

Maiden Holdings, Ltd.
Form 8-K
September 04, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
September 4, 2018 (August 29, 2018)

MAIDEN HOLDINGS, LTD.

(Exact name of registrant as specified in its charter)

Bermuda	001-34042	98-0570192
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

94 Pitts Bay Road, Pembroke HM08, Bermuda

(Address of principal executive offices and zip code)

(441) 298-4900
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreements.

On August 31, 2018, Maiden Holdings, Ltd. (the “Company”) announced that its subsidiary, Maiden Holdings North America, Ltd. (“MHL”), entered into a Master Transaction Agreement, dated as of August 31, 2018 (the “Transaction Agreement”), with Enstar Holdings (US) LLC and Enstar Group Limited (together, “Enstar”), pursuant to which MHL agreed, among other things, to sell, and Enstar agreed to purchase, all of the capital stock of MHL’s subsidiary Maiden Reinsurance North America, Inc. (“MRNA”), the entity that conducts the Company’s U.S. reinsurance business.

Pursuant to and subject to the terms of the Transaction Agreement, (i) MHL will sell, and Enstar will purchase, all of the capital stock of MRNA (the “MRNA Sale”), (ii) Cavello Bay Reinsurance Limited, Enstar’s Bermuda reinsurance affiliate (“Cavello”), and Maiden Reinsurance Ltd., the Company’s Bermuda reinsurance affiliate (“Maiden Re”), will enter into a novation agreement and a retrocession agreement pursuant to which certain assets and liabilities associated with the Company’s U.S. treaty reinsurance business held by Maiden Re will be novated or retroceded to Cavello in exchange for a ceding commission, and (iii) Maiden Re will provide Enstar with a reinsurance cover for loss reserve development \$100.0 million in excess of the net loss and loss adjustment expenses recorded as of June 30, 2018, up to a maximum \$25.0 million.

The purchase price for the MRNA Sale is \$307.5 million payable in cash, which amount is net of the ceding commission referred to above and subject to certain closing adjustments. The transactions contemplated by the Transaction Agreement are expected to close in the late fourth quarter of 2018. Consummation of the MRNA Sale is subject to customary closing conditions, including: (i) the approval of certain governmental authorities, including (a) the Missouri Department of Insurance, Financial Institutions and Professional Registration and (b) the Bermuda Monetary Authority, (ii) the absence of certain legal prohibitions, (iii) the accuracy at closing of the parties respective representations and warranties in the Transaction Agreement, (iv) the material compliance by the parties with their respective covenants in the Transaction Agreement, and (v) delivery at closing of the closing documents specified in the Transaction Agreement.

Each of MHL and Enstar provided customary representations and warranties and covenants in the Transaction Agreement. MHL has agreed to indemnify Enstar and certain of its related persons for certain losses resulting from a breach by MHL of certain of its representations, warranties and covenants contained in the Transaction Agreement, subject to limitations described in the Transaction Agreement. Enstar has agreed to indemnify MHL and certain of its related persons for certain losses resulting from a breach by Enstar of certain of its representations, warranties and covenants contained in the Transaction Agreement, subject to limitations described in the Transaction Agreement. The Transaction Agreement contains customary termination rights for each of MHL and Enstar, including the right of each party to terminate the Transaction Agreement if the MRNA Sale has not been consummated on or prior to August 31, 2019. The foregoing description of the Transaction Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by reference to, the full text of the Transaction Agreement, which is attached as Exhibit 2.1 and is incorporated in this summary by reference.

The Transaction Agreement contains representations, warranties and covenants by the parties thereto. Those representations, warranties and covenants were made solely for the purpose of the Transaction Agreement and solely for the benefit of the parties thereto and:

• should not be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

• may have been qualified in the Transaction Agreement by disclosures that were made to the other party in connection with the negotiation of the Transaction Agreement;

• may apply contractual standards of “materiality” that are different from “materiality” under applicable securities laws; were made only as of the date of the Transaction Agreement or such other date or dates as may be specified in the Transaction Agreement; and

• it is the intent of the parties to the Transaction Agreement that no person other than a party to the Transaction Agreement to whom a representation, warranty or covenant is provided will rely on such representation warranty or covenant.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

In anticipation of her separation from the Company, expected to occur on March 1, 2019 but subject to earlier termination as determined by the Company (the “Termination Date”), Karen L. Schmitt and the Company entered into a Separation Agreement and First General Release on August 28, 2018 (the “Schmitt Separation Agreement”). The Schmitt Separation Agreement provides that until the Termination Date, Ms. Schmitt will be employed as an Executive Vice President of the Company, and will provide services and assistance to the Company during, and in connection with, the transition of the role of Chief Financial Officer as well as to provide advice and counsel to the new CEO and as of the Termination Date, Ms. Schmitt will also resign from any director positions she holds with the Company or its affiliates and any fiduciary positions she holds with respect to pension plans or trusts established by the Company or its affiliates. Pursuant to the Schmitt Separation Agreement, Ms. Schmitt (i) will continue to receive salary and benefits consistent with those applicable prior to her prior to the entry into the Schmitt Separation Agreement through her Termination Date, and, if the Company elects a Termination Date that is prior to March 1, 2019, then Ms. Schmitt will be entitled to a severance in an amount that is equal to the salary and value of benefits that would have been payable to her under the Schmitt Separation Agreement had she remained employed through March 1, 2019, (ii) will receive a lump-sum payment of \$3,325,000, payable \$2,000,000 on August 31, 2018 and \$1,325,000 within a week following the effective date of a second release of claims that Ms. Schmitt has agreed to provide (the “Second Release”), which is expected to be entered into on or around the Termination Date, (iii) will be entitled to exercise her outstanding, vested stock options through their ten-year expiration date, provided that, following receipt of a valuation by the Company, Ms. Schmitt may elect to receive a payment in respect of her vested stock options, (iv) will be entitled to reimbursement of up to \$15,000 for moving expenses related to Ms. Schmitt’s relocation to Bermuda, and (v) will receive payment of accrued obligations (including a payment for accrued but unused paid time off). The Company will also pay tax preparation fees for the 2018 and 2019 fiscal years and a gross-up to Ms. Schmitt for certain tax liabilities that may be incurred (such benefits, along with those described in clauses (i)-(iv) of the preceding sentence, the “Schmitt Separation Benefits”).

Pursuant to the Schmitt Separation Agreement, the Company and Ms. Schmitt have agreed to a release of claims, and Ms. Schmitt has agreed to execute the Second Release and has waived any other rights or amounts payable to her, including pursuant to outstanding awards under the Company’s Long Term Incentive Plan. In order to be entitled to the Schmitt Separation Benefits, Ms. Schmitt must not revoke the Separation Agreement or, as applicable, the Second Release prior to the effective date of such agreements. Ms. Schmitt will continue to be bound by the restrictive covenants in her employment agreement and all other employee policies through the Termination Date, and thereafter, certain restrictive covenants included in the Schmitt Separation Agreement, including with respect to intellectual property and non-solicitation.

Item 8.01 Other Events

Renewal Rights Agreement

On August 29, 2018, the Company announced that it had entered into a Renewal Rights Agreement, dated as of August 29, 2018, with Transatlantic Reinsurance Company (“TransRe”), pursuant to which the Company agreed to sell, and TransRe agreed to purchase, MRNA’s rights to: (i) renew MRNA’s treaty reinsurance agreements (the “Subject Reinsurance Agreements”) upon their expiration or cancellation, (ii) solicit renewals of and replacement coverages for the Subject Reinsurance Agreements and (iii) replicate and use the products and contract forms used in MRNA’s business. The sale was consummated on August 29, 2018.

Press Releases

On August 29, 2018 and August 31, 2018, the Company issued the press releases attached hereto as Exhibit 99.1 and 99.2, respectively, announcing the Renewal Rights Agreement and the transactions contemplated thereby and the Transaction Agreement and the transactions contemplated thereby, respectively, each of which is incorporated by reference herein.

Item 9.01 Exhibits.

(d) Exhibits

Exhibit

No. Description

2.1* Master Transaction Agreement, dated as of August 31, 2018, by and among Maiden Holdings North America, Ltd., Enstar Holdings (US) LLC and Enstar Group Limited.

99.1 Press Release, dated August 29, 2018, issued by Maiden Holdings, Ltd.

99.2 Press Release, dated August 31, 2018, issued by Maiden Holdings, Ltd.

* Schedules and Exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Master Transaction Agreement or the Renewal Rights Agreement, as applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 4, 2018 MAIDEN HOLDINGS, LTD.

By: /s/ Lawrence F. Metz
Lawrence F. Metz
President and Chief Executive Officer

Exhibit 2.1

MASTER TRANSACTION AGREEMENT

by and among

ENSTAR HOLDINGS (US) LLC

ENSTAR GROUP LIMITED

(solely for purposes of Section 10.13)

and

MAIDEN HOLDINGS NORTH AMERICA, LTD.

Dated as of August 31, 2018

Table of Contents

Page

ARTICLE I

DEFINITIONS

Section 1.1 Definitions

Section 1.2 Rules of Construction

ARTICLE II

PURCHASE AND SALE OF SHARES

Section 2.1 Purchase and Sale

Section 2.2 Purchase Price

Section 2.3 Closing

Section 2.4 Closing Deliveries

Section 2.5 Withholding

Section 2.6 Closing Purchase Price

Section 2.7 Purchase Price Adjustment

ARTICLE III

REPRESENTATIONS AND WARRANTIES

OF SELLER

Section 3.1 Organization and Qualification of Seller

Section 3.2 Authority; Non-Contravention; Approvals

Section 3.3 Capital Stock of the Company

Section 3.4 Corporate Organization of the
Company

Section 3.5 Taxes

Section 3.6 Financial Statements

Section 3.7 Undisclosed Liabilities

Section 3.8 Absence of Certain Changes, Events and Conditions

Section 3.9 Labor
Relations

Section 3.10 Compliance with Laws

Section 3.11 Litigation, Arbitration and Proceedings

Section 3.12 Permits

Section 3.13 Contracts and Other Agreements

Section 3.14 Intellectual Property

Section 3.15 Real Property

Section 3.16 Reinsurance Matters

Section 3.17 Employee Benefits and Related Matters

Section 3.18 Environmental Laws

Section 3.19 Brokers

Section 3.20 Anti-Money Laundering, OFAC and Anti-Bribery Compliance

Section 3.21 Transactions with Affiliates

Section 3.22 Actuarial Memoranda and Reserves

Section 3.23 Producers

Section 3.24 Sufficiency of Assets

Section 3.25 Books and Records

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Section 4.1 Organization and Qualification of Purchaser and Purchaser Parent

Section 4.2 Authority; Non-Contravention; Approvals

Section 4.3 Sufficient Funds

Section 4.4 Brokers

Section 4.5 Investment Intent

Section 4.6 Litigation, Arbitration and Proceedings

ARTICLE V

COVENANTS

Section 5.1 Conduct of the Business

Section 5.2 Estimation of Loss Ratios

Section 5.3 Access to Information

Section 5.4 Reasonable Best Efforts

Section 5.5 Notification

Section 5.6 Employee Matters

Section 5.7 Public Announcements

Section 5.8 Further Assurances; Post-Closing Cooperation

Section 5.9 Interim Financial Statements and Financial Statement Cooperation

Section 5.10 Resignations

Section 5.11 Consultation

Section 5.12 No Solicitation

Section 5.13 Intercompany Balances

Section 5.14 Maiden Name

ARTICLE VI

CONDITIONS

Section 6.1 Conditions to Purchaser's Obligations

Section 6.2 Conditions to Seller's Obligations

ARTICLE VII

SURVIVAL; INDEMNIFICATION

Section 7.1 Survival of Representations, Warranties, Covenants and Agreements

Section 7.2 Indemnification of Purchaser

Section 7.3 Indemnification of Seller

Section 7.4 Effect of Materiality Qualifier

Section 7.5 Limitations

Section 7.6 Method of Asserting Claims

Section 7.7 Character of Indemnity Payments

Section 7.8 Treatment of Tax Benefits

Section 7.9 Reservation of Rights

Section 7.10 Exclusive Remedy

ARTICLE VIII

TAXES

Section 8.1 Tax Indemnity

Section 8.2 Post-Closing Tax Matters

Section 8.3 Transfer Taxes

Section 8.4 Tax Sharing Agreements

Section 8.5 Certain Elections

Section 8.6 Overlap

ARTICLE IX

TERMINATION OF AGREEMENT

Section 9.1 Termination

Section 9.2 Effect of Termination

ARTICLE X

MISCELLANEOUS

Section 10.1 Notices

Section 10.2 Entire Agreement

Section 10.3 Expenses

Section 10.4 Waiver

Section 10.5 Amendment

Section 10.6 No Third Party Beneficiary

Section 10.7 Assignment; Binding Effect

Section 10.8 CONSENT TO JURISDICTION; SERVICE OF PROCESS; NO JURY TRIAL

Section 10.9 Specific Performance

Section 10.10 Invalid Provisions

Section 10.11 Governing Law

Section 10.12 Counterparts

Section 10.13 Purchaser Parent Guarantee

EXHIBITS

Exhibit A Transaction Balance Sheet

Exhibit B Terms of Novation Agreement

Exhibit C Terms of Retrocession Agreement

Exhibit D Form of Transition Services Agreement

Exhibit E Investment Guidelines

Exhibit F Terms of Excess Loss Agreement

MASTER TRANSACTION AGREEMENT

This MASTER TRANSACTION AGREEMENT, dated as of August 31, 2018, is made by and among Enstar Holdings (US) LLC, a Delaware limited liability company (“Purchaser”), Enstar Group Limited, a Bermuda corporation (“Purchaser Parent”) and Maiden Holdings North America, Ltd., a Delaware corporation (“Seller” and, together with Purchaser, and, solely for the purposes of Section 10.13, Purchaser Parent, the “Parties”).

RECITALS

WHEREAS, Seller is the sole record and beneficial owner of all of the 20,000 authorized and outstanding shares of common stock (the “Shares”) of Maiden Reinsurance North America, Inc., a reinsurance company domiciled in the State of Missouri (the “Company”);

WHEREAS, the Shares represent all of the outstanding capital stock of the Company;

WHEREAS, the Company is engaged in the business of property & casualty reinsurance;

WHEREAS, Seller wishes to sell, and Purchaser wishes to purchase, the Shares on the terms and subject to the conditions set forth in this Agreement and enter into related reinsurance and novation transactions; and

WHEREAS, Purchaser Parent wishes to guarantee certain obligations of Purchaser set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller, Purchaser and Purchaser Parent agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions.

(a) As used in this Agreement, the following terms shall have the following meanings:

“2008 Affiliate Reinsurance Agreement” means the Treaty Reinsurance Agreement by and between the Company and Maiden Re, effective as of December 23, 2008.

“2017 Affiliate Reinsurance Agreement” means the Treaty Reinsurance Agreement by and between the Company and Maiden Re, effective as of January 1, 2017.

“2012 ADC Contract” means Addendum No. 4 to the 2008 Affiliate Reinsurance Agreement.

“Action” means any civil, criminal, administrative or other claim, action, suit, litigation, arbitration hearing, charge, complaint, demand, notice or other similar proceeding, in each case by or before any Governmental Authority or arbitral body.

“Actuarial Memoranda” has the meaning set forth in Section 3.22(a).

“Affiliate” means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Person specified. The term “control” (including the terms “controlling,” “controlled by” and “under common control with”) means possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For the avoidance of doubt, when used in reference to Maiden Holdings, Ltd. and its subsidiaries (including the Company, Seller and Maiden Re) Affiliate does not include AmTrust Financial Services, Inc. and its subsidiaries or National General Holdings Corp. and its subsidiaries, except for purposes of Section 5.13.

“Affiliate Reinsurance Agreements” means, collectively, the 2008 Affiliate Reinsurance Agreement and the 2017 Affiliate Reinsurance Agreement.

“Agreement” means this Master Transaction Agreement, together with the Exhibits and Schedules attached hereto, the Seller Disclosure Schedule and the Purchaser Disclosure Schedule.

“Annual Statements” has the meaning set forth in Section 3.6(b).

“Balance Sheet Rules” means GAAP, subject to the exclusion of notes and to normal year-end adjustments, applied consistently with the presentation of the combined balance sheet set forth in the right column of the Transaction Balance Sheet, except as set forth in the footnotes thereto; provided, however, (a) for purposes of preparing the Estimated Closing Balance Sheet and the Closing Date Balance Sheet and (b) for calculating Estimated Closing Shareholders’ Equity, Closing Date Shareholders’ Equity and Final Closing Shareholders’ Equity (i) reserve strengthening or releases for loss and loss adjustment expenses and related movements in ceded reinsurance recoverable balances as recorded in the Transaction Balance Sheet as of June 30, 2018, shall be excluded from the Estimated Closing Shareholders’ Equity, Closing Date Shareholders’ Equity and Final Closing Shareholders’ Equity; and (ii) unearned premiums of the Company will be earned after June 30, 2018 using the loss ratios set forth in the “Maiden Re Inforce Price Monitor” document contained in Section 1.1(a) of the Seller Disclosure Schedule.

“Base Purchase Price” has the meaning set forth in Section 2.2.

“Books and Records” means originals or copies of all books and records (including documents and data), in whatever form maintained, in the possession or control of Seller or the Company to the extent that they pertain or relate to the Business, including all Permits held by the Company, all corporate records of the Company, statutory

filings as required under applicable Law, administrative records, claim records, sales records, underwriting records, financial records, compliance records, complaint logs, litigation files and policy records related to the Reinsurance Contracts.

“Burdensome Condition” means any condition imposed by any Governmental Authority that would (a) materially and adversely restrict the operation of the Business or of the business of Purchaser or its Affiliates, (b) require Purchaser or any of its Affiliates to take any action that involves material divestiture of an existing business or (c) materially impair the overall benefit expected to be realized by Purchaser from the consummation of the transactions contemplated by this Agreement.

“Business” means the business and operations of the Company as conducted in the twelve (12) months immediately preceding the date hereof or at any time between the date hereof and the Closing, as applicable.

“Business Day” means any day other than a Saturday, a Sunday or any other day on which commercial banks located in Hamilton, Bermuda; the State of New York; or the State of Missouri are required or authorized by applicable Law to be closed.

“Business Material Adverse Effect” means a material adverse effect on or change to the business, results of operations, condition (financial or otherwise), assets or liabilities of the Company; provided, however, the term “Business Material Adverse Effect” shall not include any such effect on or change to the business, results of operations, condition (financial or otherwise), assets or liabilities of the Company relating to or arising from (a) changes in the economy or financial markets generally, including changes in the prices of securities, interest rates or currency exchange rates, (b) the occurrence, escalation, outbreak or worsening of any war, acts of terrorism or military conflicts, (c) changes in the economic, business, financial or regulatory environment generally affecting the industry in which the Company operates, (d) changes in any applicable Laws or applicable accounting regulations (including GAAP or SAP), (e) the existence, occurrence or continuation of any force majeure events, including any earthquakes, floods, hurricanes, tropical storms, fires or other natural disasters, (f) any failure by the Company or any of its Affiliates to meet any external or internal estimates, projections, budgets or expectations of the Company’s or any of its Affiliates’ revenue, earnings or other financial performance or results of operations for any period, in and of itself (provided, that the facts or occurrences giving rise to or contributing to such failure to the extent not otherwise excluded from the definition of “Business Material Adverse Effect” may be taken into account in determining whether there has been a Business Material Adverse Effect), (g) the announcement of the execution of this Agreement and the transactions contemplated hereby, (h) any action taken or not taken by the Company or its Affiliates, in each case, which is expressly required or prohibited by this Agreement, (i) any action taken or not taken by the Company or any of its Affiliates at the written request or direction of Purchaser or its Affiliates, (j) any change or announcement of a potential change or change in outlook (including any negative watch) in the financial strength or credit rating of the Company or any of its Affiliates or any of their respective securities (provided, that the facts or occurrences giving rise to or contributing to such change or announcement of a potential change to the extent not otherwise excluded from the definition of “Business Material Adverse Effect” may be taken into account in determining whether there has been a Business Material Adverse Effect) or (k) any change in reserves for Business underwritten on or prior to June 30, 2018; provided, further, with respect to the foregoing clauses (a) through (e), effects or changes that have had or would reasonably be expected to have a disproportionate adverse effect on the Company compared to other companies operating in the industry in which the Company operates will be considered for purposes of determining whether a Business Material Adverse Effect has occurred.

“Cavello Bay Re” means Cavello Bay Reinsurance Limited, a Bermuda company and an Affiliate of Purchaser.

“Closing” means the closing of the sale and purchase of the Shares and consummation of related transactions as contemplated by this Agreement.

“Closing Date” has the meaning set forth in Section 2.3.

“Closing Date Balance Sheet” has the meaning set forth in Section 2.7(a).

“Closing Date Shareholders’ Equity” has the meaning set forth in Section 2.7(a).

“Closing Purchase Price” has the meaning set forth in Section 2.2.

“Code” means the Internal Revenue Code of 1986.

“Company” has the meaning set forth in the Recitals.

“Company Benefit Plan” means a Plan that provides compensation or employee benefits of any kind for or to Employees that the Company, or any ERISA Affiliate, sponsors, maintains or contributes to, or with respect to which the Company, or any ERISA Affiliate, has any liability, contingent or otherwise.

“Company Intellectual Property” means all Intellectual Property that is owned by the Company.

“Company IP Agreements” means all material licenses, sublicenses, consent to use agreements, settlements, coexistence agreements, covenants not to sue, permissions and other Contracts (including any right to receive or obligation to pay royalties or any other consideration) relating to Intellectual Property to which the Company is a party, beneficiary or otherwise bound, other than licenses for commercial off-the-shelf Software.

“Company IP Registrations” means Company Intellectual Property that is subject to any issuance registration, application or other filing by, to or with any Governmental Authority or authorized private registrar in any jurisdiction, including registered trademarks, domain names and copyrights, issued and reissued patents and pending applications for any of the foregoing.

“Confidentiality Agreement” means that certain Confidentiality Agreement, dated as of April 24, 2018, between Purchaser Parent and Maiden Holdings, Ltd.

“Contract” means, with respect to any Person, any agreement, contract, lease, deed, mortgage, license, instrument, note, commitment, undertaking, indenture or any other agreement, commitment or legally binding arrangement, whether written or oral, to which such Person is a party or is otherwise subject or bound.

“Covered Taxes” means any Taxes (a) that are imposed on, allocated or attributable to or incurred or payable by or due with respect to the Company for any Pre-Closing Tax Period, together with any interest, penalty or additions to Tax accruing after the Closing Date on Taxes described in this clause (a), (b) imposed as a result of the Company having been a member of any consolidated, combined or affiliated group of companies for any Pre-Closing Tax Period pursuant to any provision of joint and several liability under Treasury Regulations Section 1.1502-6 and any corresponding or similar provision of state, local or foreign applicable Law, (c) imposed by reason of the Company having liability for Taxes of another Person arising under principles of transferee or successor liability as a result of events occurring before the Closing, (d) arising from or attributable to any inaccuracy in or breach of any representation or warranty made in Section 3.5(g), Section 3.5(i) and Section 3.5(j), without regard to any items disclosed against such representations in the Seller Disclosure Schedule or (e) arising from or attributable to any breach of any Tax covenant under this Agreement.

“Data Input Inaccuracies” means inaccuracies or omissions in (a) the inputting of factual data relating to the determination of claims reserves under the Reinsurance Contracts or (b) the coding, compilation or aggregation of such factual data.

“Delaware Courts” has the meaning set forth in Section 10.8.

“Designated Employee Date” means the earlier of (a) the date that is twenty (20) Business Days after the date hereof and (b) the date that Purchaser provides Seller with a list of Designated Employees pursuant to Section 5.6(a).

“Designated Employees” has the meaning set forth in Section 5.6(a).

“Direct Claim” has the meaning set forth in Section 7.6(c).

“Domiciliary Regulator” means the Missouri Department of Insurance, Financial Institutions and Professional Registration.

“Employees” means all current officers, directors, managers and employees of the Company or the other subsidiaries of Maiden Holdings Ltd. who, on any date of determination during fiscal year 2018, have provided the majority of their services to or for the benefit of the Business, including any such person who, on such date of determination, is on approved leave of absence or layoff or on salary continuation, sickness, accident, disability or military leave.

“Encumbrances” means any pledge, security interest, mortgage, lien, attachment, right of first refusal, option, covenant, condition or restriction, including any restriction on receipt of income or exercise of any other attribute of ownership, but excluding generally applicable restrictions contained in applicable insurance or securities Laws.

“Environmental Laws” means any applicable Law which relates to or otherwise imposes liability or standards of conduct concerning environmental protection, health and safety of persons, discharges, emissions, releases or threatened releases of any noises, odors or Hazardous Materials into ambient air, water or land, or otherwise relating to the manufacture, processing, generation, distribution, use, treatment, storage, disposal, cleanup, transport or handling of Hazardous Materials, including the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, the Occupational Safety and Health Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Federal Water Pollution Control Act, the Clean Water Act, any so-called “Superlien” law and any other similar federal, state or local Law.

“Environmental Permits” means all Permits, approvals, identification numbers, licenses and other authorizations required under any Environmental Law.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means any Person required at any particular time to be aggregated with the Company under Sections 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.

“Estimated Closing Balance Sheet” has the meaning set forth in Section 2.6(a).

“Estimated Closing Shareholders’ Equity” has the meaning set forth in Section 2.6(b).

“Estimation Date” has the meaning set forth in Section 2.6(a).

“Excess Loss Agreement” means the agreement among Purchaser, Cavello Bay Re, Maiden Re and Maiden Holdings, Ltd., which will be prepared based on the terms attached hereto as Exhibit F.

“Final Closing Date Balance Sheet” has the meaning set forth in Section 2.7(c).

“Final Closing Shareholders’ Equity” has the meaning set forth in Section 2.7(c).

“Fundamental Representations” has the meaning set forth in Section 7.1(a).

“GAAP” means United States generally accepted accounting principles.

“Governmental Authority” means any United States or Bermuda federal, state or local government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulatory organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of law), or any arbitrator, court or tribunal of competent jurisdiction.

“Guaranteed Obligations” has the meaning set forth in Section 10.13.

“Hazardous Material” means any (a) hazardous substance, toxic substance, hazardous waste or pollutant (as such terms are defined by or within the meaning of any Environmental Law), (b) material or substance which is regulated or controlled as a hazardous substance, toxic substance, pollutant or other regulated or controlled material, substance or matter pursuant to any Environmental Law, (c) petroleum, crude oil or fraction thereof, (d) asbestos-containing material, (e) polychlorinated biphenyls, (f) lead-based paint or (g) radioactive material.

“Hired Employee” has the meaning set forth in Section 5.6(a).

“Indemnified Party” means any Person claiming indemnification under any provision of Article VII.

“Indemnifying Party” means any Person against whom a claim for indemnification is being asserted under any provision of Article VII.

“Indemnity Threshold” has the meaning set forth in Section 7.5(a).

“Independent Accounting Firm” means PricewaterhouseCoopers LLP or, if PricewaterhouseCoopers LLP is unable or unwilling to serve, such other nationally recognized independent public accounting firm as shall be agreed by Seller and Purchaser in writing.

“Intellectual Property” means any and all United States and foreign rights in: (i) patents (including design patents, industrial designs and utility models) and patent applications (including reissues, divisions, renewals, provisionals, continuations, continuations-in-part and extensions); (ii) trademarks, service marks, trade names, Internet domain names, trade dress, logos, business and product names, slogans, tag-lines, social media usernames and other indicia of origin and any goodwill associated and symbolized therewith and registrations and applications to register or renew the registration of any of the foregoing; (iii) copyrights, works of authorship and registrations and applications to register or renew the registration of any of the foregoing; and (iv) the following, to the extent not registered Intellectual Property: (A) inventions, processes, methods, algorithms, models, tools, Software architectures, discoveries, techniques, designs, formulae, trade secrets and know-how and any confidential information related thereto; (B) rights in Software; (C) rights in datasets, databases and related documentation; and (D) all similar intellectual property rights and tangible embodiments of any of the foregoing.

“Interim Balance Sheet Date” means June 30, 2018.

“Interim Financial Statements” has the meaning set forth in Section 5.9(a).

“Investment Guidelines” means the Company’s investment guidelines for 2018, attached hereto as Exhibit E.

“IRS” means the United States Internal Revenue Service.

“IT Systems” means the hardware, Software, data communication lines, network and telecommunications equipment, Internet-related information technology infrastructure, wide area network and other information technology equipment owned, leased or licensed by the Company.

“Knowledge” means (i) with respect to Seller, the actual knowledge, after reasonable investigation, of those individuals listed in Section 1.1(b) of the Seller Disclosure Schedule and (ii) with respect to Purchaser, the actual knowledge, after reasonable investigation, of those individuals listed in Section 1.1(b) of the Purchaser Disclosure Schedule.

“Law” means any federal, state or local law, statute, ordinance, code, rule, regulation, administrative interpretation or principle of common law or equity imposed by or on behalf of a Governmental Authority and any order, writ, injunction, directive, judgment or decree of a court of competent jurisdiction.

“Lease” means any lease, leasehold interest, sublease or license, including any amendment with respect thereto, pursuant to which the Company uses or holds any real property.

“Liabilities” means, with respect to any Person, any liability, damage, expense or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, asserted or unasserted, executory, determined, determinable or otherwise.

“Losses” means any and all losses, damages, fines, fees, penalties, deficiencies, Liabilities, claims, demands, judgments, settlements, interest, awards and costs and expenses (including reasonable expenses of investigation and collection, reasonable attorneys’ fees and disbursements and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers) and any incidental, indirect or consequential damages, losses or liabilities, and any lost profits or diminution in value, whether or not involving a Third Party Claim.

“Maiden Re” means Maiden Reinsurance Ltd., an exempted Bermuda company.

“Malware” means any virus, Trojan horse, time bomb, key-lock, spyware, worm, malicious code or other software program designed to or able to, without the knowledge and authorization of the Company, disrupt, disable,

harm, interfere with the operation of or install itself within or on any Software, computer data, network memory or hardware.

“Material Contract” has the meaning set forth in Section 3.13(a).

“Money Laundering Laws” has the meaning set forth in Section 3.20.

“Motors Reinsurance Agreement” means the Portfolio Transfer and Quota Share Reinsurance Agreement, by and between Maiden Re (f/k/a Maiden Insurance Company, Ltd.) and Motors Insurance Corporation, dated as of October 31, 2008.

“Non-Surviving Representations” means the representations and warranties of the Parties contained in this Agreement that are not Fundamental Representations, Surviving Representations or Tax Representations or in any instrument delivered by the Parties pursuant to this Agreement not made with respect to a Fundamental Representation, Surviving Representations or a Tax Representation.

“Notice of Disagreement” has the meaning set forth in Section 2.7(b).

“Novation Agreement” means the novation agreement among Cavello Bay Re, Seller and Maiden Re, which will be prepared based on the terms attached hereto as Exhibit B.

“OFAC” has the meaning set forth in Section 3.20.

“Open Source Software” has the meaning set forth in Section 3.14(g).

“Parties” has the meaning set forth in the Preamble.

“Permit” means any license, permit, order, approval, consent, registration, membership, authorization or qualification under any applicable Law or with any Governmental Authority or under any industry or non-governmental self-regulatory organization.

“Permitted Encumbrances” means (i) Encumbrances for Taxes or other governmental charges not yet due and payable or which are being contested in good faith and for which adequate accruals or reserves have been established on the Transaction Balance Sheet; (ii) mechanics’, carriers’, warehousemen’s, workers’ and other similar Encumbrances; (iii) easements, rights of way, building, zoning and other similar encumbrances or title defects and that do not materially impair the use of the underlying property in the ordinary course; (iv) pledges or deposits in connection with workers’ compensation, unemployment insurance and other social security legislation; (v) Encumbrances that do not, individually or in the aggregate, materially impair the continued use or operation of the property to which they relate or the conduct of the business of the Company and (vi) statutory Encumbrances arising by operation of Law with respect to a liability incurred in the ordinary course of business and which is not yet due and payable or which is being contested in good faith and by appropriate proceedings.

“Person” means any natural person, corporation, general partnership, limited partnership, limited or unlimited liability company, proprietorship, trust, joint venture, other business entity or Governmental Authority.

“Plan” means any employment, consulting, bonus, incentive compensation, deferred compensation, pension, profit-sharing, retirement, stock bonus, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock or other equity-based arrangement, leave of absence, layoff, vacation, day or dependent care, legal services, cafeteria, life, health, medical, dental, vision, welfare, accident, disability, workers’ compensation or other insurance, severance, separation, termination, change of control, retention, collective bargaining or other employee benefit plan, understanding, agreement, practice, policy or arrangement of any kind, whether written or oral, and whether or not subject to ERISA, including any “employee benefit plan” within the meaning of Section 3(3) of ERISA.

“Post-Closing Tax Period” means any Tax period beginning after the Closing Date and, with respect to a Straddle Period, the portion of such Straddle Period beginning after the Closing Date.

“Pre-Closing Tax Period” means any Tax period ending on or before the Closing Date and, with respect to a Straddle Period, the portion of such Straddle Period ending on the Closing Date.

“Prime Rate” means the rate equal to the United States Prime Rate as published from time-to-time in the Eastern print edition of The Wall Street Journal.

“Privacy Statement” has the meaning set forth in Section 3.14(j).

“Producer” means any producer, broker, agent, general agent, managing general agent, master broker agency, broker general agency, financial specialist or other Person responsible for marketing or producing Reinsurance Contracts on behalf of the Company prior to the Closing.

“Purchase Price” has the meaning set forth in Section 2.2.

“Purchaser” has the meaning set forth in the Preamble.

“Purchaser Disclosure Schedule” has the meaning set forth in Article IV.

“Purchaser Indemnified Parties” has the meaning set forth in Section 7.2.

“Purchaser Material Adverse Effect” means a material adverse effect on the enforceability of Purchaser’s obligations under this Agreement or Purchaser’s ability to perform its obligations under this Agreement in a timely manner or to consummate the transactions contemplated by this Agreement without material delay.

“Purchaser Parent” has the meaning set forth in the Preamble.

“Quarterly Statements” has the meaning set forth in Section 3.6(b).

“Reinsurance Contracts” means all Contracts, treaties, facultative certificates, policies or other arrangements to which the Company is a party or by which the Company is bound or subject, providing for assuming or ceding of reinsurance, excess insurance or retrocession, including (a) all reinsurance policies, and retrocession agreements, in each case as such Contract, treaty, facultative certificate, policy or other arrangement may have been amended, modified or supplemented irrespective of how such arrangement is accounted for, (b) the Affiliate Reinsurance Agreements and (c) the 2012 ADC Contract.

“Representative” means, with respect to any Person, such Person’s directors, officers, employees, shareholders, partners, members, agents, advisors, consultants, attorneys, accountants, investment bankers and other representatives.

“Required Third Party Consent” has the meaning set forth in Section 5.4(c).

“Resolution Period” has the meaning set forth in Section 2.7(c).

“Retrocession Agreement” means the retrocession agreement between Cavello Bay Re and Maiden Re, which will be prepared based on the terms attached hereto as Exhibit C.

“Review Period” has the meaning set forth in Section 2.7(b).

“SAP” means, as to any Person, the statutory accounting principles and practices prescribed or permitted by the Governmental Authorities responsible for the regulation of insurance companies in the jurisdiction in which such Person is domiciled.

“SAP Financial Statements” has the meaning set forth in Section 3.6(b).

“Seller” has the meaning set forth in the Preamble.

“Seller Disclosure Schedule” has the meaning set forth in Article III.

“Seller Indemnified Parties” has the meaning set forth in Section 7.3.

“Shareholders’ Equity” means the shareholders’ equity of the Company calculated in accordance with the Balance Sheet Rules.

“Shares” has the meaning set forth in the Recitals.

“Software” means all computer software, including but not limited to application software, system software, firmware, middleware, mobile digital applications, assemblers, applets, compilers and binary libraries, including all source code and object code versions of any and all of the foregoing, in any and all forms and media.

“Specified Employees” has the meaning set forth in Section 3.9(a) of the Seller Disclosure Schedule.

“Straddle Period” means any Tax period that begins before and ends after the Closing Date.

“Surviving Representations” means Section 3.6 (Financial Statements), Section 3.10 (Compliance with Laws) and Sections 3.22(b) (Actuarial Memoranda and Reserves).

“Target Shareholders’ Equity” means \$349,500,000.

“Tax” or “Taxes” means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, workers’ compensation, disability, owned or leased real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, accumulated earnings, occupancy, personal holding company, ad valorem, estimated or other similar tax, duty, fee, assessment or governmental charge of any kind whatsoever, including any interest, penalties or additions thereto, whether disputed or not.

“Tax Authority” means the IRS and any other state, local or foreign Governmental Authority responsible for the administration of any Taxes.

“Tax Representations” has the meaning set forth in Section 7.1(a).

“Tax Return” means any federal, state, local or foreign tax return, declaration, report, claim for refund or information return or statement required to be filed with respect to or relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Treasury Regulations” means the regulations prescribed under the Code.

“Termination Date” has the meaning set forth in Section 9.1(d).

“Third Party Claim” has the meaning set forth in Section 7.6(a).

“Transaction Agreements” means this Agreement, the Novation Agreement, the Retrocession Agreement, the Transition Services Agreement and the Excess Loss Agreement.

“Transaction Balance Sheet” means the consolidated balance sheets of the Company as of December 31, 2017 and June 30, 2018, in each case, prepared in accordance with GAAP, applied consistently with past practice and attached hereto as Exhibit A.

“Transaction Balance Sheet Date” means December 31, 2017.

“Transition Services Agreement” means the transition services agreement among Purchaser or any applicable Affiliates, Seller and the Company, in substantially the form attached hereto as Exhibit D, with such changes as the Parties may agree between the date hereof and the Closing.

“Use” has the meaning set forth in Section 3.14(j).

“WARN Act” means the United States Worker Adjustment and Retraining Notification Act of 1988 and any applicable state or local mass layoff or plant-closing Law.

“Willful Breach” means a material breach of this Agreement that is a consequence of a deliberate act or omission undertaken by the breaching Party with the knowledge that the taking of or the omission of taking such act would constitute a material breach of this Agreement.

“WISP” has the meaning set forth in Section 3.14(j).

Section 1.2 Rules of Construction.

(a) For the purposes of this Agreement, except to the extent that the context otherwise requires:

- (i) when a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated;
 - (ii) the table of contents and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;
 - (iii) whenever the words “include,” “includes” or “including” (or similar terms) are used in this Agreement, they are deemed to be followed by the words “without limitation”;
 - (iv) the words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;
 - (v) all terms defined in this Agreement have their defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein;
 - (vi) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms;
 - (vii) if any action is to be taken by any Party pursuant to this Agreement on a day that is not a Business Day, such action shall be taken on the next Business Day following such day;
 - (viii) references to a Person are also to its permitted successors and assigns;
 - (ix) references herein to any Law shall be deemed to refer to such Law as amended, modified, codified, reenacted, supplemented or superseded in whole or in part, and as in effect from time to time, and also to all rules and regulations promulgated thereunder unless such reference is to a Law in existence as of a specified date;
 - (x) references herein to any Contract mean such Contract as amended, supplemented or modified (including any waiver thereto) in accordance with the terms thereof, unless such reference is to a Contract in existence as of a specified date;
 - (xi) the word “will” shall be construed to have the same meaning and effect as the word “shall”;
 - (xii) references to “\$” or “dollars” shall refer to U.S. dollars unless specified otherwise; and
 - (xiii) wherever the phrase “ordinary course” is used in this Agreement in reference to the Business or the Company, such words shall be deemed to give effect to the entry into this Agreement and the transactions contemplated by the Transaction Agreements and any changes to the Business and the Company resulting therefrom.
- (b) This Agreement is the product of negotiation by the Parties having the assistance of counsel and other advisors. It is the intention of the Parties that neither Party shall be considered the drafter hereof and that this Agreement not be construed more strictly with regard to one Party than to any other.
- (c) Notwithstanding anything contained to the contrary in this Agreement, no change or announcement of a potential change or change in outlook (including any negative watch) in the financial strength or credit rating of the Company or any of its Affiliates or any of their respective securities shall affect the obligation of Purchaser or Seller to effect the Closing in accordance with the terms of this Agreement.
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ARTICLE II

PURCHASE AND SALE OF SHARES

Section 2.1 Purchase and Sale. At the Closing, upon the terms and subject to the conditions of this Agreement, Seller will sell, transfer, assign, convey and deliver to Purchaser, and Purchaser will purchase and accept from Seller, the Shares free and clear of all Encumbrances as contemplated in this Article II.

Section 2.2 Purchase Price. The purchase price to be paid to Seller for the Shares at the Closing shall be \$321,500,000 (the "Base Purchase Price"), subject to adjustment as provided in Section 2.6 (the "Closing Purchase Price"), in accordance with Section 2.4(d). The Closing Purchase Price shall be subject to adjustment after the Closing as provided in Section 2.7 (the total consideration paid to Seller pursuant to this Section 2.2, as adjusted pursuant to Sections 2.6 and 2.7, the "Purchase Price").

Section 2.3 Closing. Subject to the terms and conditions of this Agreement, the Closing shall take place by the exchange of documents by facsimile, PDF or other electronic means at 10:00 a.m. local time, fifteen (15) Business Days after the last of the conditions set forth in Article VI has been satisfied or waived (other than conditions that, by their nature, are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at such time); provided, that the Closing may be held at such other time or place as Purchaser and Seller mutually agree (the date on which the closing occurs, the "Closing Date").

Section 2.4 Closing Deliveries. At the Closing:

(a) Purchaser shall cause Cavello Bay Re to execute and to deliver, and Seller shall, and shall cause Maiden Re to, execute and deliver the Novation Agreement, which shall provide for the novation of (i) the Affiliate Reinsurance Agreements and (ii) unless the Parties agree in writing otherwise, the 2012 ADC Contract, in each case from Maiden Re to Cavello Bay Re, and the Novation Agreement shall be in full force and effect and any payments required to be made under the Novation Agreement shall have been or will be made on the Closing Date.

(b) Purchaser shall cause Cavello Bay Re to execute and to deliver, and Seller shall cause Maiden Re to execute and deliver the Retrocession Agreement, which agreement shall provide for the retrocession of Liabilities under the Motors Reinsurance Agreement from Maiden Re to Cavello Bay Re, and the Retrocession Agreement shall be in full force and effect and any payments required to be made under the Retrocession Agreement shall have been or will be made on the Closing Date.

(c) Purchaser shall, and shall cause Cavello Bay Re to, execute and deliver, and Maiden Holdings, Ltd. shall, and Seller shall cause Maiden Re to, execute and deliver the Excess Loss Agreement, and the Excess Loss Agreement shall be in full force and effect.

(d) Purchaser will deliver or cause to be delivered to Seller:

(i) an amount equal to the Closing Purchase Price, by wire transfer of immediately available funds to such account as Seller may direct by written notice to Purchaser at least two (2) Business Days prior to the Closing Date;

(ii) a certificate, dated the Closing Date and duly executed by an authorized officer of Purchaser, that the conditions specified in Sections 6.2(c) and (d) have been fulfilled;

(iii) the Novation Agreement, duly executed by Cavello Bay Re;

(iv) the Retrocession Agreement, duly executed by Cavello Bay Re;

(v) the Excess Loss Agreement, duly executed by Purchaser and Cavello Bay Re; and

(vi) the Transition Services Agreement, duly executed by Purchaser (or any applicable Affiliates).

(e) Seller will deliver to Purchaser:

- (i) stock certificate(s) evidencing the Shares, endorsed in blank or with an executed blank stock power attached sufficient to vest good and valid title to the Shares in Purchaser, free and clear of any Encumbrances;
- (ii) written resignations or removal by Seller of all directors and officers of the Company, effective as of the Closing Date;
- (iii) a certification in the form contained in Section 1.1445-2(b) of the Treasury Regulations to the effect that Seller is not a “foreign person” within the meaning of Section 1445 of the Code and the Treasury Regulations thereunder;
- (iv) a certificate, dated the Closing Date and duly executed by an authorized officer of Seller, that the conditions specified in Sections 6.1(c) and (d) have been fulfilled;
- (v) the Novation Agreement, duly executed by Seller and Maiden Re;
- (vi) the Retrocession Agreement, duly executed by Maiden Re;
- (vii) the Excess Loss Agreement, duly executed by Maiden Holdings, Ltd. and Maiden Re; and
- (viii) the Transition Services Agreement, duly executed by Seller (or any applicable Affiliates) and the Company.

Section 2.5 Withholding. Purchaser shall be entitled to deduct and withhold any Taxes required by Law to be deducted or withheld from any payments to Seller hereunder, provided that, at least three (3) Business Days prior to the making of any such deduction and withholding, Purchaser shall provide written notice to Seller of the amounts subject to deduction and withholding and shall reasonably cooperate with Seller to reduce or eliminate any such deduction and withholding. Any amounts so withheld or deducted shall be remitted to the applicable Tax Authority and treated as paid to Seller for all purposes of this Agreement.

Section 2.6 Closing Purchase Price. No later than five (5) Business Days prior to the anticipated Closing Date, Seller shall deliver to Purchaser (a) an unaudited balance sheet of the Company as of the last day of the month ended at least ten (10) Business Days immediately prior to the Closing Date (the “Estimation Date”), prepared in accordance with the Balance Sheet Rules (the “Estimated Closing Balance Sheet”), (b) Seller’s calculation of the Shareholders’ Equity as of the Estimation Date based on the Estimated Closing Balance Sheet (the “Estimated Closing Shareholders’ Equity”) and (c) the Closing Purchase Price calculated in accordance with the next succeeding sentence and the amount, if any, of any adjustment to the Base Purchase Price resulting therefrom. The Closing Purchase Price will equal the Base Purchase Price, adjusted as follows: (i) if the Estimated Closing Shareholders’ Equity is less than the Target Shareholders’ Equity, the Base Purchase Price shall be reduced dollar for dollar by an amount equal to the amount by which the Target Shareholders’ Equity exceeds the Estimated Closing Shareholders’ Equity; or (ii) if the Estimated Closing Shareholders’ Equity is greater than the Target Shareholders’ Equity, the Base Purchase Price shall be increased dollar for dollar by an amount equal to the amount by which the Estimated Closing Shareholders’ Equity exceeds the Target Shareholders’ Equity.

Section 2.7 Purchase Price Adjustment.

(a) No later than sixty (60) days after the Closing Date, Purchaser shall deliver to Seller (i) an unaudited balance sheet of the Company as of the Closing Date prepared in accordance with the Balance Sheet Rules (the “Closing Date Balance Sheet”), (ii) Purchaser’s calculation of the Shareholders’ Equity as of the Closing Date (the “Closing Date Shareholders’ Equity”) and (iii) the Closing Purchase Price calculated in accordance with Section 2.7(e).

(b) Seller shall have thirty (30) days from the date on which the Closing Date Balance Sheet is delivered to it to review the Closing Date Balance Sheet and the Closing Date Shareholders’ Equity (such period of time, the “Review Period”). The Closing Date Balance Sheet and the Closing Date Shareholders’ Equity shall become final and binding upon the Parties at 5:00 p.m. New York City time on the thirtieth (30th) day of the Review Period unless Seller gives written notice to Purchaser on or prior to such time (such written notice, a “Notice of Disagreement”) stating

that it believes the Closing Date Balance Sheet or the Closing Date Shareholders' Equity contains mathematical errors or was not prepared in accordance with the Balance Sheet Rules. Any Notice of Disagreement shall specify in reasonable detail the nature of any disagreement so asserted. If a Notice of Disagreement is received by Purchaser by the time specified in the immediately preceding sentence, then the Closing Date Balance Sheet and the Closing Date Shareholders' Equity (in each case, as revised in accordance with this sentence) shall become final and binding upon Seller and Purchaser on the earlier of (i) the date Seller and Purchaser resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement or (ii) the date all disputed matters are finally resolved in writing by the Independent Accounting Firm.

(c) During the thirty- (30-) day period following the delivery of a Notice of Disagreement (such period of time, the "Resolution Period"), Seller and Purchaser shall seek in good faith to resolve in writing any differences that they may have with respect to the matters specified in the Notice of Disagreement. In the event that Seller and Purchaser are unable to agree on any item or items specified in the Notice of Disagreement within the Resolution Period, each of Seller and Purchaser shall prepare separate written reports of such unresolved item or items and deliver such reports to the Independent Accounting Firm within fifteen (15) days after the expiration of the Resolution Period. The Parties shall use their respective commercially reasonable efforts to cause the Independent Accounting Firm to, as soon as practicable and in any event within fifteen (15) days after receiving such written reports, determine the manner in which such item or items shall be treated in the Closing Date Balance Sheet or the Closing Date Shareholders' Equity, as the case may be; provided, however, that the dollar amount of each item in dispute shall be determined within the range of dollar amounts proposed by Seller, on the one hand, and Purchaser, on the other hand. The Parties acknowledge and agree that (i) the review by and the determinations of the Independent Accounting Firm shall be limited to, and only to, the unresolved item or items contained in the reports prepared and submitted to the Independent Accounting Firm by Seller and Purchaser and (ii) the determinations by the Independent Accounting Firm shall be based solely on (A) such reports submitted by Seller and Purchaser and the basis for Seller's and Purchaser's respective positions and (B) the Balance Sheet Rules. Seller and Purchaser agree to enter into an engagement letter with the Independent Accounting Firm containing customary terms and conditions for this type of engagement. The Parties shall use their commercially reasonable efforts to cooperate with and provide non-privileged information and documentation, including work papers, as the Independent Accounting Firm reasonably requests. Any such information or documentation provided by any Party to the Independent Accounting Firm shall be concurrently delivered to the other Party subject, in the case of the Independent Accounting Firm's work papers, to such other Party entering into a customary release agreement with respect thereto. None of the Parties shall disclose to the Independent Accounting Firm, and the Independent Accounting Firm shall not consider for any purpose, any settlement discussions or settlement offers made by any of the Parties with respect to any objection under this Section 2.7. The determinations by the Independent Accounting Firm as to the item or items in dispute shall be in writing and shall be final, binding and conclusive, absent manifest error, for all purposes of determining the Purchase Price and shall have the same effect for all purposes as if such determinations had been embodied in a final judgment, entered by a court of competent jurisdiction, and either Party may petition the Delaware Courts to reduce such decision to judgment. The fees, costs and expenses of retaining the Independent Accounting Firm shall be borne by the non-prevailing Party. For purposes of the foregoing, the prevailing Party shall be deemed to be the Party that proposed the position closest in absolute dollar amount to the determination reached by the Independent Accounting Firm. Following the resolution of all disputed items (or if there is no dispute, promptly following the thirtieth (30th) day of the Review Period), Purchaser shall revise the Closing Date Balance Sheet or the Closing Date Shareholders' Equity, as the case may be, to reflect the resolution of any disputed items (as so revised, or the Closing Date Balance Sheet delivered by Purchaser without revision if no Notice of Disagreement is timely received, the "Final Closing Date Balance Sheet") and shall deliver a copy thereof to Seller. The Shareholders' Equity as of the Closing Date and giving effect to the Closing reflected in such Final Closing Date Balance Sheet shall be referred to as the "Final Closing Shareholders' Equity".

(d) Each of Seller and Purchaser shall use commercially reasonable efforts to provide promptly to the other Party all non-privileged information as such other Party may reasonably request in connection with such other Party's review of the Closing Date Balance Sheet, the Closing Date Shareholders' Equity or the Notice of Disagreement, as the case may be, including all work papers of the accountants who audited, compiled or reviewed the Closing Date Balance Sheet,

the Closing Date Shareholders' Equity or the Notice of Disagreement (subject to, in the case of third-party accountants, the relevant Party entering into a customary release agreement on terms acceptable to the accountant), and shall otherwise cooperate in good faith with such other Party to arrive at a final resolution of the Closing Date Balance Sheet and the Closing Date Shareholders' Equity.

(e) Effective upon the end of the Review Period (if a Notice of Disagreement is not timely received), or upon the resolution of all matters set forth in the Notice of Disagreement either by mutual agreement of the Parties or by the Independent Accounting Firm, the Closing Purchase Price shall be subject to adjustment as follows: (i) if the Final Closing Shareholders' Equity is less than the Estimated Closing Shareholders' Equity, the Closing Purchase

Price shall be reduced dollar for dollar by an amount equal to the amount by which the Estimated Closing Shareholders' Equity exceeds the Final Closing Shareholders' Equity, which amount shall be paid by Seller to Purchaser in accordance with the provisions of this Section 2.7(e); and (ii) if the Final Closing Shareholders' Equity is greater than the Estimated Closing Shareholders' Equity, the Closing Purchase Price shall be increased dollar for dollar by an amount equal to the amount by which the Final Closing Shareholders' Equity exceeds the Estimated Closing Shareholders' Equity, which amount shall be paid by Purchaser to Seller in accordance with the provisions of this Section 2.7(e). With respect to the adjustment to the Closing Purchase Price, if any, (A) in the case of clause (i) of this Section 2.7(e), Seller shall pay by wire transfer of immediately available funds, within ten (10) Business Days following the delivery of the Final Closing Date Balance Sheet, the amount of such adjustment together with interest thereon at the Prime Rate as in effect on the date of payment, calculated on the basis of the actual number of days elapsed divided by 365, from the Closing Date to the date of payment, to an account or accounts designated by Purchaser in writing, and (B) in the case of clause (ii) of this Section 2.7(e), Purchaser shall pay by wire transfer of immediately available funds, within ten (10) Business Days following the delivery of the Final Closing Date Balance Sheet, the amount of such adjustment together with interest thereon at the Prime Rate as in effect on the date of payment, calculated on the basis of the actual number of days elapsed divided by 365, from the Closing Date to the date of payment, to an account or accounts designated by Seller in writing. The Parties agree that any payments made pursuant to this Section 2.7(e) shall be treated for all Tax purposes as an adjustment to the Closing Purchase Price unless otherwise required by Law.

(f) Purchaser's right to indemnification pursuant to Article VII shall not be deemed to limit, supersede or otherwise affect, or be limited, superseded or otherwise affected by, Purchaser's rights under this Section 2.7, except to the extent such Loss is expressly taken into account or included in the calculation of the Final Closing Date Balance Sheet.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as disclosed in the disclosure schedules delivered by Seller to Purchaser (the "Seller Disclosure Schedule") simultaneously with the execution of this Agreement (it being acknowledged and agreed that disclosure of any item in any section of the Seller Disclosure Schedule shall be deemed to be disclosed with respect to any other section of the Seller Disclosure Schedule to the extent the relevance of such item to such other section is reasonably apparent), Seller hereby represents and warrants to Purchaser, as of the date hereof and as of the Closing Date, as follows:

Section 3.1 Organization and Qualification of Seller. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, license, use, lease and operate its assets, properties and rights and to carry on its business as it is now being conducted.

Section 3.2 Authority; Non-Contravention; Approvals.

(a) Each of Seller and Maiden Re has all requisite corporate power and authority to execute and deliver the Transaction Agreements to which it is a party and to perform its respective obligations and the transactions contemplated by the Transaction Agreements to which it is a party. The execution and delivery of the Transaction Agreements to which each of Seller and Maiden Re is a party and the performance by each of Seller and Maiden Re of its respective obligations and the transactions contemplated by the Transaction Agreements to which it is a party have been approved by its board of directors, and no other corporate or other proceedings on the part of either Seller or Maiden Re are necessary to authorize the execution and delivery of the Transaction Agreements to which it is a party, and the performance by each of Seller and Maiden Re of its respective obligations and the transactions contemplated by the Transaction Agreements to which it is a party. This Agreement has been duly executed and delivered by Seller, and on the Closing Date each of the other Transaction Agreements to which each of Seller and Maiden Re is a party will be, duly executed and delivered by Seller or Maiden Re, as applicable, and, assuming the due authorization, execution and delivery by each of the other parties to each of the Transaction Agreements, constitutes a legal, valid and binding obligation of Seller or Maiden Re, as applicable, enforceable against Seller or Maiden Re, as applicable, in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally or by general equitable principles.

(b) The execution and delivery by each of Seller and Maiden Re of the Transaction Agreements to which it is a party and the performance by it of its respective obligations and the transactions contemplated by the Transaction Agreements to which it is a party will not (i) conflict with or result in a breach of any provision of the certificate of incorporation or bylaws (or similar organizational documents) of Seller, Maiden Re or the Company, (ii) except as set forth in Section 3.2(b) of the Seller Disclosure Schedule, require any consent of or other action by any Person under, result in a violation or breach of or constitute a default (or an event which, with or without notice or lapse of time or both, would constitute a default) under, result in the creation or imposition of an Encumbrance (other than a Permitted Encumbrance) upon any property, assets or rights of Seller, Maiden Re or the Company pursuant to, or result in the termination, cancellation, acceleration or other change of any right or obligation or the loss of any benefit under, any Contract to which Seller, Maiden Re or the Company is now a party or by which any of their respective properties, assets or rights are bound or any Permit affecting the assets or business of the Company or (iii) violate any Law applicable to Seller, Maiden Re or the Company or any of their respective assets other than, in the case of clauses (ii) and (iii) above, as have not had, and would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect.

(c) Except as set forth in Section 3.2(c) of the Seller Disclosure Schedule, no declaration, filing or registration with, or notice to, or authorization, consent, order or approval of, any Governmental Authority or other Person is required to be obtained or made in connection with or as a result of the execution and delivery and performance of this Agreement or any other Transaction Agreement to which Seller or Maiden Re is a party or the consummation by Seller, Maiden Re or the Company of the transactions contemplated by the Transaction Agreements.

Section 3.3 Capital Stock of the Company.

(a) The authorized capital stock of the Company consists of 20,000 shares of common stock, of which only the Shares are issued and outstanding. Seller is the record and beneficial owner of the Shares and owns the Shares free and clear of all Encumbrances, except for any Encumbrances created by the Transaction Agreements. Upon the delivery of the Shares by Seller to Purchaser in the manner contemplated under Article II, and the payment by Purchaser of the Purchase Price to Seller, Purchaser will acquire the beneficial and sole and exclusive legal title to the Shares, free and clear of all Encumbrances, except for Encumbrances created or incurred by Purchaser or its Affiliates. All of the Shares have been duly authorized, validly issued, fully paid and are non-assessable, were offered, issued and sold in compliance with all applicable Laws, were not issued in violation of and are free of any preemptive rights, rights of first refusal or similar restrictions. There are no: (i) outstanding securities convertible into or exchangeable for equity interests of the Company; (ii) options, warrants, calls, subscriptions or other rights, agreements or commitments obligating the Company to issue, transfer, purchase or sell any equity interests of the Company; (iii) voting trusts, proxies or other agreements or understandings to which the Company is a party or by which the Company is bound with respect to the voting, transfer or other disposition of equity interests of the Company or (iv) contractual obligations or commitments of any character restricting the transfer of, or requiring the registration for sale of any shares of capital stock of or other voting or equity interests of the Company.

(b) The Company does not directly or indirectly own any equity interest (nor has it agreed to acquire any such interest) in any other Person, except for investment assets held in the ordinary course of business that do not constitute an interest of more than 5% of the total equity interests in any such Person. The Company does not have any right to control or manage any other Person.

(c) The Company has no outstanding indebtedness for borrowed money, and there are no outstanding guarantees by the Company of indebtedness for borrowed money of any other Person. The Company has no outstanding bonds, debentures, notes or, other than as referred to in this Section 3.3, other securities, the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the stockholders of the Company on any matter.

Section 3.4 Corporate Organization of the Company. The Company is duly organized, validly existing and in good standing under the laws of Missouri and has all necessary corporate power and authority to carry on its business as now being conducted and to own, use, lease and license its properties, assets and rights. The Company is duly qualified, licensed or admitted to do business and in good standing in every jurisdiction in which such qualification, licensing or admission is necessary because of the nature of the property owned, leased or operated by it or the nature

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of the business conducted by it other than as have not had, and would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect. Seller has made available to Purchaser true, complete and correct copies of the certificate of incorporation, by-laws, corporate minute books and stock ledgers of the Company as currently in effect, and the Company is not in violation of any provision of such documents. At the Closing, all such documents

will be in the possession of the Company or included in the Books and Records delivered or otherwise made available to Purchaser pursuant to the Transition Services Agreement or otherwise following the Closing.

Section 3.5 Taxes. Except as set forth in Section 3.5 of the Seller Disclosure Schedule:

(a) All income and other material Tax Returns required to be filed by, or on behalf of or with respect to, the Company have been duly and timely filed and are complete and correct in all material respects. All income and other material amounts of Taxes that have become due, whether or not shown as due on such Tax Returns, have been duly and timely paid. The Company has made all material withholdings of Taxes required to be made under all applicable United States, foreign, state and local Tax Law and regulations, and such withholdings have either been duly and timely paid to the proper Tax Authority or set aside in accounts for such purpose, or accrued, reserved against and entered upon the books of the Company.

(b) No written notices with respect to asserted or assessed deficiencies for any Tax have been received by the Company for any Tax periods that are unresolved as of the Closing Date, and no Tax Authority has threatened in writing to assert any such deficiencies. There is no audit, examination or investigation by any Tax Authority presently pending or, to the Knowledge of Seller, threatened with respect to the Company, and the Company is not a party to any action or proceeding by any Tax Authority or any judicial or administrative proceedings with respect to Taxes, nor has any such event been asserted or threatened in writing, and the Company is not currently pursuing an appeal of any Tax imposed against it.

(c) Seller has furnished or made available to Purchaser true, complete and correct copies of all income and other material Tax Returns filed by the Company and requested by Purchaser in writing for which the statute of limitations on assessment has not expired.

(d) Other than with respect to the affiliated group of which Seller is the parent, the Company (i) has not been a member of an affiliated, consolidated, combined or unitary group for purposes of filing Tax Returns or paying Taxes and (ii) does not have any liability for th