seek voting instructions from that Public Fund Scheme Creditor;
- 2) Neither a CREST Voting Instruction nor a Depository Interests Form of Direction have already been submitted, or if either has, the Depository and AlixPartners have been notified and provided information that will identify such CREST Voting Instruction or Depository Interests Form of Direction, including the number of Shares voted and how such vote was cast;
- 3) It considers that it has an Investor Claim against the Public Fund;
- 4) It is assuming all of the risks inherent in the Public Fund Scheme Creditor participating in the Scheme and has undertaken all appropriate analysis of the implications of participating in the Scheme without relying on the Public Fund, the CATCo Companies the JPLs or Markel Corporation;
- 5) Neither Markel Corporation, the Depository, AlixPartners, the JPLs, the Advisors nor any of its or their affiliates, directors, officers or employees has made any recommendation to the Public Fund Scheme Creditor as to whether or how to vote in relation to the Scheme, and that the Public Fund Scheme Creditor has made its own decision with regard to voting based on any legal, tax or financial advice that it has deemed necessary to seek;
- 6) No information has been provided to the Public Fund Scheme Creditor by the Public Fund, Markel Corporation, the CATCo Companies, AlixPartners, the JPLs, the Advisors, the Depository or any of their respective affiliates, directors, officers, advisers or employees with regard to the tax consequences to that Public Fund Scheme Creditor arising from the Scheme or Buy-Out Transaction, and that it is solely liable for any taxes or similar payments imposed on it under the laws of any applicable jurisdiction as a result of the implementation of the Scheme or Buy-Out Transaction, and that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against Public Fund, Markel Corporation, the CATCo Companies, AlixPartners, the JPLs, the Advisors, the Depository or any of their respective affiliates, directors, officers, advisers or employees in respect of such taxes or similar payments.
- 7) If an Optional Claim Amount Form has been attached to this form, any information provided in substantiation of an amount claimed for voting purposes in the Optional Claim Amount Form is truthful, accurate and complete, and the Public Fund Scheme Creditor has not omitted to provide any information or evidence which would or may affect the Chairperson's assessment of such claim for voting purposes.

APPENDIX E – CERTIFICATED SHARES FORM OF PROXY

CATCo Reinsurance Opportunities Fund Ltd. (provisional liquidators appointed for restructuring purposes) (the “Public Fund”)

This Certificated Shares Form of Proxy must be completed by the Registered Shareholder/ Nominee on behalf of the Public Fund Scheme Creditor (beneficial owner) with interests in the ordinary shares or C shares (together, “Shares”) in the Public Fund, in respect of the Public Fund’s proposed scheme of arrangement pursuant to section 99 of the Companies Act 1981 of Bermuda (the “Scheme”) and delivered via email to AlixPartners at catcobuyout@alixpartners.com prior to the Voting Deadline, which is **2 p.m. (Bermuda time) on 1 March 2022.**

Instructions for Registered Shareholder/ Nominee: complete parts 1, parts 2A or 2B or 2C and part 3. Part 4 is optional.

PART 1: REGISTERED SHAREHOLDER/ NOMINEE DETAILS

I/we,

Registered Shareholder/ Nominee

Address

No. Ordinary Shares

No. C Shares

being the Registered Shareholder in the Public Fund hereby submits a proxy on behalf of the persons beneficially interested in the Shares identified above in respect of the Scheme Meetings to be held on 4 March 2022 (the “Scheme Meetings”) (and at any adjournment thereof) in accordance with the details set out in Parts 2, 3 and 4 below. You may use a continuation sheet where indicated.

By signing below the Registered Shareholder/ Nominee confirms that:

- (a) it has obtained all necessary consents, authorisations, approvals and/or permissions required to be obtained by it under the laws and regulations applicable to it in any jurisdiction in order to sign this Certificated Shares Form of Proxy on behalf of the Public Fund Scheme Creditor (beneficial owner), including giving the voting instructions and appointing the person named in Parts 1 and 3 of this Certificated Shares Form of Proxy (if applicable) to attend and speak at the Scheme Meeting;
- (b) the Registered Shareholder/ Nominee has submitted only one Certificated Shares Form of Proxy on behalf of the Public Fund Scheme Creditor (beneficial owner) identified (or whose representative is identified) in Part 2;
- (c) where a Public Fund Scheme Creditor (beneficial owner) has not provided full identification details in Part 2, the Public Fund Scheme Creditor (beneficial owner) on whose behalf this Certificated Shares Form of Proxy is submitted has confirmed to the Registered Shareholder/ Nominee that it has instructed only one Registered Shareholder/ Nominee to submit a Certificated Shares Form of Proxy on its behalf; and
- (d) the Public Fund Scheme Creditor (beneficial owner) to whom this form relates gives the voting representations, warranties and undertakings set out at Part 5 of this form.

Authorised Signatory

Date

PART 2: PROXY AND VOTING INSTRUCTIONS

Please complete Part 2A, Part 2B or Part 2C and indicate in the spaces below the number of each class of shares you wish to be voted 'for' or 'against' the resolution to approve the Scheme in the Scheme Meeting(s) you are entitled to vote at.

Part 2A – Appoint Chairperson as Proxy; Voting Instructions

The Public Fund Scheme Creditor (beneficial owner) gives the following instructions:

(If there is more than one Public Fund Scheme Creditor (beneficial owner) identified at Part 3, you may use a continuation sheet).

Ordinary Shares	For	Against
To: (i) appoint the Chairperson as proxy to attend and vote on its behalf, and (ii) approve the resolution to approve the Scheme		

C Shares	For	Against
To: (i) appoint the Chairperson as proxy to attend and vote on its behalf, and (ii) approve the resolution to approve the Scheme		

Part 2B – Appoint a Proxy Other than the Chairperson; Voting Instructions

The Public Fund Scheme Creditor (beneficial owner) gives the following instructions:

(If there is more than one Public Fund Scheme Creditor (beneficial owner) identified at Part 3, you may use a continuation sheet).

Ordinary Shares	For	Against	Proxy's Discretion
To: (i) appoint the person named below as proxy to attend and vote on its behalf, and (ii) approve the resolution to approve the Scheme			

C Shares	For	Against	Proxy's Discretion
To: (i) appoint the person named below as proxy to attend and vote on its behalf, and (ii) approve the resolution to approve the Scheme			

Proxy details:

Name _____

Address _____

Telephone number _____

Email _____

Institution _____

Part 2C – Attend and Vote in Person (via the Virtual Meeting Platform)

The Public Fund Scheme Creditor (beneficial owner) gives the following instructions:

(If there is more than one Public Fund Scheme Creditor (beneficial owner) identified at Part 3, you may use a continuation sheet).

Non-Binding Indicative Vote	For	Against
Ordinary Shares		
C Shares		

Attendee details:

Name _____

Address _____

Telephone number _____

Email _____

Institution _____

PART 3: BENEFICIAL OWNER DETAILS

If the Registered Shareholder is not the Public Fund Scheme Creditor (beneficial owner), **please identify the Public Fund Scheme Creditor (beneficial owner) on whose behalf you are submitting this Certificated Shares Form of Proxy.** If such Public Fund Scheme Creditor (beneficial owner) does not wish to provide details of its identity, please identify a person with full legal right and authority to act on behalf of that Public Fund Scheme Creditor (beneficial owner) as its representative.

Full legal name of beneficial
owner

Name of authorised person /
representative

Tel. no. of authorised person
(including country code)

Email address of authorised
person

If the Registered Shareholder/ Nominee holds the Shares on behalf of more than one Public Fund Scheme Creditor (beneficial owner), details of each Public Fund Scheme Creditor (beneficial owner) may be provided on a continuation sheet attached to this Certificated Shares Form of Proxy.

PART 4 - VOTING VALUE (OPTIONAL)

By default the claims of all Public Fund Scheme Creditors will be assessed for voting purposes by reference to the Net Asset Value of the shares in which they are beneficially interested.

Any Public Fund Scheme Creditor that wishes to submit an alternative claim amount for consideration by the Chairperson for voting purposes at the Scheme Meeting may check the box below and complete the Optional Claim Amount Form located at Appendix F of the Explanatory Statement and return it together with the information described therein as an attachment to this Certificated Shares Form of Proxy by the Optional Claim Amount Voting Deadline, which is **5 p.m. (Bermuda time) on 28 February 2022.**

- ☐ Optional Claim Amount Form attached (*check only if you are attaching an Optional Claim Amount Form*)

PART 5 - VOTING REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

By submitting, delivering or procuring the delivery of this Certificated Shares Form of Proxy, each Public Fund Scheme Creditor (beneficial owner) to which this letter relates represents, warrants and undertakes to the Public Fund, and each CATCo Company and Markel Corporation that:

- 1) It is lawful to seek voting instructions from that Public Fund Scheme Creditor;
- 2) A Certificated Shares Form of Proxy has not already been submitted, or if either has, AlixPartners has been notified and provided information that will identify such Certificated Shares Form of Proxy, including the number of Shares voted and how such vote was cast;
- 3) It considers that it has an Investor Claim against the Public Fund;
- 4) It is assuming all of the risks inherent in the Public Fund Scheme Creditor participating in the Scheme and has undertaken all appropriate analysis of the implications of participating in the Scheme without relying on the Public Fund, the CATCo Companies the JPLs or Markel Corporation;
- 5) Neither Markel Corporation, the Public Fund Registrar, the JPLs, the Advisors nor any of its or their affiliates, directors, officers or employees has made any recommendation to the Public Fund Scheme Creditor as to whether or how to vote in relation to the Scheme, and that the Public Fund Scheme Creditor has made its own decision with regard to voting based on any legal, tax or financial advice that it has deemed necessary to seek;
- 6) No information has been provided to the Public Fund Scheme Creditor by the Public Fund, Markel Corporation, the CATCo Companies, the JPLs, the Advisors, the Public Fund Registrar or any of their respective affiliates, directors, officers, advisers or employees with regard to the tax consequences to that Public Fund Scheme Creditor arising from the Scheme or Buy-Out Transaction, and that it is solely liable for any taxes or similar payments imposed on it under the laws of any applicable jurisdiction as a result of the implementation of the Scheme or Buy-Out Transaction, and that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Public Fund, Markel Corporation, the CATCo Companies, the JPLs, the Advisors, the Public Fund Registrar or any of their respective affiliates, directors, officers, advisers or employees in respect of such taxes or similar payments.
- 7) If an Optional Claim Amount Form has been attached to this form, any information provided in substantiation of an amount claimed for voting purposes in the Optional Claim Amount Form is truthful, accurate and complete, and the Public Fund Scheme Creditor has not omitted to provide any information or evidence which would or may affect the Chairperson's assessment of such claim for voting purposes.

APPENDIX F – OPTIONAL CLAIM AMOUNT FORM

Scheme Creditors **do not need** to submit this form in order validly to vote on either the Public Fund Scheme or the Private Fund Scheme. The votes of Scheme Creditors that do not submit this form will be valued by reference to the Net Asset Value of the Shares in which they hold beneficial interests.

Scheme Creditors that wish to submit an alternative claim amount for voting purposes for consideration by the Chairperson may complete this Optional Claim Amount Form and return it together with the information described below as an attachment to their Depository Interests Form of Direction, Certificated Shares Form of Proxy, or Private Fund Investor Letter (as appropriate).

The deadline for submission of a Depository Interests Form of Direction, Certificated Shares Form of Proxy or Private Fund Investor Letter with this Optional Claim Amount Form attached, is **5 p.m. (Bermuda time) on 28 February 2022 (the Optional Claim Amount Voting Deadline)**, in order to provide sufficient time for the Chairperson to assess the claim submitted for voting purposes. The Chairperson may, at his or her discretion, admit a Depository Interests Form of Direction, Certificated Shares Form of Proxy or Private Fund Investor Letter with this Optional Claim Amount Form submitted after that date or refuse to do so.

Investor Claim Details

Scheme Creditor details below must be the same as those entered on the Depository Interests Form of Direction, Certificated Shares Form of Proxy or Private Fund Investor Letter to which this Optional Claim Amount Form is attached.

Name of Scheme Creditor

Authorised person

Tel. No. of authorised person

Email address of authorised person

- ☐ The Scheme Creditor identified herein requests that their potential Investor Claims be admitted for voting purposes at the Scheme Meeting in the following amount:

Claimed amount for voting purposes (\$)

Supporting Details

Scheme Creditors submitting this Optional Claim Amount Form must substantiate their claim by attaching full details and supporting evidence, in order for the Chairperson to assess the alleged claim for voting purposes.

The claims of any Scheme Creditor that, in the opinion of the Chairperson, has not adequately substantiated their claim amount will be admitted for voting purposes by reference to the Net Asset Value of the Shares in which they hold beneficial interests.

- ☐ The Scheme Creditor identified herein has enclosed full details and supporting evidence to substantiate the amount claimed above.

APPENDIX G—COMPARATOR ANALYSIS

Markel CATCo Investment Management Ltd

Review of the Proposal and alternative scenarios

18 February 2022

Glossary of terms

Administrative Expenses	Consisting of transaction costs and a reserve for future fund administration costs, operational expenses and fees, as outlined on page 9 of the Report
Aquila Fund	A fund within the Private Fund, separate to the Retro Funds
AlixPartners / us / our / we	AlixPartners UK LLP
bn	Billions
Closing NAV	Being NAV at 31 December 2021, plus the administrative expenses contribution and release of a legal cost provision, less transaction costs and the reserve for future fund administration costs and operational expenses
FRSL	Finance & Risk Services Ltd.
Investors	Investors in the Public and Private Funds and/or the Group
JPL	Joint Provisional Liquidator
JPLs	Joint Provisional Liquidators Simon Appell of AlixPartners UK LLP and John McKenna of Finance & Risk Services Ltd.
m	Millions
Manager	Markel CATCo Investment Management Limited
Markel CATCo Group / the Group	Markel CATCo Investment Management Limited, Markel CATCo Reinsurance Fund Limited, CATCo Reinsurance Opportunities Fund Limited and Markel CATCo Re Limited
Markel Corporation	The ultimate owner of the Manager

NAV	Net Asset Value
PL	Provisional Liquidation proceedings in the Supreme Court of Bermuda
Private Fund	Markel CATCo Reinsurance Fund Limited
the Proposal	The proposal to Investors which would promptly return all of their investments in the Group at the date of completion as set out in detail in the Group's presentation to Investors.
Public Fund	CATCo Reinsurance Opportunities Fund Limited
Report	This report prepared by AlixPartners
the Reinsurer	Markel CATCo Re Ltd
the Retro Funds	Markel CATCo Diversified Fund, CATCo Reinsurance Opportunities Fund Limited, Limited Diversified Arbitrage Fund, Diversified Arbitrage Fund, Diversified Fund II, GTL Diversified Fund, QIC Diversified Fund and Markel Diversified Fund
SAC	Segregated Accounts Company
Skadden	Skadden, Arps, Slate, Meagher & Flom LLP (Group legal advisors)
SP	Side Pocket
US	United States of America
US\$	United States Dollar

Contents

- Executive summary
- Background
- Our role
- The Proposal
- Alternative scenarios
- Conclusion
- Appendices
 - Disclaimer
 - Breakdown of Retro Funds current NAV
 - Proposal assumptions

Executive summary

Background and our role

- Faced with the threat of real and potential litigation which will delay the return of capital to Investors, the Group has developed an option to both mitigate the litigation risk and also accelerate returns to Investors.
- This litigation threat originally arose as a result of a litigation claim from a particular investor against the former CEO of the Manager. Further details on the background to this are provided on page 7.
- AlixPartners was engaged to understand the proposal and to undertake detailed implementation planning as prospective JPLs of each of the entities within the Group. These provisional liquidations were required in order to implement the Proposal. Further details of our role are provided on page 8.
- Simon Appell of AlixPartners and John McKenna of FRSL were subsequently appointed as JPLs over the Manager, the Public Fund, the Private Fund and the Reinsurer on 1 October 2021.

Overview of the Proposal¹

- The Proposal is to be implemented through two schemes of arrangement in respect of the Private Fund and the Public Fund, that will require the approval of Investors.
- As part of our preparation work as JPLs, we have modelled returns to Investors from the Proposal. These returns, together with the assumptions and terms underpinning it, are detailed on pages 9-12.
- Returns to Investors are based on the NAV of each SP year. At the completion of the Proposal, all SP Investors will receive 100% of Closing NAV, plus additional consideration provided by Markel Corporation or one of its affiliates. All SP Investors will also be able to capture any future capital releases.
- As part of the proposal, Investors would be required to cease any legal proceedings against the Group and agree not to bring any future claims. This will allow future distributions to be made that otherwise would be trapped.

Alternative scenarios

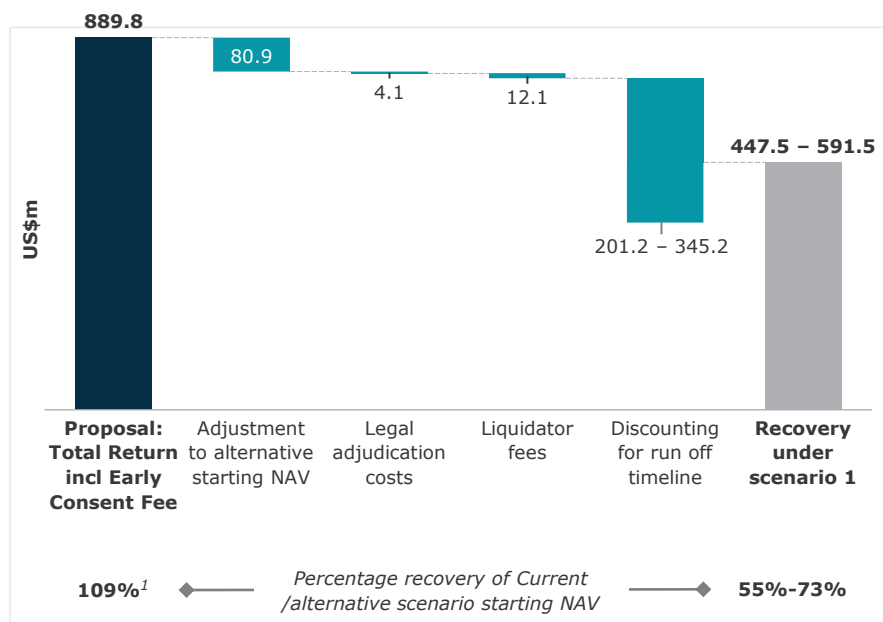
- We have also modelled two hypothetical alternative scenarios to the Proposal to illustrate the potential returns to Investors should the Proposal not be approved:
 1. Liquidation with very limited unsuccessful loss claims brought by Investors; and
 2. Liquidation with some loss claims from Investors deemed valid and admitted.
- In each case, there are a number of downside factors that could impact Investor returns whether or not the claims are meritorious, including (a) the costs of the liquidation processes, (b) the legal fees associated with adjudicating any claims, and (c) the increased creditor pool arising from any admitted claims. It is clear that the outcomes for these scenarios, as presented on pages 13-18, are materially worse for Investors than the Proposal.

¹ This Report supersedes our previous reports dated 24 August 2021 and 28 October 2021, and reflects the revised proposal to be issued to Investors.

Executive summary

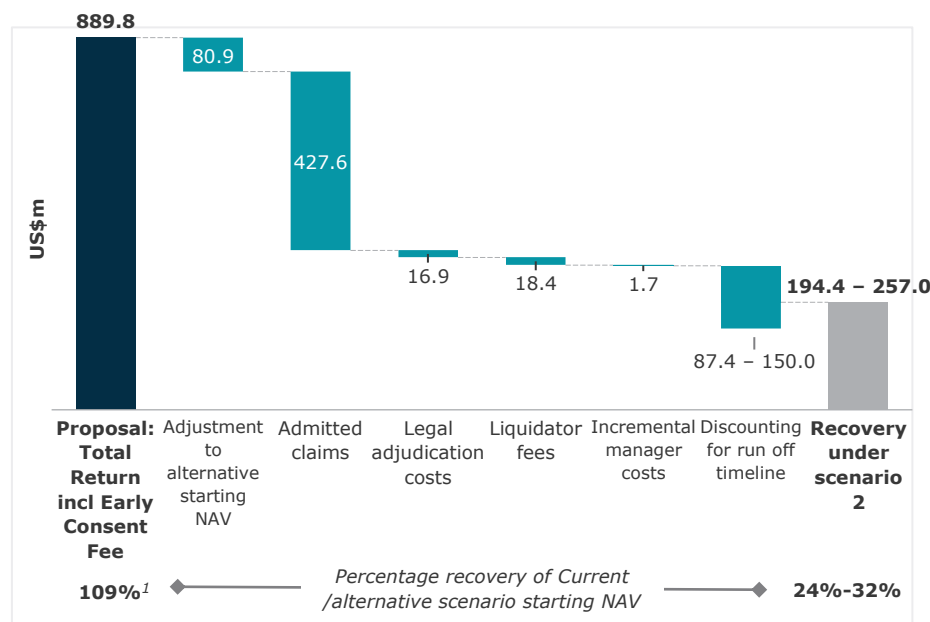
The below graphs compare the Proposal with each of the alternative scenarios. As illustrated, both the alternative scenarios would result in a materially worse outcome for Investors.

Alternative scenario 1: very limited unsuccessful claims



- In the alternative scenario where very limited unsuccessful claims are brought, there are additional costs relating to legal adjudication and the costs associated with the liquidation.
- However, the key driver of the lower range of total returns of 55%-73% is the impact of discounting potential future returns over an estimated 6 year timeline to recovery.

Alternative scenario 2: some valid claims admitted



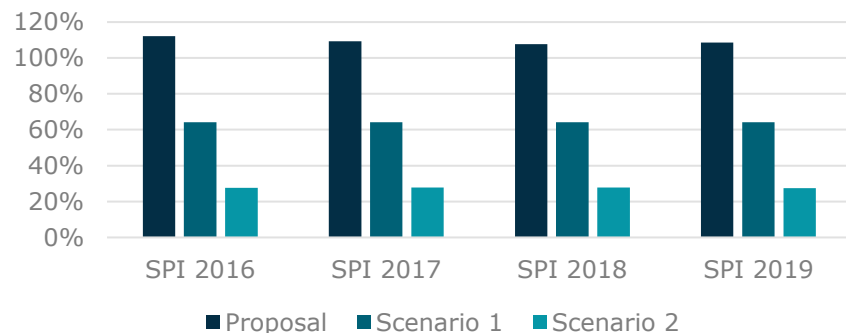
- In a hypothetical alternative scenario where claims equal to approximately 15% of Investor losses are deemed valid and admitted by the liquidator, the returns available to Investors quickly reduce with higher legal adjudication and liquidation costs.
- In this scenario we also estimate a 6 year timeline to completion of the liquidation resulting in total returns of 24%-32%.

¹ Further details are available on page 10.

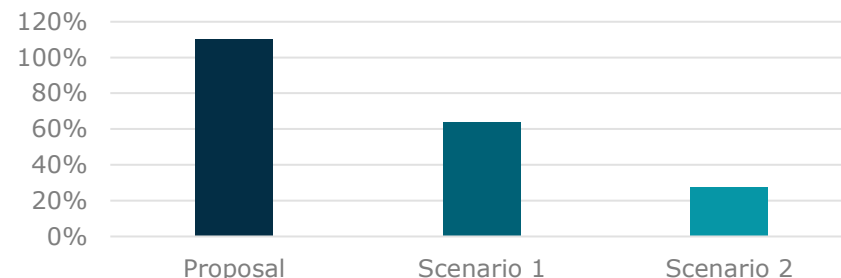
Executive summary

Below is an estimate of the total return, by SP, on Investors' current NAV in the Proposal and the mid-point return on Investors' NAV in the alternative scenarios.

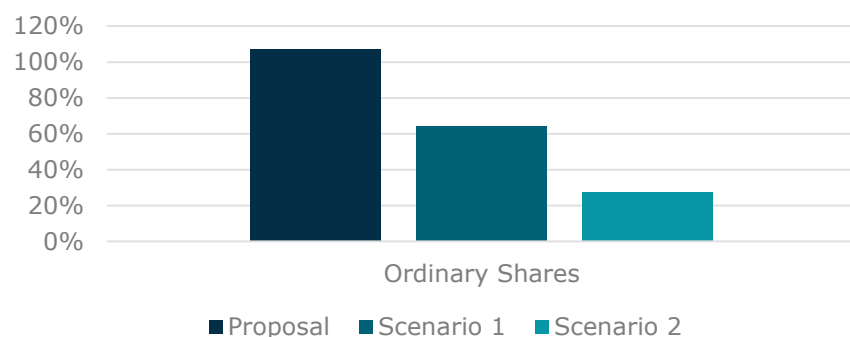
Retro Funds



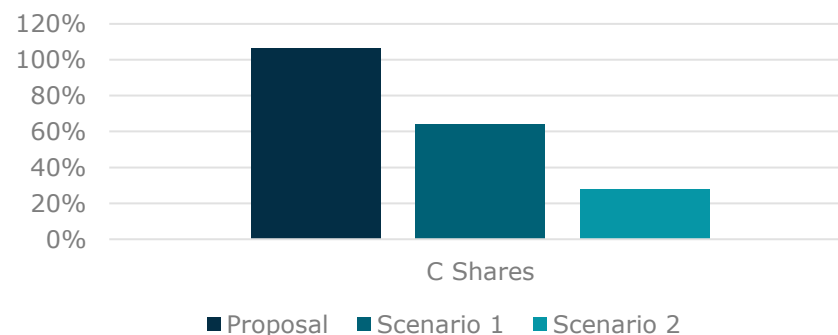
Aquilo Fund



Public Fund – Ordinary Shares



Public Fund – C Shares



Our view is that the Proposal provides a materially better outcome for Investors as a whole than the alternative scenarios presented, offering more certainty and a timely return of capital as well as a significant reduction of downside risk

Background

- Since July 2019, the Markel CATCo Group has been in a run-off process managed by the Manager. During this period, approximately US\$2.245bn of capital has been released and returned to Investors.
- We understand that circumstances have now arisen that will put this orderly run-off process and continued return of capital to Investors at risk. Two minority investors in the Private Fund have recently asserted or threatened claims seeking to recover losses incurred on their investments. One of these investors filed a claim against the Manager's former CEO Anthony Belisle.
- Recently, a settlement in principle was reached between Anthony Belisle and the aforementioned investor. Whilst the Manager was not named in this litigation, it helped to facilitate the settlement and views this as being in the best interests of all of the Investors. The Manager denies all liability with respect to the claims and any similar claims, but the costs of defence and settlement incurred are subject to indemnification from the Markel CATCo Group in most circumstances. These indemnification obligations rank ahead of the interests of the Investors and have priority of payment, and therefore would decrease the assets available for distribution to the Investors.
- Ongoing litigation uncertainty will delay the ultimate return of the remaining NAV to the Investors, and will subject the funds to potential degradation from any further claims made against the Markel CATCo Group and/or its current or former employees, officers and directors.
- As a result of the amount of capital that has been returned to the Investors since July 2019, the total NAV has now been reduced to an aggregate amount such that Markel Corporation is willing and able to facilitate the Proposal. The Proposal would avert the delay of future distributions due to the uncertainty caused by litigation risks and result in an accelerated return of the NAV to Investors, leaving Investors with the ability to recover any upside should held reserves be more than sufficient to pay claims.
- The Proposal would be facilitated by Markel Corporation and implemented using Bermudian schemes of arrangement at the Public Fund and Private Fund.
- Further details of the terms of the Proposal can be found on pages 9 to 12.

Our role

AlixPartners was engaged by the Markel CATCo Group per an engagement letter of 26 May 2021. Our scope of work was as follows:

- Work with the Markel CATCo Group and Skadden, in conjunction with any financial advisors, to undertake a review of the available strategic options and their appropriateness;
- Undertake planning to consider alternative restructuring options and, if required, undertake detailed implementation planning for any appointments to the role of prospective JPL of the entities within the Markel CATCo Group, so as to be in a position to accept the appointments as JPLs thereto;
- Highlight other issues that AlixPartners becomes aware of during the course of our work hereunder which may impact the Markel CATCo Group and propose alternatives to deal with these issues.

Simon Appell, a Managing Director of AlixPartners, was one of the proposed JPLs; the other was John McKenna of FRSL. FRSL was engaged effective from 20 May 2021 and had a similar scope of work to that mentioned above. Simon Appell and John McKenna were subsequently appointed as JPLs over the Manager, the Private Fund, the Public Fund and the Reinsurer on 1 October 2021.

The engagement of JPLs in advance of such a transaction is common practice. This allows the JPLs to familiarize themselves with the transaction and identify any issues or concerns ahead of implementation. When appointed, JPLs become independent officers of the Court and so must be able to demonstrate independence in their role. As part of their preparation work the JPLs undertook work to be able to determine that the Proposal offers reasonable chances of implementation and is likely to offer greater returns to the Investors than the most relevant alternative scenarios. In order to do this, the following work was undertaken:

- Held discussions with the Markel CATCo Group and Skadden to review materials relating to the Proposal, in order to gain an understanding of the proposed transaction terms and structure;
- Prepared a financial model using information provided by the Markel CATCo Group and Skadden which outlined returns to the Investors under the Proposal;
- Held discussions with the Markel CATCo Group and Skadden to understand the alternative scenarios available to the Investors should the Proposal be rejected; and
- Compared the returns to the Investors under the Proposal and under the alternative scenarios.

This report was prepared at the request of the Markel CATCo Group, to whom we owe a duty of care, and should be read in conjunction with the terms described in Appendix A.

Overview of the Proposal

- The Proposal is calculated based on the NAV of each SP as at 31 December 2021, as set out on the following page.
- Our analysis is based on NAVs as at 31 December 2021, plus the release of US\$10.0m relating to a legal cost provision that was raised against all SPs and the Aquilo Fund to provide coverage for the costs associated with the Scheme of Arrangement, but which would be released should the Proposal be completed. NAV has also been adjusted to reflect anticipated Administrative Expenses, which consist of:

i. Transaction costs

Consisting of legal and advisers' fees and expenses incurred in developing the Proposal and now estimated to be US\$25m-US\$30m in total, of which 90% will be allocated pro rata among the Private Fund and Public Fund Investors, with the remaining 10% to be allocated pro rata to Aquilo Fund Investors. To date US\$20.3m of the total estimated transaction costs have been paid. For the purposes of this report we have used US\$27.5m as the figure for total transaction costs being the mid-point of the above estimate. Markel Corporation or one of its affiliates will increase its contribution to Administrative Expenses accordingly such that it covers all transaction costs. This contribution will be allocated to Investors on a pro rata basis.

ii. Reserve for future fund administration costs

Consisting of US\$11.1m of operating expenses that are expected to be the cost of the remaining run-off based on the Group's historic run rates, and a further reserve equal to 20% of operating expenses and 20% of the original transaction cost estimate of US\$15.0m, to be retained as a provision in the event that costs are higher than estimated by the Group. These costs are allocated on a weighted basis depending on the years to run-off for each SP in the ordinary course of business. These are costs that would have been paid in the ordinary course of the run-off but are now being accrued in advance.

- To the extent that the actual future fund administration costs are lower than estimated, the excess will be released to Investors. In addition, Private Fund and Public Fund Investors are entitled to their share of any value remaining in the SPs of the Retro Funds once the amount pertaining to each particular SP bought out by the purchaser (a special purpose vehicle funded by Markel Corporation) has been repaid and any future fund administration costs that exceed the funds reserved for such costs, have been paid. This, therefore, allows the Investors to capture any future upside from fund returns.
- Markel Corporation or one of its affiliates will provide additional consideration to Investors, consisting of a US\$44m cash payment to be allocated pro rata based on closing NAV. They will also provide a work fee to certain of the Investors for their work in negotiating the terms of the Proposal, which resulted in improved terms for all Investors. This fee will amount to 2% of those Investors' current NAV.
- Investors who undertook to support the Proposal by a certain date will receive an early consent fee equal to 2% of current NAV.
- Investors will be required to discontinue current claims and mandatorily release any future claims against the Group or any other related entities or former employees. This is necessary as it will allow funds to be distributed that would otherwise be trapped.

Overview of the Proposal (cont'd)

Below we have illustrated the waterfall structure of the Proposal together with a high-level view of the assumptions underpinning each of the line items on the output. The figures reflect information received from, and discussions with, the Group and its advisors which we have tested using our own financial model.

Current NAV	SP 2016	SP 2017	SP 2018	SP 2019	Aquilo Fund
Add: Legal cost provision release	US\$10.0m legal cost provision release				
Less: forecast transaction costs and administrative expenses	US\$6.5m or 90% of forecast transaction costs allocated pro rata based on current NAV US\$14.7m of reserves relating to forecast fund operational expenses to run off, allocated pro rata on a weighted basis related to the ordinary run-off period of each SP				US\$0.7m or 10% of forecast transaction costs and US\$1.7m reserves pro rata
Add: Administrative expenses contribution	A cash contribution from Markel Corporation or one of its affiliates equal to the current transaction costs estimate of US\$27.5m to be allocated pro rata based on current NAV				
Accelerated Distribution Amount	100% of closing NAV, where closing NAV is equal to current NAV plus the provision release, less transaction costs and administrative expenses, plus the administrative expenses contribution				
Add: Additional consideration	US\$44m cash consideration to be distributed to Investors pro rata based on closing NAV, funded by Markel Corporation or one of its affiliates				
Scheme Distribution	Being the Accelerated Distribution Amount plus the Additional consideration				
Add: Early Consent Fee	2% of Investors' current NAV, funded by Markel Corporation or one of its affiliates, for those Investors that entered their support undertaking for the relevant scheme				
Total Return including Early Consent fee	Being the Scheme Distribution plus the Early Consent Fee.				

Note: Markel Corporation or one of its affiliates will provide a work fee to certain of the Investors for their work in negotiating the terms of the Proposal, which negotiations resulted in an improvement in the terms of the Proposal for all Investors. This fee will amount to 2% of the applicable Investors' current NAV.

Illustrative outcome for Investors under the Proposal: Retro Funds and Aquilo Fund

Below is an estimate of return to Investors in each SP year based on our understanding of the terms of the Proposal. The Proposal provides an accelerated return on substantially all investments with further upside potentially available. Based on the information made available to us by the Group, the Proposal represents a better outcome than can be expected in the best alternative scenario, further details of which can be found in subsequent pages. The figures provided are based on NAV and discussions with the Group and their advisors. The figures are illustrative only and subject to change before completion and rounding.

US\$m	Retro Funds				Total Retro Funds	Aquilo Fund	Total
	SP 2016	SP 2017	SP 2018	SP 2019			
Current NAV as at 31 December 2021 ¹	32.8	186.6	236.4	169.2	625.0	192.1	817.1
Release of legal cost provision	0.5	2.7	3.1	2.6	9.0	1.0	10.0
Transaction costs	(0.3)	(1.9)	(2.5)	(1.8)	(6.5)	(0.7)	(7.2)
Reserve for future fund operational expenses and fees	(0.1)	(3.2)	(5.8)	(5.6)	(14.7)	(1.7)	(16.4)
Administrative Expenses Contribution	1.1	6.3	8.0	5.7	21.0	6.5	27.5
Closing NAV (100% Accelerated Distribution)	34.0	190.5	239.2	170.2	633.8	197.2	831.0
Additional Consideration	1.8	10.0	12.7	9.1	33.7	10.3	44.0
Scheme Distribution	35.7	200.5	252.0	179.3	667.5	207.5	875.0
<i>Scheme Distribution (% of Current NAV)</i>	<i>109%</i>	<i>107%</i>	<i>107%</i>	<i>106%</i>	107%	<i>108%</i>	107%
Early Consent Fee ²	0.6	3.3	3.9	3.2	11.0	3.8	14.8
Total Return including Early Consent Fee	36.3	203.8	255.9	182.5	678.5	211.4	889.8
<i>Total Return including Early Consent Fee (% of Current NAV)</i>	<i>111%</i>	<i>109%</i>	<i>108%</i>	<i>108%</i>	109%	<i>110%</i>	109%

¹ A breakdown of the Retro Funds current NAV as at 31 December 2021 is available in Appendix B. We understand the NAV for the purposes of the Scheme Distribution will be the higher of the NAV as at 31 August 2021 and the current NAV, excluding the impact of any transaction costs or increased reserve resulting from either transaction costs or further legal cost provisions. The latest NAV for the Aquilo Fund available to the JPLs at the date of this Report is as at 30 September 2021. Further notes detailing the assumptions used in our evaluation of the Proposal are available in Appendix C.

² The Early Consent Fee is only available to those Investors that entered their support undertaking for the relevant scheme.

Note: the figures provided are based on current NAV and discussions with the Group and their advisors. The figures are illustrative only and subject to rounding and material change before completion.

Illustrative outcome for Investors under the Proposal: Public Fund

Below is an overview of the distribution from the Private Fund to the Public Fund in respect of Investors holding Ordinary and C shares. This has been evaluated on the same basis as the relevant SP of the Retro Funds on the previous page.

The Public Fund invests substantially all of its assets into the Private Fund. Returns to Public Fund investors are shown separately as due to the listed nature of this entity, it is subject to additional separate administration costs when compared to the Private Fund.

US\$m	Ordinary Shares ²	C Shares
Total NAV of Public Fund as at 31 December 2021	50.6	56.2
Less: Cash held at Public Fund ¹	(1.2)	(4.3)
Current NAV of Private Fund investments as at 31 December 2021	49.4	51.9
Release of legal cost provision	0.7	0.7
Transaction costs	(0.5)	(0.5)
Reserve for future Public Fund operational expenses and fees	(1.1)	(1.1)
Reserve for future fund operational expenses and fees	(0.8)	(1.3)
Administrative Expenses Contribution	1.7	1.7
Closing NAV (100% Accelerated Distribution)	49.4	51.4
Additional Consideration	2.6	2.7
Scheme Distribution	52.0	54.1
Scheme Distribution (% of Current NAV)	105%	104%
Early Consent Fee ³	1.0	1.0
Total Return including Early Consent Fee	53.0	55.2
Total Return including Early Consent Fee (% of Current NAV)	107%	106%

¹ This cash remains an asset of the Public Fund for working capital purposes and may be available for distribution to Ordinary and C Shareholders in due course at the discretion of Public Fund Board. ² Ordinary shares were the original share class offered to Public Fund investors. Since 2018, a C shares were offered which allowed investors to separate themselves from the risk of losses associated with prior years for any future capital contributions. ³ The Early Consent Fee is only available to those Investors that entered the support undertaking for the relevant scheme.

Note: the figures provided are based on current NAV and discussions with the Group and their advisors. The figures are illustrative only and subject to rounding and material change before completion.

Alternative scenarios: liquidation

Following discussions with the management team of the Markel CATCo Group and Skadden we understand that the most likely alternative to the Proposal appears to be the Markel CATCo Group being placed into liquidation. With underlying litigation uncertainty, the Group Boards would likely conclude that it is appropriate to appoint a liquidator to conduct the future run-off and liquidation of the Markel CATCo Group through full liquidation processes for each entity. This would involve the conversion of the PL to a full liquidation. We would concur with this view.

In this scenario, it is likely that the following steps would take place, with the liquidation potentially lasting up to six years:

- 1 Markel CATCo Group enters into liquidation.
- 2 A moratorium of any litigation claims against companies in Bermuda would arise on appointment of PLs and would continue during the process. It is likely that Chapter 15 recognition under the US Bankruptcy Code would also be sought to obtain a moratorium against any liquidation claims in the US.
- 3 The liquidators would look to realise value for the assets, through a continued orderly run-off of the reinsurance business or through a sale of the portfolio. In this scenario, we understand that the latter option is likely to prove difficult due to regulatory requirements (especially if unresolved investor claims are outstanding) and there could be significant risk that the value achieved through such a route would be below NAV.
- 4 As part of the Bermuda winding up procedures, the liquidators would take control of the management of the entities in the Markel CATCo Group. They would ascertain who the potential creditors are (actual and contingent) and call for them to submit proofs of debt in respect of their claims. Investors (and any creditors) would be able to submit claims in respect of contingent and actual liabilities.
- 5 The liquidator would then be required to evaluate and adjudicate on such claims, based on independent legal and expert advice, and thereafter either admit or reject them. In the event that a claim is rejected, it would be open to Investors to appeal against any rejection through a court process in Bermuda. Such appeal(s) would be resolved through what is essentially an adversarial court process. Depending on the nature and complexity of any claims there could be documentary discovery and oral evidence.
- 6 Following the adjudication of all claims from Investors, the realisations of the liquidation would then be applied in accordance with the statutory order of priority of payments, as follows:
 - Firstly, to pay the costs and expenses of the liquidation;
 - Secondly, to pay creditors *pari passu* in proportion to their claims admitted by the liquidator (these would include any claims made by Investors in respect of contingent liabilities which were admitted by the liquidators); and
 - Finally, any surplus would be distributed to Investors *pari passu* to their respective interests in the remaining assets.

Alternative scenarios: timing and cost of the liquidation process

The cost and length of the liquidation process is difficult to estimate as it will largely be driven by the following:

- a) the number of Investor claims submitted in the liquidation and to be adjudicated upon;
- b) the extent to which any rejected claims are appealed; and
- c) the statute of limitations period in Bermuda and other jurisdictions.

Adjudication of claims

- There is no Bermuda statutory timetable for the liquidators to call for claims and there is no Bermuda statutory bar date for the filing of claims. The liquidators would typically call for claims to be submitted at the point when they believe creditors are able to formulate and quantify their claims. While we have not undertaken a detailed review, we understand the level of current creditors is de minimis given the type of business; however, Investors may seek to submit claims for losses. The liquidators would be required to make a determination as to whether to accept or reject such claims. The number and complexity of these claims would drive the timetable (and cost) of the liquidation.
- If claims for losses are accepted, it is likely that there would be material dilution of the NAV available for distribution, as these claims would rank ahead of Investors. There are a large number of variables which make it difficult to model this scenario accurately without showing a large range of hypothetical outcomes.
- However, for illustrative purposes only, to show one potential impact of claims being brought which are adjudicated to be valid, we have modelled the effect of claims equalling 15% of total Investor losses being brought successfully against the Manager. This results in a c. US\$428m claim on assets, thereby reducing assets by this amount for other Investors. Should this illustrative outcome occur, it could encourage other/all Investors to bring claims which would further dilute assets although we have not modelled the exact effect of that scenario.
- If the claims are rejected, Investors would have the right to appeal. Any such appeal would be resolved through what is essentially an adversarial court process. Depending on the nature and complexity of the claims there could be documentary discovery and oral evidence which would further extend the adjudication period and the cost involved.
- It is clear from the outcome presented on page 18 that in a scenario where claims are successfully brought, returns for Investors could be materially worse compared as a whole to the Proposal.

Alternative scenario: distribution of assets and illustrative outcomes modelled

Distribution of assets

The timing of distributions of assets to the Investors will be affected by the volume and complexity of claims brought, including contingent claims by persons entitled to indemnity out of the funds. While liquidators would seek to determine claims and make distributions as promptly as possible, the estimation and resolution of contingent indemnity claims could be affected by the timing of any claims brought against such persons, which is uncertain because claims could be brought against such persons at any point until the expiry of the statute of limitations, which is 6 years in Bermuda (but may vary in other jurisdictions) and which would continue to run in respect of claims brought against such persons. The process of resolving Investor claims and indemnity claims may also involve protracted court proceedings if creditors challenge decisions taken by a liquidator.

In light of the potentially complex, contingent and contentious nature of the distribution process, and based on experience in the conduct of similar processes, the JPLs consider it likely that a liquidation of the Scheme Companies would be a protracted process. The JPL's best estimate is that it may take approximately 6 years for a liquidator to get comfortable with making distributions to Investors, taking into account the number of potential creditors, limitation periods for indemnity claims, the estimation process and the potential for litigation and the usual timing for the conduct of a liquidation of this magnitude in Bermuda.

Modelled alternative scenarios

On pages 17 and 18 we show hypothetical outcomes under two different alternative scenarios for illustrative purposes only, being:

1. Very limited, if any, claims in liquidation which are rejected and not appealed
2. The potential impact of some claims being brought which are adjudicated to be valid. The quantum of claims allowed (15%) has been selected for illustrative purposes only.

The assumptions used are shown on page 16.

Alternative scenarios: high-level assumptions applied

Assumption	Alternative scenario 1: Very limited unsuccessful claims for losses	Alternative scenario 2: Some valid claims for losses admitted
Current NAV Estimated costs to run off	In both scenarios, NAV as at 31 December 2021 provided by the Group adjusted for the estimated transaction costs and ordinary run-off costs. It is currently estimated that at least US\$25.0m will have already been incurred in relation to work on the transaction prior to commencement of the liquidation, of which \$20.3m is already reflected in the current NAV and therefore \$4.7m is forecast. This number is subject to change and further update.	
	Estimated operating costs are based on those provided by the Group in the Proposal, however, as a number of the ordinary costs would not be incurred in a liquidation scenario, the estimate has been reduced by 20%.	
Costs associated with claims being brought	<p>It is currently assumed no management fees would be charged in a liquidation scenario.</p> <p>Very limited, if any, claims for losses brought with the funds incurring legal adjudication costs in respect of those claims brought, but claims are rejected therefore no costs for admitted claims through their indemnities with the Manager are included.</p> <p>Legal adjudication costs estimated at US\$4.1m in respect of the very limited claims, consisting of:</p> <ul style="list-style-type: none"> Costs incurred advising liquidators in connection with the merits of claims and notification of Investors or creditors (i.e. assisting in the preparation of responses and document review); Processing proofs of claim; Reviewing adjudication for liquidator; Responding to any affidavit evidence filed by creditors; Disclosure; and Trial preparation and submissions. 	<p>Claims equalling 15% of total Investor losses are brought against the Manager in respect of their losses, meaning its indemnities from the Group are called upon.</p> <p>All claims are adjudicated to be valid, are admitted in full by the liquidator and deducted pro rata from all Investors.</p> <p>Legal adjudication costs of US\$16.9m. Liquidator focuses adjudication efforts on certain test cases and then applies judgement to similar claims brought once test cases deemed valid claims.</p> <p>Incremental manager costs of approximately 10% of the legal adjudication costs are incurred relating to e-discovery work and expert witness costs.</p>
Liquidation costs	Liquidation costs of US\$10.0m allocated pro rata.	Liquidation costs of US\$10.0m allocated pro rata.
Run off and discount factoring	<p>Incremental liquidator fees of approximately 50% of the legal adjudication costs.</p> <p>Discount factor of 5% to 10% applied to the closing NAV in both alternative scenarios to reflect the time value of money and that, unlike in the Proposal, funds will not be available to be released immediately. This range was further to a high-level analysis of the CATCo Group's WACC and review of market factors. The discount factor falls within this 5-10% range. We have purposefully taken a conservative view with the 5% figure; 10% is closer to the return that Investors may have expected at the outset of their investments.</p>	<p>Incremental liquidator fees of approximately 50% of the legal adjudication costs.</p>
	Broad timeline for run-off of a further 6 years for all SPs and the Aquilo Fund. The run-off timeline for the Aquilo Fund is more uncertain and subject to material change.	

Illustrative outcome for Investors: alternative liquidation scenario with very limited unsuccessful claims brought for losses

Below is an estimate of return to Investors in each SP year under the alternative scenario assuming no claims for losses from Investors are received. Following extensive discussions with the Group and their advisors, we consider there to be only downside risks to this scenario given the potential for Investor loss claims.

US\$m	Retro Funds				Total Retro Funds	Aquila Fund	Total
	SP 2016	SP 2017	SP 2018	SP 2019			
Current NAV as at 31 December 2021	32.6	186.6	236.4	169.2	624.8	192.1	816.9
Release of legal cost provision	0.5	2.7	3.1	2.0	8.4	1.0	9.4
Transaction costs	(0.2)	(1.3)	(1.6)	(1.2)	(4.3)	(0.5)	(4.7)
Reserve: future fund operational expenses/fees	(0.1)	(2.4)	(4.5)	(4.4)	(11.4)	(1.3)	(12.7)
Alternative scenario starting NAV	32.8	185.6	233.4	165.7	617.6	191.3	808.9
Admitted claims	-	-	-	-	-	-	-
Legal adjudication costs	(0.2)	(1.0)	(1.2)	(0.9)	(3.2)	(1.0)	(4.1)
Incremental Manager costs	-	-	-	-	-	-	-
Liquidator fees	(0.5)	(2.8)	(3.5)	(2.5)	(9.2)	(2.8)	(12.1)
Total estimated alternative scenario costs	(0.7)	(3.7)	(4.7)	(3.3)	(12.4)	(3.8)	(16.2)
Closing NAV	32.2	181.9	228.8	162.4	605.2	187.5	792.7
Discount factor	5% - 10%	5% - 10%	5% - 10%	5% - 10%		5% - 10%	
Run off (years)	6	6	6	6		6	
Closing NAV (discounted)	18.2 - 24.0	102.7 - 135.7	129.1 - 170.7	91.7 - 121.2	341.6 - 451.6	105.8 - 139.9	447.5 - 591.5
Recovery of alternative scenario starting NAV (%)	55% - 73%	55% - 73%	55% - 73%	55% - 73%	55% - 73%	55% - 73%	55% - 73%

This alternative scenario shows a distribution of 55% - 73% of NAV at the Retro Funds level, as opposed to the Proposal which shows 109% of NAV being available, on average, at the Retro Funds level for early distribution

Note: the figures provided are based on current NAV and discussions with the Group and their advisors. The figures are illustrative only and subject to rounding and material change before completion.

Illustrative outcome for Investors: alternative liquidation scenario with some valid claims for losses admitted

Below is an estimate of return to Investors in each SP year under the alternative scenario where claims for losses are received from Investors.

US\$m	Retro Funds				Total Retro Funds	Aquila Fund	Total
	SP 2016	SP 2017	SP 2018	SP 2019			
Current NAV as at 31 December 2021	32.6	186.6	236.4	169.2	624.8	192.1	816.9
Release of legal cost provision	0.5	2.7	3.1	2.0	8.4	1.0	9.4
Transaction costs	(0.2)	(1.3)	(1.6)	(1.2)	(4.3)	(0.5)	(4.7)
Reserve: future fund operational expenses/fees	(0.1)	(2.4)	(4.5)	(4.4)	(11.4)	(1.3)	(12.7)
Alternative scenario starting NAV	32.8	185.6	233.4	165.7	617.6	191.3	808.9
Admitted claims	(17.5)	(98.2)	(123.5)	(88.0)	(327.1)	(100.5)	(427.6)
Legal adjudication costs	(0.7)	(3.9)	(4.9)	(3.5)	(12.9)	(4.0)	(16.9)
Incremental Manager costs	(0.1)	(0.4)	(0.5)	(0.3)	(1.3)	(0.4)	(1.7)
Liquidator fees	(0.8)	(4.2)	(5.3)	(3.8)	(14.1)	(4.3)	(18.4)
Total estimated alternative scenario costs	(19.0)	(106.7)	(134.1)	(95.6)	(355.3)	(109.2)	(464.5)
Closing NAV	13.9	79.0	99.3	70.1	262.3	82.1	344.4
Discount factor	5% - 10%	5% - 10%	5% - 10%	5% - 10%		5% - 10%	
Run off (years)	6	6	6	6		6	
Closing NAV (discounted)	7.8 - 10.3	44.6 - 58.9	56.1 - 74.1	39.6 - 52.3	148.0 - 195.7	46.4 - 61.3	194.4 - 257.0
Recovery of alternative scenario starting NAV (%)	24% - 32%	24% - 32%	24% - 32%	24% - 32%	24% - 32%	24% - 32%	24% - 32%

This alternative scenario shows a distribution of 24% - 32% of NAV at the Retro Funds level, as opposed to the Proposal which shows 109% of NAV being available, on average, at the Retro Funds level for early distribution

Note: the figures provided are based on current NAV and discussions with the Group and their advisors. The figures are illustrative only and subject to rounding and material change before completion.

Conclusion

The Proposal provides an accelerated return on all investments and further upsides potentially available across all SP years. Based on the information made available to us by the Group, the Proposal represents a materially better outcome than can be expected in an alternative scenario.

The alternative scenarios presented would be significantly worse for Investors than the implementation of the Proposal, for the following reasons:

1. A liquidation would involve additional costs that would need to be paid out of fund assets prior to any distribution to Investors;
2. It is unlikely that any distribution would be made to Investors in a liquidation for a number of years;
3. Across all SPs, on average, the Proposal:
 - Presents a **36% - 54%** better outcome than the alternative scenario with very limited unsuccessful claims; and
 - Presents a **77% - 85%** better outcome than the alternative scenario with some successful Investors losses claims.

In addition, the Proposal provides a mechanism for Investors to continue to capture any future upside. It also provides the Investors with greater certainty of outcome both in terms of quantum and timing.

Our view is that, in comparison with alternative scenarios, the Proposal: provides more certainty for Investors by removing material downside risks; facilitates a more timely return of capital to Investors; and still allows for further potential side pocket upsides to be released to Investors as the run-offs progress.

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Appendices

Appendix A: Disclaimer

On 1 October 2021, John C. McKenna of Finance & Risk Services Ltd. and Simon J. Appell of AlixPartners UK LLP were appointed Joint Provisional Liquidators (the “**Provisional Liquidators**”) of:

- Markel CATCo Investment Management Ltd;
- Markel CATCo Reinsurance Fund Ltd;
- CATCo Reinsurance Opportunities Fund Ltd; and
- Markel CATCo Re Ltd

(Provisional Liquidators Appointed)

(together the “**Markel CATCo Group**” or the “**Companies**”).

The Provisional Liquidators act as agents to the Companies without personal liability.

This report (“**Report**”) was prepared by AlixPartners following the appointment of the Provisional Liquidators. Following the appointment of Provisional Liquidators, it is also expected that Markel CATCo Reinsurance Fund Ltd (the “**Private Fund**”) and CATCo Reinsurance Opportunities Fund Ltd (the “**Public Fund**”) (together the “**Public and Private Funds**”) will subsequently promote schemes of arrangement in Bermuda. It should be noted that the engagement of Provisional Liquidators in advance of such a transaction is common practice. This allows the Provisional Liquidators to familiarize themselves with the transaction and raise any issues or concerns ahead of implementation. When appointed, Provisional Liquidators become independent officers of the Court and so must be able to demonstrate independence in their role.

The information contained in this Report is based upon unaudited financial information, company records, forecasts, assumptions and representations provided to AlixPartners by the management and staff of, and advisors to, the Companies. AlixPartners relied on the assurance of the Companies’ management, staff and advisors of the Companies that they were unaware of any facts that would make the information provided to AlixPartners incomplete, inaccurate or misleading. In preparing the Report, AlixPartners has not performed an audit and has not subjected the information contained herein to any examination in accordance with generally accepted auditing or attestation standards, and AlixPartners has assumed, without any independent verification, the accuracy and completeness of all information available from public sources, from the Companies or which has otherwise been provided to AlixPartners. AlixPartners does not assume any responsibility for the accuracy or completeness of any such information. AlixPartners is not responsible whatsoever for any misrepresentations made to AlixPartners during the course of its review.

Appendix B: Breakdown of Retro Funds current NAV

US\$m	Current NAV as at 31 December 2021				Total
	SP 2016	SP 2017	SP 2018	SP 2019	
Public Fund – Ordinary Shares	5.0	34.0	6.3	4.1	49.4
Public Fund – C Shares	-	-	35.1	16.8	51.9
Public Fund total ^{*1}	5.0	34.0	41.3	20.9	101.3
Markel CATCo Diversified Fund ^{*2}	1.6	9.7	33.0	5.8	50.1
Diversified Arbitrage Fund	3.6	14.4	15.8	7.5	41.3
Limited Diversified Arbitrage Fund	7.6	42.0	41.5	29.0	120.1
Diversified Fund II	10.1	59.9	99.6	99.3	268.9
GTL Diversified Fund	1.1	6.5	2.3	5.3	15.3
Markel Diversified Fund	1.8	12.3	1.4	1.2	16.7
QIC Diversified Fund	1.7	7.8	1.6	-	11.1
Total	32.6	186.6	236.4	169.2	624.8

^{*1} The figures for the Public Fund reflect the value of the Public Fund's investment in the Private Fund on which the Proposal is based.

^{*2} The figures for the Markel CATCo Diversified Fund reflect the direct investments into the fund only. Of the US\$619.6m NAV reported for this fund as at 31 December 2021, US\$569.5m relates to investments by other Retro Funds within the Group. Direct investments total US\$50.1m.

Appendix C: Proposal - assumptions

Assumption	Comments
NAV	<p>The NAV for each of the Investors as at 31 December 2021 has been provided by the Group for each of the funds making up the Private Fund and each constituent SP. A breakdown of the Retro Funds NAV is available in Appendix B. The NAV for the Aquilo Fund is as calculated at 30 September 2021 and is the latest NAV available to the JPLs at the date of this Report. Please note that the Aquilo Fund NAV has been adjusted for the US\$1.0m contingent loss provision that was raised against it in December 2021 and the US\$2.0m of transaction fees paid to date but not yet allocated as at 30 September 2021. The provision will be released should the Proposal complete as set out on pages 9-11.</p> <p>NAV has been adjusted to reflect forecast transaction costs of US\$7.2m and estimated ordinary operating costs associated with the run-off of the funds totalling US\$16.4m. This ordinary cost adjustment is an accelerated cost accrual for costs that would otherwise have been incurred during run-off. These will only be paid as incurred with any surplus released.</p> <p>Transaction costs consist of legal and advisers' fees and expenses developing the Proposal and are estimated to be US\$27.5m in total, of which 90% will be allocated pro rata based on NAV among the Private Fund and Public Fund Investors, with the remaining 10% to be allocated pro rata to Aquilo Fund Investors. To date, US\$20.3m of transaction costs have been incurred.</p> <p>The estimated ordinary operating costs consist of operating expenses of US\$11.1m that are expected to be the cost of the remaining run-off based on the Group's historic run rates, and a further reserve equal to 20% of operating expenses and 20% of the original transaction cost estimate of US\$15.0m, to be retained as a provision in the event that costs are higher than estimated by the Group. These costs are allocated on a weighted basis depending on the years to run-off for each SP in the ordinary course of business. The run-off timeline for the Aquilo Fund is more uncertain and subject to material change to that which is presented in this Report. To the extent that costs related to the Aquilo Fund exceed reserved amounts, we understand they will be deducted from future distributions to Investors.</p> <p>Markel Corporation or one of its affiliates will provide a cash contribution towards the above Administrative Expenses. This contribution will be allocated to Investors on a pro rata basis and will increase such that it covers all transaction costs, currently estimated at US\$27.5m as set out above.</p>

Appendix C: Proposal - assumptions

Assumption	Comments
Closing date entitlement	At the date of completion, Investors in all SPs of the Retro Funds and the Aquilo Fund will receive 100% of closing NAV, where closing NAV is equal to current NAV plus the provision release, less transaction costs and administrative expenses, plus the Administrative Expenses contribution. There is also a mechanism for all Investors to recover any future upside.
Early Consent Fee	The Early Consent Fee is modelled as 2% of the current NAV, available to those Investors who agreed to the Proposal by the early consent date and vote in favour of the schemes of arrangement in both the Private Fund and the Public Fund.
Work Fee	Markel Corporation or one of its affiliates will provide a work fee to certain of the Investors for their work in negotiating the terms of the Proposal, which negotiations resulted in an improvement in the terms of the Proposal for all Investors. This fee will amount to 2% of the applicable Investors' current NAV.
Additional consideration	Markel Corporation or one of its affiliates will provide additional consideration to Investors, consisting of a \$44m cash payment to be allocated pro rata based on Investors' proportionate share of closing NAV.

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WHEN IT REALLY MATTERS.