

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
EXPLANATORY STATEMENT IN RELATION TO A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT (2021 REVISION)

BETWEEN

ATLAS FINANCIAL HOLDINGS, INC.

(an exempted limited liability company incorporated in the Cayman Islands having its registered office at SIX, 2nd Floor, Cricket Square, PO Box 2681, Grand Cayman, KY1-1111 Cayman Islands)

AND

THE SCHEME CREDITORS (AS DEFINED IN THIS EXPLANATORY STATEMENT)
IN THE GRAND COURT OF THE CAYMAN ISLANDS UNDER SECTION 86 OF
THE COMPANIES ACT (2021 REVISION)

26 January 2022

This document comprises an explanatory statement in relation to a scheme of arrangement (the "**Scheme**") proposed by Atlas Financial Holdings, Inc. (the "**Issuer**", the "**Company**" or "**Atlas**") pursuant to section 86 of the Companies Act (2021 Revision) of the Cayman Islands (the "**Explanatory Statement**"). Terms used and not defined in this Explanatory Statement shall have the meanings ascribed to them in the Indenture or Appendix I hereof, as applicable.

This document is being sent to Persons who it is believed are or may be a Scheme Creditor in respect of the Scheme at the date of this Explanatory Statement. If you have assigned, sold, or otherwise transferred, or assign, sell or otherwise transfer, your interests as a Scheme Creditor before the Voting Record Date you must immediately forward this Explanatory Statement and the accompanying documents or correspondence to the Person or Persons to whom you have assigned, sold or otherwise transferred, or assign, sell or otherwise transfer, your interests as a Scheme Creditor.

Issuer has petitioned for the Scheme with the support of the Consenting Noteholders in order to effectively amend the Notes by and through the Second Supplemental Indenture (the notes issued under the Second Supplemental Indenture, the "**New Notes**"). Upon the occurrence of the Restructuring Effective Date (as this term is defined below), the New Notes are expected to be freely transferable pursuant to section 1145 of the U.S. Bankruptcy Code without the need of registration under the Securities Act, *except that* approximately 20.6% of the aggregate principal amount of the New Notes held by certain Noteholders that are

affiliates of the Company will be subject to certain restrictions on resale. Such Noteholders may resell their New Notes without registration under the Securities Act by complying with Rule 144, except for the holding period requirement under Rule 144(d). The Issuer intends to register the New Notes held by such affiliate Noteholders as well as certain of its equity securities as soon as it is reasonably practicable.

The Issuer is not licensed to conduct investment business in the Cayman Islands by the Cayman Islands Monetary Authority and this Explanatory Statement does not constitute an offer of the New Notes to members of the public, whether by way of sale or subscription, in the Cayman Islands. The New Notes have not been offered or sold, will not be offered or sold and no invitation to subscribe for the New Notes will be made, directly or indirectly, to members of the public in the Cayman Islands.

WARNING: The contents of this Explanatory Statement have not been reviewed by any regulatory authority in the Cayman Islands, in the United States or in any other jurisdiction. Neither the Securities and Exchange Commission nor any other Governmental Authority has approved or disapproved of the scheme consideration or determined if this Explanatory Statement is truthful or complete. Any representation to the contrary is a criminal offence.

You are recommended to seek your own independent financial, credit, accounting, legal and/or tax advice immediately from your financial, legal and/or tax advisers regarding the Scheme, the proposed amendments to the terms of the Notes, the cancellation of the Notes, the issuance of the New Notes in exchange for the Notes, the contents of this Explanatory Statement or any other Scheme related document, and what action you should take (or refrain from taking).

This Explanatory Statement is accompanied by a number of documents, including voting instructions as part of the solicitation packet. It is important that you read this Explanatory Statement carefully for information about the Scheme and the Restructuring and that you complete and return a Master Proxy and a Beneficial Ownership Ballot, as applicable, in accordance with the instructions set forth therein.

Further copies of this Explanatory Statement can be retrieved from the following website - <https://www.donlinrecano.com/Clients/afh/Index> or obtained by contacting:

Donlin, Recano & Company, Inc., in its capacity as information agent (the "**Information Agent**") at +1 (212) 771-1128 (ask for Solicitation Team) or DRCVote@DonlinRecano.com (please reference "Atlas" in the subject line).

IMPORTANT NOTICE TO SCHEME CREDITORS

Forward looking statements

This Explanatory Statement contains certain forward-looking statements with respect to the Issuer. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", based on numerous assumptions and assessments made by the Issuer, in consultation with professional advisers, on historical trends, current conditions, expected future developments and other factors which such advisors believe appropriate. By their nature, forward-looking statements involve risk and are inherently uncertainty, and the factors described in the context of such forward looking statements in this Explanatory Statement could cause actual results and developments to differ materially from those expressed in or otherwise implied by such forward looking statements.

Should one or more of these risks or uncertainties materialise or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. The forward-looking events and circumstances discussed in this report may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting Atlas, including risks regarding the effects and duration of the COVID-19 outbreak, the insurance industry, economic factors, and the equity and debt markets generally and the other risk factors discussed in the "Risk Factors" at Section 13 of this Explanatory Statement. Many of these uncertainties and risks are difficult to predict and beyond management's control.

None of the Issuer, the Indenture Trustee, any Noteholder or any Adviser assumes any obligation to update or correct or revise any forward-looking statements contained in this Explanatory Statement to reflect any change of expectations with respect thereto or any change in event, situation or circumstances on which any such forward looking statement was based on actual results, and each such Person expressly disclaims any intention or obligation to take any such action.

Legal, Tax and Financial Advice

Please note that this Explanatory Statement is not intended to be and should not be construed as investment, accounting, financial, legal or tax advice by or on behalf of the Issuer or its directors, officers, agents, attorneys or employees. Scheme Creditors are recommended to consult their own professional advisers as to, investment, accounting, legal, tax, financial or other matters relevant to the action Scheme Creditors should take in relation to the Scheme or the Implications/consequences of those actions.

Explanatory Statement Content

Nothing in this Explanatory Statement or any other document issued with or appended to it should be relied on for any purpose other than to make a decision with respect to the Scheme. In particular and without limitation, nothing in this Explanatory Statement or any other document issued with or appended to it should be relied on in connection with the purchase of any bonds, notes or assets of the Issuer. This Explanatory Statement has been prepared in connection with the proposal in relation to a scheme of arrangement under section 86 of the Companies Act between the Issuer and its Scheme Creditors. Scheme Creditors comprise the Persons with the beneficial interests in the Notes.

The information contained in this Explanatory Statement has been prepared based upon information available as at the date of this Explanatory Statement. All reasonable steps have been taken to ensure that this Explanatory Statement contains the information reasonably necessary to enable the Scheme Creditors to make an informed decision about the effect of the Scheme on them.

Nothing contained in this Explanatory Statement shall be deemed to be a forecast, projection or estimate of the Issuer's future financial performance except where otherwise specifically stated.

Any summary of the principal provisions of the Scheme contained in this Explanatory Statement is qualified in its entirety by reference to the Scheme itself. The Scheme is set out in Appendix II of this Explanatory Statement. Each Scheme Creditor is advised to read and consider carefully the text of the Scheme and in the event of a conflict between the information and terms described in this Explanatory Statement and the Scheme, the terms of the Scheme shall prevail.

Contacts

The Scheme Creditors may contact the Information Agent, as follows:

Information Agent

Address: Donlin, Recano & Company, Inc.
Re: Atlas Financial Holdings, Inc.
P.O. Box 199043, Blythebourne Station
Brooklyn, NY 11219

Attn: Voting Department

Telephone: +1 (212) 771-1128 (ask for Solicitation Team)

Email: DRCVote@DonlinRecano.com (please reference "Atlas" in the subject line)

Website: <https://www.donlinrecano.com/Clients/afh/Index>

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1 SUMMARY OF ACTIONS TO BE TAKEN

Detailed instructions on the actions to be taken by the Scheme Creditors are set out in this Explanatory Statement (including how to cast a vote) and are summarised below.

- 1.1 Read this Explanatory Statement as a whole, in conjunction with the documents that accompany it.
- 1.2 You are a Scheme Creditor if you hold a beneficial interest in the Notes.
- 1.3 If you are a Scheme Creditor and you wish to vote at the Scheme Meeting, you should liaise with your Account Holder in respect of completing a Beneficial Ownership Ballot in accordance with the instructions therein.
- 1.4 Validly completed Beneficial Ownership Ballots should be returned to Account Holders in accordance with the Account Holders' instructions as soon as possible and, in any event, so as to enable the Account Holders to prepare and submit their Master Proxies (so they are received by the Information Agent) by the Vote Submission Deadline.
- 1.5 Alternatively, if you are a Scheme Creditor and wish to attend and vote at the Scheme Meeting, you must attend the Scheme Meeting *in person* (or, if a firm, partnership, company, corporation, unincorporated body of persons, state or state agency, by a duly authorized representative) by following further instructions as set forth in the "Letter from the Issuer" annexed hereto.
- 1.6 If you are a Consenting Noteholder, you should cast your vote through the Information Agent as a proxy duly appointed by you pursuant to the Restructuring Support Agreement (not through your Account Holder).
- 1.7 Before the Scheme can become effective and binding on the Issuer and the Scheme Creditors, a resolution to approve it must be passed by the Scheme Creditors at the Scheme Meeting by the statutory majority required by section 86 of the Companies Act. This statutory majority is both a majority in number and 75% in value of the Scheme Creditors, who, being so entitled, are present in person (or, if a firm, partnership, company, corporation, unincorporated body of persons, state or state agency, by a duly authorised representative present in person) or by proxy and vote at the Scheme Meeting.
- 1.8 The Cayman Court has ordered that the Scheme Meeting be held on 21 February 2022, at 10:00am (EST). Zoom links will be made available, allowing Scheme Creditors to observe the Scheme Meeting and to ask questions (but not to cast their vote).
- 1.9 It is important that as many votes as possible are cast at the Scheme Meeting so that the Cayman Court may be satisfied that there is a fair and reasonable

representation of the opinion of the Scheme Creditors. You are therefore strongly urged to sign and return your Beneficial Ownership Ballot as soon as possible and, in any event, ensure that your Account Holder has ample time to complete its Master Proxy based, in part, on your vote and submit it to the Information Agent, so it is received by the Information Agent before the Vote Submission Deadline.

- 1.10 The completion and return of a Beneficial Ownership Ballot will not prevent you from attending and voting in person at the Scheme Meeting or any adjournment thereof, if you so wish, if you can establish to the Chairman's satisfaction your identity and entitlement to vote at the Scheme Meeting and you follow the procedures set out in Section 11.
- 1.11 Scheme Creditors are encouraged to complete and return their Beneficial Ownership Ballot to their Account Holders whether or not they intend to be present at the Scheme Meeting.
- 1.12 There is a single class of creditors in respect of the Scheme comprising holders of a beneficial interest in the Notes.
- 1.13 If you are in any doubt as to what action you should take in connection with this Explanatory Statement, the proposals contained in it or the documents that accompany it, you are recommended to seek your own personal legal or financial advice immediately from your stockbroker, bank manager, attorney, accountant or other independent financial adviser.

2 EXPECTED TIMETABLE OF PRINCIPAL EVENTS

These times and dates are indicative only and will depend on, amongst other things, the date of the Sanction Hearing.

TIMETABLE

Event	Time and date
Dispatch of Scheme Documentation	26 January 2022.
Voting Record Date	4:00pm (EST) on 15 February 2022.
Vote Submission Deadline	4:00pm (EST) on 18 February 2022.
Scheme Meeting	10:00am (EST) on 21 February 2022.
The Scheme Meeting will be held at the offices of Conyers, Dill & Pearman LLP, Six, 2 nd Floor, Cricket Square, Grand Cayman, Cayman Islands with the	

available satellite meeting office at the offices of DLA Piper LLP (US), 1251 6th Ave, New York, NY 10020.

Scheme Creditors may observe the Scheme Meeting via Zoom, by requesting a meeting link forty-eight (48) hours prior to the scheduled Scheme Meeting by emailing atlas@conyers.com, allowing Scheme Creditors to observe the Scheme Meeting and to ask questions (but not to cast their vote).

Commence Proceedings	Chapter 15	As soon as possible after Scheme Meeting.
Sanction Hearing		10:00am (EST) on 25 February 2022.
Lodgment Date		As soon as reasonably possible after the Sanction Hearing.
Chapter 15 Hearing		As soon as reasonably possible after receipt of the Sanction Order.
Chapter 15 Order Date		As soon as reasonably possible after receipt of the Sanction Order.
Restructuring Effective Date		As soon as reasonably possible after the Lodgment Date once each of the Scheme Conditions have been satisfied or waived.
Longstop Date		1 March 2022 unless otherwise extended as set forth below

Important notes to timetable:

The dates in the timetable and those mentioned throughout this Explanatory Statement assume that none of the court hearings or the Scheme Meeting are adjourned, delayed or appealed.

Instructions about actions to be taken by the Scheme Creditors before the Scheme Meeting are set out in (Section 11), along with the guidance note in Appendix IV (*Voting Documents*) to this Explanatory Statement.

3 LETTER FROM THE ISSUER

26 January 2022

Dear Scheme Creditors

Introduction

This letter (“Letter”) is part of the Explanatory Statement distributed to you for the reasons set out below. In considering the scheme of arrangement (the “Scheme”) described below, you should not solely rely only on this Letter but you should also consider the more detailed information contained in the remainder of the Explanatory Statement.

Purpose of this Explanatory Statement

This Explanatory Statement, which is provided pursuant to section 86 of the Companies Act (2021 Revision) (the “Companies Act”) is distributed for the purpose of providing you with sufficient information to make an informed decision on whether or not to approve the Scheme. An explanation of the reasons for the proposed Scheme (which is to be voted on at a Scheme meeting of the Scheme Creditors commencing at 10.00am (EST) on 21 February 2022) is included below as part of this Letter.

This document also explains why the Company considers the proposed Scheme to be in the interest of those with an economic interest in the Company, including the Scheme Creditors.

Background and reason for the Scheme

The Company is a Cayman Islands incorporated and registered entity. The Company is a holding company in the commercial automobile insurance sector in the United States, with a niche market orientation and focus on insurance for the “light” commercial automobile sector including taxi cabs, non-emergency paratransit, limousine/livery and business auto. The Company’s business is carried on through a number of subsidiaries based on decades of experience with a commitment to being an industry leader in these particularly specialized areas of insurance. As previously announced, in 2019, the Company implemented a strategic re-positioning following challenges related to its regulated insurance company subsidiaries. The current focus of our business is operating as a technology- and analytics-driven managing general agency.

In April 2017 the Company offered and issued \$25,000,000 in aggregate nominal principal amount of 6.625% senior unsecured notes due 2022 (the “Notes”) pursuant to the terms of an indenture dated 26 April 2017, as amended by a first supplemental indenture dated 26 April 2017 (as so supplemented, the “Indenture”). As of the date of the Letter, \$25,000,000 plus accrued but unpaid interest is currently outstanding under the terms of the Indenture. The Notes are unsecured.

The proceeds received from the issuance of the Notes (together with cash already held by the Group) was used to repay \$19.4 million in outstanding indebtedness under its secured credit facility (which was subsequently terminated), make repurchases of common stock, support organic growth, and to make potential acquisitions, as well as for general corporate purposes.

The lasting impact of COVID-19 on the Company's target market was significant. Of the Company's customer segments, non-emergency paratransit was least impacted given the volume of essential rides these operators provide but was still down approximately 30%. Taxi and livery were down 90% or more for much of the pandemic in virtually all major areas of the United States.

The Restructuring

In light of the lasting impact of the COVID-19 pandemic that substantially exacerbated the Company's liquidity constraints (which were already being challenged) prior to COVID-19, the directors of the Company have determined that the Company will not be able to repay principal amounts due under the Notes in April 2022 at their stated maturity. After carefully considering various alternatives, the directors, upon consultations with the Company's professionals, ultimately determined that the transaction contemplated in this Letter is the only feasible alternative that would be value accretive to the Noteholders. Therefore, the main purpose of the Scheme is to defer the obligation of the Company to repay the amounts due on the Notes upon their stated maturity and to provide the Company with the additional financial flexibility by enabling it to "PIK" the quarterly interest payments accrued during any interest period ending on or prior to April 27, 2024, which the Company believes will enable it to bridge to a normalized, post-COVID-19 business environment. In the event that the Scheme is not implemented, the Company will, in all likelihood, enter a liquidation process, which would be value-destructive for all stakeholders. The directors of the Company consider that the Scheme Creditors would likely receive no return on account of their respective Notes should the Company be forced to commence a liquidation process in the absence of the approval of the Scheme.

The material terms of the Scheme are as follows:

- The New Notes would be issued in exchange for the cancellation of the Notes and otherwise on the terms and conditions set forth in the Second Supplemental Indenture pursuant to the Chapter 15 Order;
- The terms of the Notes would effectively be amended by the Second Supplemental Indenture;
- The New Notes would be due April 27, 2027;
- The New Notes would be unsecured (consistent with the Notes);
- Par value of the New Notes will be identical to the existing Notes, being US\$25.00 per note;
- The accrued but unpaid interest on the Notes as at the date the New Notes are issued will be added onto the principal of the New Notes.
- The interest rate on the New Notes would be either the same at 6.625% if paid in cash or 7.25% if paid in kind (at the Company's option, which option the Company shall have for any interest payments due for the period up to two years after the date of issuance of the New Notes);

- The New Notes are to be redeemable at the Company's election after 3 years at par value plus accrued but unpaid interest without penalty.

Scheme Conditions

The Restructuring shall only become effective and legally binding on the Company and the Scheme Creditors, in accordance with its terms, following the occurrence of the last event specified below:

- A copy of the Sanction Order sealed by the Cayman Court in respect of the Scheme being delivered to the Registrar of Companies;
- A Second Supplemental Indenture providing for the issuance of the New Notes (in exchange for the cancellation of the Notes) being executed and held in escrow; and
- The U.S. Bankruptcy Court entering the Chapter 15 Order (or orders) recognising and enforcing the Scheme.

Whose rights will be altered by the Scheme?

Each person with a beneficial interest in the principal of the Notes will be a Scheme Creditor for the purposes of the Scheme. No other person(s) shall be a Scheme Creditor, or otherwise have their rights against the Company affected by the Scheme.

What happens if the Scheme does not become effective?

The Company believes that if the Scheme does not become effective, it will not be able to make payment upon the stated maturity of the Notes. As a consequence, it is likely that the Company would have to commence a formal liquidation process, which would destroy the enterprise value of the Company and result in a significantly lesser return, if any, for each of the Scheme Creditors.

The officeholders and the effects of the Scheme on their interests

The Director's interests are not affected by the Scheme.

Action to be taken

If you are a Scheme Creditor, we urge you to complete, sign in wet-ink and return the original signed version of your Beneficial Ownership Ballot to your Account Holder as soon as possible, and in any event so that the Account Holder may complete and dispatch to the Information Agent its Master Proxy (so it is actually received by the Information Agent) by the Vote Submission Deadline, which is 4.00pm (EST) on 18 February 2022.

The Account Holders are directed to submit their completed and wet-ink signed Master Proxies, to the Information Agent (please reference "Atlas" in the subject line by post to the Information Agent at: Donlin, Recano & Company, Inc. (Voting Team) Re: Atlas Financial Holdings, Inc., P.O. Box 199043, Blythebourne Station, Brooklyn, NY 11219). **Do not**, for any reason, deliver your Master Proxy and/or the Beneficial Ownership Ballots to the Indenture Trustee or to any other person other than your Account Holder or the Information Agent, as applicable.

Although following the above-mentioned procedure is strongly encouraged, failure to submit the Beneficial Ownership Ballot before the deadline will not preclude a Scheme Creditor or its proxy from voting *in person* at the Scheme Meeting, provided that the Scheme Creditor attends the Scheme Meeting in person at the specified time and is able to establish his identity and entitlement to vote at the Scheme Meeting per the below procedures.

If you are a Scheme Creditor and wish to attend and vote at the Scheme Meeting, you must attend the Scheme Meeting *in person* (or, if a firm, partnership, company, corporation, unincorporated body of persons, state or state agency, by a duly authorized representative) held at the following address:

Offices of Conyers Dill & Pearman LLP
SIX, 2nd Floor, Cricket Square, 171 Elgin Ave
George Town, Grand Cayman
Cayman Islands

Given the current traveling restrictions and health considerations associated with the ongoing COVID-19 pandemic, the Scheme Creditors may choose to attend the Scheme Meeting via video conferencing to be hosted at the following address in the United States:

Offices of DLA Piper LLP (US)
1251 6th Ave
New York, New York 10020
United States

If you are a Scheme Creditor and wish to attend and vote at the Scheme Meeting in person, you must (i) arrive at one of the locations set forth above one (1) hour before the official start of the Scheme Meeting, (ii) provide satisfactory proof of beneficial ownership of the Notes in the form of a certified copy of your agreement with the Account Holder and a certified copy of the electronic ledger reflecting your beneficial ownership of the Notes, and (iii) provide a written undertaking to the effect that you have not previously cast a Beneficial Ownership Ballot to your Account Holder (a copy of the written undertaking will be provided to you for signing at the Scheme Meeting).

If you intend to change the vote that you previously cast by submitting your Beneficial Ownership Ballot to your Account Holder, you must (i) arrive at one of the locations set forth above one (1) hour before the official start of the Scheme Meeting, (ii) provide satisfactory proof of beneficial ownership of the Notes in the form of a certified copy of your agreement with the Account Holder and a certified copy of the electronic ledger reflecting your beneficial ownership of the Notes, (iii) provide a certified copy of the original Beneficial Ownership Ballot submitted to your Account Holder, and (iv) sign a written undertaking to the effect that you have notified your Account Holder of your change of position and revoke the prior vote which was to be cast by proxy (a copy of the written undertaking will be provided to you for signing at the Scheme Meeting).

If you wish to *observe* the Scheme Meeting you may join via Zoom, in which case you must request a meeting link forty-eight (48) hours prior to the scheduled Scheme Meeting by emailing atlas@conyers.com.

If you are a Consenting Noteholder, you should cast your vote through the Information Agent as a proxy duly appointed by you pursuant to the Restructuring Support Agreement.

Recommendation

The directors of the Company consider that the Scheme is necessary to ensure the maximum possible return to the Scheme Creditors. The directors of the Company believe that the Scheme is in the best interests of the Scheme Creditors, and Scheme Creditors are encouraged to support the Scheme and vote in favour of the Restructure.

Yours sincerely

Scott Wollney

(President & CEO of Atlas Financial Holdings, Inc.)

4 OVERVIEW OF THE ISSUER

Overview

- 4.1 We are a technology and analytics-driven financial services holding company incorporated under the laws of the Cayman Islands. Our primary business is generating, underwriting and servicing commercial automobile insurance policies in the United States, with a niche market orientation and focus on insurance for the “light” commercial automobile sector.
- 4.2 Our business currently focuses on a managing general agency (“**MGA**”) strategy. Primarily through our wholly owned subsidiary, Anchor Group Management, Inc. (“**AGMI**”), we are focused on maintaining and recapturing business we have historically written in the taxi, livery/limo, paratransit and transportation network company sectors as well as generating new business that fits our current underwriting parameters. We are also actively pursuing additional programs in the “light” commercial auto space where we believe our expertise, infrastructure and insurance technology will enable us to increase scale and profitability, but there can be no assurance that these programs will materialize. We believe that the specialized infrastructure and technology platforms we have developed over the years to support our traditional business will enable us to provide comparative advantages as a managing general agency in other commercial auto segments. In particular, we believe our ability to efficiently manage large numbers of small or highly transactional accounts through our technology platform and workflows is a differentiator. We are also evaluating opportunities to re-launch our optOn insuretech platform, which was developed to provide micro-duration commercial automobile insurance for gig-economy drivers via a proprietary mobile app-based ecosystem should an appropriately capitalized and interested risk taking partner be identified following the conclusion of the Scheme. Re-launching optOn as a business will likely require additional outside investment capital.
- 4.3 Our principal executive offices are located at 953 American Lane, 3rd Floor Schaumburg, IL 60173 and our telephone number is +1 847 472 6700.

Market

- 4.4 The sector on which we traditionally focused included taxi cabs, non-emergency paratransit, limousine, livery, including certain full-time transportation network company (“**TNC**”) drivers/operators, and business auto. Our goal is to always be a preferred specialty transportation related insurance business that delivers benefit to all stakeholders by leveraging technology, analytics, expertise, partnerships and capital resources. AGMI distributes our products through a network of independent retail agents and actively wrote insurance in 29 US States and the District of Columbia during 2021. We embrace continuous improvement, analytics and technology as a means of building on the strong heritage our subsidiary companies cultivated in the niche markets we serve.

- 4.5 The “light” commercial automobile sector is a subset of the broader commercial automobile insurance industry segment, which over the long term has been historically profitable. In more recent years, the commercial automobile insurance industry has seen profitability pressure. Data compiled by the National Association of Insurance Commissioners indicated that in 2021 the total market for commercial automobile liability insurance was approximately \$45.7 billion. The size of the commercial automobile insurance market can be affected significantly by many factors, such as the underwriting capacity and underwriting criteria of automobile insurance carriers and general economic conditions. Historically, the commercial automobile insurance market has been characterized by periods of excess underwriting capacity and increased price competition followed by periods of reduced underwriting capacity and higher premium rates.
- 4.6 We believe that operators of “light” commercial automobiles may be typically less likely than other business segments within the commercial automobile insurance market to take vehicles out of service, as their businesses and business reputations rely heavily on availability. However, the impact of COVID-19 on our customer based was atypical, with the majority of vehicles being taken out of service for much or all of the pandemic. Our target market has changed in recent years as a result of TNC and other trends related to mobility. The significant expansion of TNC has resulted in a reduction in taxi vehicles available to insure; however, it has increased the number of livery operators. Market research also suggests that the combined addressable markets between traditional taxi, livery and TNC companies expanded during this period.

Factors Affecting our Results and Operations

- 4.7 We generate commission revenue from selling insurance policies in the commercial auto markets on behalf of our insurance carrier partners, which compensate us through first year and renewal commissions. We use our proprietary technology and processes to generate and obtain consumer leads and allocate those leads to agents whom we believe are best suited for those consumers. As a result, one of the primary factors affecting our growth is our total number of agents, comprised of both existing core agents and the number of new agents that we contract to sell new policies. We view agents as a critical component of helping consumers through the purchasing process to enable them to identify the most appropriate coverage that suits their needs. Through our years of experience, we have expanded our recruiting efforts and enhanced our training programs, both of which have allowed us to expand our agent force which currently includes more than 420 contracted retail producers. We have also developed proprietary technologies and processes that enable us to expand our lead acquisition efforts to maintain agent productivity.
- 4.8 The amount of revenue we expect to recognize is based on multiple factors, including our commission rates with our insurance carrier partners and the market demand for the types of products we offer. The higher our submission volume and hit ratios on

new policies and the higher our retention ratios on our renewal policies, the more revenue we expect to generate. Additionally, we may earn certain volume and underwriting profit-based compensation from some unrelated risk-taking partners, which can include a renewal rights component. Our goal is to maximize policyholder lifetime value by optimizing efficiency and scale, which starts by providing consumers with a transparent, valuable and best-in-class consumer experience by endeavoring to support our distribution channel effectively and providing insurance solutions that meet the specific needs of our customers.

Recent Events

- 4.9 In early 2019, following material increases to reserves for unpaid losses at the Company, we recognized that the Company would have a difficult time re-capitalizing our wholly owned insurance company subsidiaries and it was determined that winding down these entities and focusing our business operations as an MGA was appropriate. Working with the applicable domestic regulators, AGMI was engaged under a cost sharing arrangement to support the wind down of the insurance subsidiaries via rehabilitation orders and it ultimately sold the stock, charters and state licenses to a third party through liquidation proceedings. Demonstrating the positive view the insurance regulators had on our ability to manage the business, despite the reserve related challenges, AGMI supported the wind down of those insurance companies put into statutory receivership over an approximately eighteen month period while transitioning our business model to that of an MGA. The Company was de-listed from Nasdaq on 2 September 2020.
- 4.10 In March 2020, the World Health Organization formally declared the COVID-19 outbreak a pandemic. With social distancing measures that have been implemented to curtail the spread of the virus, we enacted a robust business continuity plan, including a work-from-home policy for all our employees. We believe our technology platform and pre-existing remote agent capabilities have allowed for a seamless transition to a remote working environment and that our technology platforms continue to provide agents with tools and company contacts necessary to quote our products to our markets.
- 4.11 Despite challenges related to the COVID-19 pandemic, Atlas has continued building a unique specialty brand based on its innovative strategic focus coupled with its long heritage as an insurer of public auto operators. The impact of COVID-19 on our target market was significant. Of customer segments, non-emergency paratransit was least impacted given the volume of essential rides these operators provide but was still down approximately 30%. Taxi and livery were down 90% or more for much of the pandemic in virtually all major areas of the United States.
- 4.12 We reduced the size of our business volume and staffing during 2020 as a measured approach to both 'right-size' the business as part of the transition to its MGA strategy, as well as to manage through COVID-19 pandemic conditions. Our ability to realize opportunities for growth and value creation coming out of a broader post-pandemic

economic recovery will be dependent on our ability to refinance or otherwise satisfy the senior debt obligation maturing in April 2022 as well as other financial liabilities including obligations related to real estate and the anticipated forgiveness of PPP loans. The goal is to successfully transition from the long-standing history as an insurance carrier to a technology and analytics focused MGA with the ability to produce EBITDA growth through strategic relationships with risk taking partners.

- 4.13 Over the past few months, Atlas has continued to see a growth rate in new submissions and policies issued as a result of drivers re-entering the market in response to continued demand from passengers in the public auto and ride-sharing segments. The current in-force business is only approximately 6% of what it was in 2018, and Atlas expects the short-term headwinds of driver shortages to abate over time resulting in a meaningful increase in demand for the insurance products they provide. Monthly quotes received for taxi and livery policies continue to be at the highest level seen since the pandemic began, with second and third quarter submissions and policies issued continuing to exceed prior quarters during the pandemic.
- 4.14 Our current strategy focuses on AGMI's managing general agency operation as the primary go-forward business. During 2019 and 2020, we worked with insurance regulators and advisors to evaluate and take steps intended to achieve the best outcome for stakeholders in connection with our insurance company subsidiaries pursuant to regulatory actions. As a result of management no longer having financial control of these entities, they have been deconsolidated from our results since October 1, 2019 while Global Liberty has been classified as discontinued operations since October 1, 2019 and was placed into liquidation by the New York Department of Financial Services in October 2021.

Competitive Strengths

- 4.15 Our value proposition is driven by our competitive strengths, which include the following:

Focus on niche commercial automobile insurance business. We target niche markets that we believe are under served and will support adequate pricing. We believe that we are able to adapt to changing market needs well in advance of our competitors through our strategic commitment and operating scale. We develop and deliver superior specialty commercial automobile insurance products priced to meet our customers' needs and strive to generate consistent underwriting profit for our insurance subsidiaries. There are a limited number of competitors specializing in these lines of business. Management believes a strong value proposition is very important to attract new business and can result in desirable retention levels as policies renew on an annual basis.

Strong market presence with recognized brands and long-standing distribution relationships. We have a long heritage as insurers of taxi, livery and para-transit

businesses. Our business has a strong brand recognition and long-standing distribution relationships in target markets. Through regular interaction with our independent retail agents, we strive to thoroughly understand each of the markets we serve in order to deliver strategically priced products to attractive market share at the right time. We routinely re-evaluate all markets to assess future potential opportunities and risks. There are also a relatively limited number of agents who specialize in these lines of business. As a result, strategic relationships with independent retail agents are important to ensure efficient distribution.

Sophisticated underwriting and claims handling expertise. Atlas has extensive experience and expertise with respect to our specialty area of insurance. Our well-developed infrastructure includes an extensive data repository, proprietary technologies, deep market knowledge and established market relationships. Analysis of the substantial data available through our operating companies drives our product and pricing decisions. We believe our underwriting expertise provides enhanced risk selection, high quality service to our customers and greater control over costs. These attributes are also valuable to our risk taking partners. We are committed to maintaining this expertise as a core competency as our volume of business increases. In recent years, we invested significantly in the use of predictive analytics to further leverage this heritage. While challenging, the difficulties experienced in recent years also serve as a learning experience which we believe will help enable us to produce more successful results over time as the impact of the COVID-19 pandemic abates.

Scalable operations positioned for growth. Significant progress has been made in aligning our organization's infrastructure cost base to our expected revenue going forward. We believe that AGMI is well-positioned to recapture business lost in recent years and pursue proportionate market share of approximately 20% in all of the markets in which we operate with better than industry level profitability with an efficient operating infrastructure. We are committed to evaluating, and where beneficial, deploy new technologies and analytics to maximize efficiency and scalability.

Directors and Officers

The directors and officers of the Issuer are:

- (a) Mr Scott Wollney (as Chairman, President and CEO);
- (b) Mr Ronald Konezny (Director and Chairman of the Audit Committee);
- (c) Mr Jordan Kupinsky (Director and Chairman of the Compensation Committee);
- (d) Mr Kurt Lageschulte* (Director and Chairman of the Nominating & Corporate Governance Committee);
- (e) Mr Paul Romano (Vice President and Chief Financial Officer); and
- (f) Mr Joseph Shugrue (Chief Operating Officer),

each being care of the Company's business address at 953 American Lane, 3rd Floor, Schaumburg, Illinois.

** As disclosed by the Company on Form 8-K on 1 September 2021, Mr. Lageschulte is the portfolio manager of investment funds which collectively hold significant positions in the Existing Notes, the Company's ordinary shares and are lenders under the Credit Agreement (as defined below). Each of such investment funds is also a party to the Restructuring Support Agreement. Given Mr. Lageschulte's affiliation, he has disclosed such interests to the board and has recused himself from voting on matters concerning the Restructuring.*

5 BACKGROUND TO FINANCIAL DIFFICULTIES

- 5.1 In 2019, the Company recorded a significant increase in liabilities for unpaid insurance claims based on independent actuarial work undertaken on behalf of the Company. This adverse development resulted in a lack of capital required to continue to operate the Company's former insurance company subsidiaries in the normal course. As a result, the Company worked with external professional advisors to undertake a formal strategic evaluation of its businesses. Ultimately, it was determined that refocusing the Company's business around its MGA operation was the best use of infrastructure and other resources.
- 5.2 The COVID-19 pandemic has had serious and far consequences on the profitability of the Company. It is estimated that the pandemic caused a reduction of trips and vehicles in operation by between 30% and 90%. This downturn had a direct impact on the Company's ability to generate new business. As a consequence of the downturn, the Company had no option but to implement cost saving initiatives which included, but were not limited to, two rounds of redundancies.
- 5.3 As a consequence, and as is disclosed in Part 6 of this Explanatory Statement, the Company is currently both cash flow and balance sheet insolvent including the obligations of the current Notes.
- 5.4 On August 26, 2021, an Event of Default (as defined in the Indenture) occurred under the terms of the Notes. The Company did not pay the quarterly interest in the aggregate amount of \$414,062.50 that was due and payable on July 26, 2021 (the "**July Interest Payment**"), and the 30-day grace period provided for such payment under the Indenture expired when the overdue amount was not paid on or before August 25, 2021.
- 5.5 The Notes were issued by the Company under the Indenture in an aggregate nominal principal amount of \$25,000,000 with a 6.625% interest rate and a stated maturity date of April 26, 2022. Interest on the senior unsecured notes is payable quarterly on each Interest Payment Date. The Notes rank senior in right of payment to any of the Company's existing and future indebtedness that is by its terms expressly subordinated or junior in right of payment to the Notes. The Notes rank equally in right of payment to all of the Company's existing and future senior indebtedness but are

effectively subordinated to any secured indebtedness to the extent of the value of the collateral securing such secured indebtedness. In addition, the Notes are structurally subordinated to the indebtedness and other obligations of the Company's subsidiaries, including the insurance subsidiaries.

- 5.6 If the Indenture Trustee or other holders of the Notes exercise any remedies under the Indenture or applicable law, such remedies may have a material adverse effect on the Company's financial condition, cash flows and ability to continue to operate.
- 5.7 Among other remedies, so long as such Event of Default is continuing and is not remedied or waived to the extent permitted by the terms of the Indenture, either the Indenture Trustee or the holders of not less than 25% in aggregate nominal principal amount of the Notes, by notice in writing to the Company (and to the Indenture Trustee if given by Noteholders), may declare the principal of all of the Notes and the interest accrued thereon to be due and payable immediately.
- 5.8 Under the terms of the Indenture, if at any time after the principal of the Notes is declared due and payable, the Company deposits with the Indenture Trustee a sum sufficient to pay all matured interest upon all of the Notes and certain other amounts called for by the Indenture that have become due other than by such declaration (including certain amounts due to the Indenture Trustee under the Indenture) and subject to certain other conditions set forth in the Indenture, the then holders of at least a majority in aggregate principal amount of the outstanding Notes may rescind and annul such declaration and its consequences.
- 5.9 The holders of a majority in aggregate principal amount of the outstanding Notes also have the right under the Indenture to direct the time, method, and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee with respect to the Notes by the Indenture, all of which are subject to certain limitations set forth in the Indenture.
- 5.10 The Company, however, has been in dialogue with certain holders of the Notes that in the aggregate represent the majority of the outstanding Notes (being the Consenting Noteholders accounting for approximately 57% of the face value of the outstanding Notes), and such Consenting Noteholders agreed in executed letters of understanding not to accelerate, enforce, collect or recover, or take any steps to accelerate, enforce, collect or recover, any sum payable under the Indenture or otherwise against the Company (or instruct the Indenture Trustee to take any of such actions), including exercising any default-related rights and/or remedies under the Indenture while negotiating the execution of the Restructuring Support Agreement after the occurrence of any Event of Default arising from non-payment of the July Interest Payment.
- 5.11 The Consenting Noteholders also submitted their respective letters to the Indenture Trustee (and provided copies thereof to the Company) (i) acknowledging to the Indenture Trustee the Consenting Noteholders' individual understanding and support

of the Company's decision not to make the July Interest Payment as a measure to preserve the Company's liquidity while the Company is securing additional financing and otherwise considering the best path forward and (ii) communicating to the Indenture Trustee their agreement to forbear. The Consenting Noteholders have requested that the Indenture Trustee does not, and does not take any action to, accelerate, enforce, collect or recover any sum payable under the Indenture or otherwise against the Company, including exercising any default-related rights and/or remedies under the Indenture while negotiating the execution of the Restructuring Support Agreement. The Consenting Noteholders have also requested that the Indenture Trustee provide prompt notice to the Consenting Noteholders to the extent the Indenture Trustee considers taking any action to the contrary, whether unilaterally or upon instructions from the requisite holders of the Notes, and in any event prior to taking any such actions.

- 5.12 Thereafter, the Consenting Noteholders executed the Restructuring Support Agreement. Each Consenting Noteholder is fully supportive of the proposed Note Exchange and has agreed to work with the Company in good faith, as reflected in the Restructuring Support Agreement.

6 CURRENT FINANCIAL POSITION AND FORECAST

- 6.1 The Company filed its quarterly financial statements for the period ending September 30, 2021 in its Quarterly Report on Form 10-Q filed with the SEC on November 8, 2021 (the "**Quarterly Report**"). Scheme Creditors are reminded that the Quarterly Report is publicly available from the SEC's and the Company's website.
- 6.2 The Company's current financial position and forecast is contained in the Quarterly Report and whilst publicly available, the financial disclosures in the Quarterly Report are (unless otherwise specified) incorporated by reference into this Explanatory Statement.

7 MARKET OUTLOOK

- 7.1 Despite the current financial position of the Company, the directors consider that the future outlook of the business is positive over the longer-term. Historically, the Company's MGA operating unit managed systems, distribution and the bulk of other operating responsibilities related to the insurance company subsidiaries that bore the risk in connection with claims and other policy obligations. This MGA infrastructure was developed over a number of years and we believe the potential value of this operation is significant. The Company is seeking to continue the transition from its long-standing history as an insurance business with an MGA entity writing policies on behalf of wholly owned risk taking insurance carriers to a technology and analytics-focused MGA with an ability to produce significant earnings growth through strategic relationships with third-party risk taking partners. This is exemplified by the substantial growth rate in new policies issued as a result of drivers re-entering the market in response to continued demand from passengers in the public auto (e.g. taxi,

limousine, livery, car service) and ride-sharing market. In the short term, the Company expects driver shortages to abate which we expect will increase demand for insurance products provided by the Company. And, the claim liability reserve issues that created financial challenges for the Company in the past were related to the former risk taking insurance carrier subsidiaries which are no longer part of the Company's infrastructure.

- 7.2 MGA operations are currently valued at approximately 10 to 14 times EBITDA, as illustrated in the chart published by S&P Global Market Intelligence regarding MGA valuations, which is at Appendix VII. While the number of MGA related sale/purchase transactions have been more limited during the COVID-19 pandemic, valuations have remained similar.
- 7.3 On this basis, given sufficient time to recover from the effects of the COVID-19 pandemic and rebuild its business primarily through the recapture of prior customers using existing infrastructure, expertise and distribution channels, the Company believes that enterprise value will be substantially greater than the financial obligations related to the New Notes prior to the new proposed stated maturity date.

8 MATERIAL AGREEMENTS APPLICABLE TO THE SCHEME

Restructuring Support Agreement

- 8.1 On August 31, 2021 the Company entered into the Restructuring Support Agreement which memorializes the agreed-upon terms for a financial restructuring by amending the terms of the Notes, on the terms and conditions set forth in the Term Sheet attached as an exhibit to the Restructuring Support Agreement (the "**Note Restructuring**"). The Restructuring Support Agreement contemplates that the Restructuring will be effectuated through (i) the Scheme; and (ii) the Chapter 15 Proceeding. Under the terms of the Restructuring Support Agreement, the Restructuring is expected to be completed by March 1, 2022 resulting in the Notes being cancelled and New Notes being issued in exchange for the Notes with a five-year extension of the stated maturity, an adjustment to the coupon rate and other agreed modifications. The Company expects that the contemplated restructuring will enable it to satisfy its obligations under the New Notes and create value for stakeholders.
- 8.2 Each Consenting Noteholder is fully supportive of the proposed Note Restructuring and has agreed, as reflected in the Restructuring Support Agreement, to, among other things, (i) work in good faith with the Company and its advisors to implement the Note Restructuring as soon as possible in a manner consistent with the terms of the Restructuring Support Agreement; (ii) support the Note Restructuring and vote and exercise any powers or rights available to it in favor of any matter requiring approval to the extent necessary to implement the Note Restructuring; (iii) not take, direct, encourage, assist or support (or procure that any other person takes, directs, encourages, assist or supports) any action which would, or would reasonably be

expected to, breach or be inconsistent with the Restructuring Support Agreement or the Note Restructuring, or delay, impede, or prevent the implementation or consummation thereof; (iv) oppose any party or person from taking any Restricted Actions (as defined in the Restructuring Support Agreement); (v) negotiate in good faith and use commercially reasonable efforts to execute and implement the Definitive Restructuring Documents (as defined in and consistent with the Restructuring Support Agreement) to which it is required to be a party and coordinate its activities with the other parties (to the extent practicable and subject to the terms of the Restructuring Support Agreement) in respect of all matters concerning the implementation and consummation of the Note Restructuring; and (vi) cooperate with and assist the Company in obtaining additional support for the Note Restructuring from the Company's stakeholders. The Restructuring Support Agreement allows other holders of the Notes to accede to the Restructuring Support Agreement and become Consenting Noteholders.

- 8.3 As noted at section 5.10 above, as at the date of this Explanatory Statement, the number of Consenting Noteholders represent, in aggregate, the majority of the outstanding Notes (being approximately 57% of the face value of the outstanding Notes).
- 8.4 The Restructuring Support Agreement may be terminated upon the occurrence of certain events set forth in the Restructuring Support Agreement, including if the Note Restructuring (through the implementation of the Scheme) is not effectuated by March 1, 2022.
- 8.5 Although the Company intends to pursue the Note Restructuring in accordance with the terms set forth in the Restructuring Support Agreement, there can be no assurance that the Company will be successful in completing a restructuring or any other similar transaction on the terms set forth in the Restructuring Support Agreement, on different terms or at all.

Credit Agreement

- 8.6 On September 1, 2021, the Company and certain of its subsidiaries, as borrowers (collectively, the "**Borrowers**"), entered into a Convertible Senior Secured Delayed-Draw Credit Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**") pursuant to which certain entities associated with a Consenting Noteholder named therein as lenders (the "**Lenders**"), agented by Sheridan Road Partners LLC (in such capacity, the "**Security Agent**"), made available to the Borrowers a term loan facility in the aggregate principal amount of \$3,000,000 (the "**Term Loans**").
- 8.7 The Lenders advanced \$500,000 of the \$2,000,000 Term Loans shortly after closing (subject to the satisfaction by Borrowers of certain funding conditions), and \$1,000,000 million under delayed draws of the Term Loans may be accessed by the Borrowers within 18 months of closing, in each case, subject to the terms and

conditions set forth in the Credit Agreement. The Borrowers can use the proceeds of the Term Loans to fund the Note Restructuring and for payments of certain agreed upon permitted expenditures. Interest will accrue on the funded Term Loans at 12% per annum and may be paid in cash or in kind at the Borrower's option; provided, that upon the occurrence and during the continuance of an event of default under the Term Loans, the interest rate would be increased to 14% per annum and any such interest must be paid in cash by the Borrowers. The term of the term loan facility is 24 months.

- 8.8 As a set-up fee for the term loan facility, 2,750,000 Ordinary Shares were issued to the Lenders upon execution of the Credit Agreement, and up to an additional 2,250,000 Ordinary Shares may be issued in connection with the delayed draws, if utilized. In addition, the outstanding principal balance of the Term Loans can be converted at any time into Ordinary Shares, at the applicable Lender's discretion at a rate of \$0.35 per share, except that paid-in-kind interest included in the amount presented by a Lender for conversion may, at the Borrowers' discretion or converted into Ordinary Shares at the same rate as the principal.
- 8.9 Under the Credit Agreement, the Borrowers have the option at any time to prepay the Term Loans in whole or in part subject to the payment of certain yield protection payments. The Lenders have the right to demand prepayment, along with payment of certain yield protection payments, upon the occurrence of an event of default, change of control, sale of certain assets of the Borrowers, a casualty event, eminent domain, or condemnation, in each case, subject to certain negotiated limitations.
- 8.10 The Credit Agreement requires the Borrowers to comply with customary affirmative and negative covenants, including covenants governing and restricting indebtedness, liens, investments, sales of assets, distributions, and fundamental changes in the Borrowers' organizational structure and line of business and to maintain certain levels of liquidity. The Term Loans are to be secured by substantially all of the assets of certain the Borrowers. Such security has been, or is in the process of being, granted to the Security Agent for the benefit of the Lenders. Upon payment in full of the Term Loans, the Company would have no further obligations to the Security Agent and the Lenders under the Credit Agreement and other related loan documentation other than the obligation to register the Ordinary Shares issued pursuant to the Credit Agreement, and the security interest granted by the Borrowers in favor of the Security Agent, on behalf of the Lenders, would be released.

9 SUMMARY OF SCHEME TERMS

- 9.1 The purpose of the Scheme is to effectively amend the Notes in order to, amongst other things, extend the stated maturity date under the Notes from 2022 to 2027.
- 9.2 The injection of short-term capital through the Credit Agreement will allow the costs associated with the Scheme to be satisfied whilst providing additional working capital.
- 9.3 The Scheme is between the Issuer and the Scheme Creditors and the Petition has

been filed with the Cayman Court. The Indenture Trustee has provided an undertaking to the Cayman Court that it will not take any action, unless directed to do so by the holders of a majority in aggregate principal amount of the Notes, in the period during which the Company seeks relief in the Cayman Islands and the United States in connection with the Scheme.

- 9.4 Pursuant to the terms of the Scheme, the Indenture will be amended and supplemented by the Second Supplemental Indenture to allow:
- (a) the Issuer to cancel the Notes in exchange for the issue of the New Notes on the terms and conditions set forth in the Second Supplemental Indenture;
 - (b) the coupon rate to be kept at 6.625% per annum if paid in cash and 7.25% if paid in kind (at the Company's option, which option the Company shall have for any interest payments due for the period up to two years after the date of issuance of the New Notes);
 - (c) the accrued but unpaid interest on the Notes as at the date the New Notes are issued will be added onto the principal of the New Notes;
 - (d) the maturity date to be extended to April 27, 2027; and
 - (e) the New Notes are to be redeemable at the Issuer's election after 3 years at par value plus accrued but unpaid interest without penalty.
- 9.5 The Scheme contains waivers and releases in favour of the Protected Parties. These waivers and releases will release such parties from any Liability for actions taken in connection with the Restructuring and the Scheme.
- 9.6 In order for the Scheme to become effective it must be:
- (a) approved by the requisite majorities of Scheme Creditors (being a majority in number representing 75% in value of Scheme Creditors present and either voting in person or by proxy at the Scheme Meeting); and
 - (b) sanctioned by the Cayman Court.
- 9.7 Voting Value for the purposes of the Scheme will be calculated at the Voting Record Date.
- 9.8 Following approval of the Scheme by the Scheme Creditors and issue of the Sanction Order and its filing with the Registrar of Companies for registration, the provisions, instructions, authorisations, directions and authorities contained in clause 4 of the Scheme will take effect.
- 9.9 The Restructuring Effective Date will occur on the Business Day which the Issuer gives notice to the Scheme Creditors through the Information Agent Website that the following Scheme Conditions have been satisfied or waived in accordance with the

terms of the Scheme:

- (a) the Sanction Order has been granted and the Scheme Effective Date has occurred;
- (b) the Second Supplemental Indenture has been executed and is held in escrow; and
- (c) the Chapter 15 Order has been entered.

9.10 If the Restructuring Effective Date has not occurred by the Longstop Date, the Issuer may, with the consent of the Requisite Consenting Noteholders, extend the Longstop Date pursuant to the Restructuring Support Agreement. If the Restructuring Effective Date has not occurred by the Longstop Date, as may be extended pursuant to the terms of the Restructuring Support Agreement, any Restructuring Documents held in escrow shall be promptly destroyed and the Scheme and the Second Supplemental Indenture shall be of no further force or effect.

9.11 The Issuer may, at or in connection with the Sanction Hearing upon the consent of the Requisite Consenting Noteholders, implement on behalf of all Scheme Creditors any modification of, or addition to, the Scheme and/or the Restructuring Documents or any terms or conditions that the Cayman Court may think fit to approve or impose. However, if such modifications, additions, terms or conditions could reasonably be expected directly or indirectly to have a material adverse effect on the rights or interests of any Scheme Creditor under the Scheme, then the Issuer shall not seek such modification of, or addition to, the Scheme and/or the Restructuring Documents without the consent of such affected Scheme Creditor.

9.12 The Scheme and any non-contractual obligations arising out of or in connection with the Scheme shall be governed by, and the Scheme shall be construed in accordance with, the laws of the Cayman Islands. The Cayman Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which may arise out of this Explanatory Statement or any provision of the Scheme or its implementation or out of any action taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme.

10 CHAPTER 15

10.1 The Indenture and the rights of the Scheme Creditors thereunder are governed by New York law and specifically the Trust Indenture Act of 1939 (the “TIA”), which requires that each Noteholder must consent to the extension of the maturity date and waiver of any default interest to effectuate any such amendment. Once the Scheme is approved by the requisite majorities in number and value of the outstanding Notes at the Scheme Meeting and is thereafter sanctioned by the Cayman Court, becoming legally binding and effective, it will bind all Scheme Creditors, including those Scheme Creditors who voted in favour of the Scheme, those Scheme Creditors who voted against it, and those Scheme Creditors who did not vote at all. However, the Scheme

Creditors who did not affirmatively consent to the contemplated amendments to the Note will not be bound by the Scheme within the territorial jurisdiction of the United States, being the jurisdiction where the Scheme Creditors would be entitled to enforce their respective rights under the Indenture and the TIA. Accordingly, it is a condition precedent to the Restructuring Effective Date (which condition may be waived by the written agreement of the Company and the Requisite Consenting Noteholders) that the Chapter 15 Order has been entered, recognizing and enforcing the Scheme and the cancellation of the Notes and issuance of the New Notes, as against each and every Noteholder within the territorial jurisdiction of the United States.

10.2 Therefore, in order to ensure that the Restructuring is effectively implemented in accordance with the law governing the Notes, the Issuer will seek entry of the Chapter 15 Order. Accordingly, the Issuer has sought an order that it be appointed as foreign representative (for the purposes of the U.S. Bankruptcy Code) in order to:

- (a) commence the Chapter 15 Proceeding for the purposes of seeking recognition and enforcement of the contemplated Scheme;
- (b) obtain the Chapter 15 Order, confirming that the Scheme and the variations to the rights of Scheme Creditors thereunder will be enforced within the territorial jurisdiction of the United States; and
- (c) obtain the additional assistance from the U.S. Bankruptcy Court in the form of the application of section 1145 of the Bankruptcy Code to the New Notes to the fullest extent permitted by applicable law so as to render the New Notes freely transferable, except with respect to those held by any affiliate of the Company or “underwriter” as defined in section 1145(b) of the U.S. Bankruptcy Code in which case the New Notes so held will be subject to certain restrictions under the Securities Act.

10.3 It is proposed that the application commencing the Chapter 15 Proceeding be filed shortly after the Scheme Meeting, provided the requisite statutory voting thresholds have been met under the Companies Act, the Chapter 15 Hearing taking place shortly after the sanctioning of the Scheme by the Cayman Court.

11 MECHANICS OF SCHEME PROCESS

Timing

11.1 A high level of summary of the timing for the implementation of the Scheme and the completion of the proposed amendments to the Indenture is set out in the “*Timetable of Key Events*” in section 2 of this Explanatory Statement.

The Scheme Meeting

11.2 Before the Scheme can become effective and binding on the Issuer and the Scheme Creditors, the Scheme must be approved by the requisite majorities (as set out below)

at the Scheme Meeting.

- 11.3 Pursuant to the Convening Order, the Scheme Meeting will be held on 21 February 2022, commencing with an introductory address at 10:00 am (EST) at the offices of Conyers, Dill & Pearman LLP, SIX, 2nd Floor, Cricket Square, George Town, Grand Cayman, Cayman Islands.
- 11.4 The Scheme Meeting will be chaired by the Chairman who has been appointed pursuant to the Convening Order to act in this capacity.

Class Composition

- 11.5 The Issuer has been advised by Cayman Islands counsel that, in the view of such Cayman Islands counsel, the rights of Scheme Creditors are the same, or not so dissimilar so as to make it impossible for them to consult together with a view to their common interest because:
- (a) the Scheme Creditors' rights arise under the Indenture in respect of a single class of senior unsecured notes with identical rights to payment and security interests;
 - (b) should the Scheme be sanctioned the rights of all Scheme Creditors will be compromised in the same way;
 - (c) the Scheme Creditors' current Claims against the Issuer rank *pari passu* amongst each other; and
 - (d) voting and attendance at the Scheme Meeting opportunities will be afforded to each Scheme Creditor as set forth below.
- 11.6 Under the Companies Act, the required majority to approve the Scheme at the Scheme Meeting is a majority in number representing at least 75% in value of the Scheme Creditors present and either voting in person or by proxy at the Scheme Meeting.
- 11.7 A Master Proxy and a Beneficial Ownership Ballot have been provided at Appendix IV of this Explanatory Statement. The Master Proxies and Beneficial Ownership Ballots must be completed and returned in accordance with the instructions contained therein.
- 11.8 A Scheme Creditor:
- (a) wishing to cast its vote on the Scheme must furnish its fully completed, signed, wet-ink Beneficial Ownership Ballot to its Account Holder in accordance with the instructions provided by the Account Holder and in time for the Account Holder to complete and submit to the Information Agent its fully completed Master Proxy by the Vote Submission Deadline;

- (b) wishing to attend and vote at the Scheme Meeting must attend the Scheme Meeting in person (or, if a firm, partnership, company, corporation, unincorporated body of persons, state or state agency, by a duly authorized representative) or by proxy, provided that the Scheme Creditor attends the Scheme Meeting in person at the specified time and is able to establish his identity and entitlement to vote at the Scheme Meeting as per the procedures in this Explanatory Statement;
 - (c) wishing to observe the Scheme Meeting via Zoom, must request a meeting link forty-eight (48) hours prior to the scheduled Scheme Meeting by emailing Atlas@conyers.com;
 - (d) who is a Consenting Noteholder shall cast its vote through the Information Agent as a duly appointed proxy pursuant to the Restructuring Support Agreement.
- 11.9 Each Scheme Creditor voting through its Account Holder must ensure that its Beneficial Ownership Ballot is fully completed and submitted in accordance with the instructions set forth in such Beneficial Ownership Ballot and as instructed by the Account Holder.

Casting a vote in advance of the Scheme Meeting does not prevent a Scheme Creditor from revoking such form and attending the Scheme Meeting in person, provided the procedures are followed and provided the required steps have been taken by the Scheme Creditor to attend the Scheme Meeting and to establish to the Chairman's satisfaction their identity and entitlement to vote at the Scheme Meeting.

Amendment of voting instructions

- 11.10 If a Scheme Creditor wishes to amend its voting instructions provided in a Beneficial Ownership Ballot to its Account Holder, it may do so by attending and voting in person at the Scheme Meeting and must (i) arrive at one of the locations set forth below one (1) hour before the official start of the Scheme Meeting, (ii) provide satisfactory proof of beneficial ownership of the Notes in the form of a certified copy of its agreement with the Account Holder and a certified copy of the electronic ledger reflecting its beneficial ownership of the Notes, (iii) provide a certified copy of the original Beneficial Ownership Ballot submitted to its Account Holder, and (iv) sign a written undertaking to the effect that it has notified its Account Holder of its change of position and revokes the prior vote which was to be cast by proxy.

Attendance at the Scheme Meeting

- 11.11 Each Scheme Creditor (if attending in person or by a duly authorised representative) or its proxy will be required to register its attendance at the Scheme Meeting prior to its commencement. Registration will commence via the Information Agent Website at 9:00am (EST) on 21 February 2022. Proof of personal identity will be required to attend the Scheme Meeting (for example, a passport or driving license with photo). If

appropriate personal identification is not produced, that person may not be permitted to attend and vote at the Scheme Meeting. The Scheme Meeting will be held at:

Offices of Conyers Dill & Pearman LLP
SIX, 2nd Floor, Cricket Square, 171 Elgin Ave
George Town, Grand Cayman
Cayman Islands

- 11.12 Scheme Creditors may choose to attend the Scheme Meeting via video conferencing to be hosted at the following address in the United States:

Offices of DLA Piper LLP (US)
1251 6th Ave
New York, New York 10020
United States

- 11.13 Observance of the Scheme Meeting will also be available to Scheme Creditors via Zoom, provided such Scheme Creditors request a Zoom link no less than forty-eight (48) hours prior to the scheduled Scheme Meeting by email addressed to Atlas@conyers.com (referencing 'Atlas' in the subject line). Scheme Creditors will be able to observe the Scheme Meeting and to ask questions using this facility. However, Scheme Creditors will not be able to vote via Zoom.

Important information regarding calculating Voting Value

- 11.14 The Indenture Trustee is not a Scheme Creditor for the purpose of the Scheme and is, therefore, will not vote at the Scheme Meeting.
- 11.15 A Scheme Creditor's Voting Value will be calculated based on information confidentially provided to the Chairman by the Information Agent as obtained from the Account Holders or Scheme Creditors, as applicable, and as reflected on the records of the Clearing Systems.
- 11.16 The Voting Value admitted by the Chairman, for voting purposes does not (of itself) constitute an admission of the existence or amounts of any Liability of the Issuer. Scheme Creditors should contact the Information Agent if they wish to confirm their recorded debt figure for voting purposes.
- 11.17 The Chairman may, for voting purposes only, reject the Voting Value attributed to a Scheme Creditor if he considers that it does not constitute a fair and reasonable assessment of the relevant sums owed to the relevant Scheme Creditor under the Indenture or if the relevant Scheme Creditor has not complied with the applicable procedures or instructions.

Court sanction of the Scheme

- 11.18 Before the Scheme can become effective and binding on the Issuer and the Scheme Creditors, the Cayman Court must sanction the Scheme. The Sanction Hearing will take place if the requisite statutory majorities of the relevant Scheme Creditors have approved the Scheme at the Scheme Meeting. The Sanction Hearing is expected to take place at 10am (EST) on 25 February 2022. If the date of the Sanction Hearing changes, the Indenture Trustee will give notice to the Information Agent of the new date for the Sanction Hearing once it is confirmed with the Cayman Court. Any Scheme Creditor may attend the Sanction Hearing should it so wish.
- 11.19 The Issuer may, at or in connection with the Sanction Hearing upon the consent of the majority of Noteholders, implement on behalf of all Scheme Creditors any modification of, or addition to, the Scheme and/or the Restructuring Documents or any terms or conditions that the Cayman Court may think fit to approve or impose. However, if such modifications, additions, terms or conditions could reasonably be expected directly or indirectly to have a material adverse effect on the rights or interests of any Scheme Creditor under the Scheme, then the Issuer shall not make such modification of, or addition to, the Scheme and/or the Restructuring Documents without the prior written consent of such affected Scheme Creditor.

Transfers/Assignments after the date of this Explanatory Statement

- 11.20 For the purposes of the Scheme, a Scheme Creditor is the Person with a beneficial interest in the principal of the Notes. If a Scheme Creditor has assigned, sold or otherwise transferred their beneficial interest in the Notes or intend to do so, they should forward a copy of this Explanatory Statement immediately to the Person or Persons to whom they have assigned, sold or otherwise transferred such interest in the Notes (or to any proposed assignee and/or transferee). Those creditors who remain a beneficial holder of principal in the Notes (and will be such at the Voting Record Date) will be the Person entitled to vote at the Scheme Meeting. Should the Scheme become effective it will be binding on all beneficial holders of principal of the Notes on and after the Restructuring Effective Date.

Questions and objections

- 11.21 Scheme Creditors are entitled to appear at the Sanction Hearing, which is expected to be held at 10am (EST) on 25 February 2022 at the Cayman Court. If the date of the Sanction Hearing changes, the Issuer shall issue a notice to the Information Agent, such notice to be issued on the Information Agent Website and confirming the details of the new date of the Sanction Hearing. Scheme Creditors who wish to ask any questions in advance of the Scheme Meeting or the Sanction Hearing are encouraged to contact the Information Agent using the contact details provided above.
- 11.22 Additionally, Scheme Creditors will have the opportunity at the Scheme Meeting to raise with the Chairman any questions, objections or issues they may have in relation to the Scheme.

12 CONSEQUENCES OF FAILURE TO IMPLEMENT THE RESTRUCTURING

- 12.1 If the Restructuring is not concluded and the Notes are not amended as set forth in the Second Supplemental Indenture, the Issuer will have insufficient funds to pay the principle amount due under the Notes in April 2022 at their stated maturity. In the event that the Scheme is not implemented, the Company will likely have no other option but to enter a liquidation process, which would likely result in the immediate cessation of all business operations, substitution of the Company's management with a court-appointed office holder unfamiliar with the Company's business and significant degradation of the enterprise value, ultimately resulting in Noteholders receiving a substantially lesser return, if any, on account of their Notes. In fact, as reflected on the liquidation analysis attached to this Explanatory Statement as Appendix V, the Noteholders would likely receive no distribution (or de minimums at best) in a liquidation scenario.

13 RISK FACTORS

- 13.1 The following summarizes some of the principal risks and uncertainties that may arise in connection with the Scheme and it should be read in conjunction with all of the other information contained in this Explanatory Statement. For risk factors relating to the Company and its operations more generally, Scheme Creditors are directed to the risk factor disclosures included in the Company's Annual Report for the fiscal year ended December 31, 2020 filed on Form 10-K with the SEC on April 15, 2021 which risk factors are, to the extent applicable, incorporated into this Explanatory Statement by reference.
- 13.2 Additional risks and uncertainties not presently known to the Issuer or that the Issuer deems immaterial may become material and have a material adverse effect on the financial condition of the Issuer. This Explanatory Statement also contains forward-looking statements, which involve risks and uncertainties of their own. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors and circumstances, including the risks and uncertainties described in this Explanatory Statement.
- 13.3 In addition, Scheme Creditors are liable for any taxes that may arise as a result of the Scheme and the Restructuring, and shall have no recourse to the Issuer, the Indenture Trustee, the Information Agent, the Advisers or any other Person in respect of such taxes or any filing obligation with respect thereto.
- 13.4 *Scheme Creditors may not approve the Scheme*
- (a) In order for the Scheme to become effective, the Scheme must be approved by more than 50% in number and 75% in value of the Scheme Creditors present, in person or by proxy, and voting at the Scheme Meeting. If the requisite majority of Scheme Creditors do not vote in favour of the Scheme at the Scheme Meeting, then the Restructuring will not be undertaken pursuant

to the Scheme or be possible at all.

- (b) Under the Restructuring Support Agreement, some Scheme Creditors have given undertakings to vote in favour of the Scheme; however, such undertakings may cease to be binding in certain circumstances under the terms of the Restructuring Support Agreement or if the Restructuring Support Agreement is terminated.

13.5 *Even if the Scheme Creditors approve the Scheme, the Scheme may not be approved by the Cayman Court*

- (a) In order for the Scheme to become effective under Cayman Islands law, and for the Scheme to become effective, the Cayman Court must sanction the Cayman Scheme. The Cayman Court has discretion whether or not to sanction the Scheme and will need to be satisfied that (i) the meeting of Scheme Creditors was summoned and held in accordance with the Cayman Court's order, (ii) the Scheme was approved by the requisite majority of those who voted at the Scheme Meeting in person or by proxy, and (iii) the Scheme is such as an intelligent and honest man, a member of the class concerned and acting in respect of his interest, might reasonably approve. In addition, the Cayman Court is likely to have regard to (i) that the class of creditors voting in respect of the Scheme have been properly constituted, (ii) that the provisions of the applicable statute have been complied with, and (iii) the class was fairly represented by those who attended the meeting and the statutory majority are acting bona fide and are not coercing the minority in order to promote interests adverse to the class which they purport to represent.
- (b) Even if the Scheme is approved at the Scheme Meeting, any Scheme Creditor who voted (or gave instructions to someone to vote on their behalf) at the Scheme Meeting may appear by counsel at the Sanction Hearing in order to make representations that the Scheme should not be approved and to object to the granting of any sanctioning order by the Cayman Court. The Cayman Court may also be prepared to hear such representations and objections by counsel for any other Person whom they are satisfied has a substantial economic interest in the Scheme. Therefore, it is possible that objections will be made at or before the Sanction Hearing and that any such objections will delay or possibly prevent the Scheme from being sanctioned and becoming effective.
- (c) There can be no assurance that the Cayman Court will approve the Scheme. If the Cayman Court does not approve the Scheme, or approves it subject to conditions or amendments otherwise than in accordance with clause 10 of the Scheme, the Scheme will remain ineffective.
- (d) Further, even if the Cayman Court approves the Scheme, it is possible for any Person who opposed the sanctioning of the Scheme at the Sanction

Hearing to appeal against the granting of the Sanction Order by the Cayman Court. Any such appeals and/or subsequent litigation could delay the Scheme becoming effective or possibly prevent the Scheme from becoming effective at all.

13.6 *There is no guarantee that the Chapter 15 Order will be granted in respect of the Scheme*

The Restructuring is conditional on the granting of the Chapter 15 Order. Failure to obtain a Chapter 15 Order will result in the Restructuring not becoming effective. There can be no assurance that the U.S. Bankruptcy Court will grant the Chapter 15 Order in connection with the Scheme. It is subject to a number of considerations by the U.S. Bankruptcy Court under the law of the United States. Furthermore, the U.S. Bankruptcy Court may decide not to grant the relief requested under section 1145 of the U.S. Bankruptcy Code therefore rendering the New Notes as restricted notes subject to full registration under the Securities Act.

13.7 *The implementation of the Scheme and the Restructuring may result in adverse and/or complex tax consequences to Scheme Creditors*

The Issuer is not providing tax advice to any Scheme Creditor in connection with the Restructuring, and each Scheme Creditor should consult its own tax adviser regarding tax consequences of the Restructuring in any relevant jurisdiction.

13.8 *The current state of global financial markets, current economic conditions and the Issuer's financial condition has adversely affected Atlas' ability to obtain additional financing on acceptable terms*

As at 26 January 2022, the Issuer had received US\$500,000 in cash from the Term Loans which was made available through the Credit Agreement. There may be unforeseen circumstances, including a delay in the implementation of the Scheme or the inability to satisfy conditions to draw additional funds otherwise available under the Credit Agreement, which may cause the Issuer to require additional short-term funding. If the Issuer is unable to obtain, at favourable rates or at all, such additional short-term funding, it may be unable to implement the Scheme and the Restructuring.

13.9 *The New Notes to be received by Noteholders are subject to certain risks.*

There may be no market for the New Notes on the terms set forth in the Second Supplemental Indenture. To the extent that, if at all, such securities become tradable under section 1145 of the Bankruptcy Code or upon registration under the Securities Act, the price and trading volume thereof may be highly volatile. Factors such as variations in the Issuer's revenues, earnings cash flows, changes in interest rates, government regulations and changes thereof applicable to the Company's industry and general economic conditions nationally or internationally could cause the price of such securities to change. Any such developments may result in large and sudden changes in trading volumes and price of such securities. There can be no assurance

that these developments will not occur in the future. Atlas is currently generating a small amount of revenue from existing operations. Each Scheme Creditor should conduct its own due diligence and consider the appropriateness of the information in this Explanatory Statement having regard to its own objectives, financial situation and needs. Scheme Creditors are also recommended to consult their own professional advisers as to legal, tax, financial or other aspects relevant to any action Scheme Creditors might take in relation to the Scheme and the Restructuring, or the implications of such action.

- 13.10 *Although the New Notes are “senior notes,” they will be effectively subordinate to Atlas’ secured indebtedness and structurally subordinate to all liabilities of Atlas’ subsidiaries. Effective and structural subordination increases the risk that Atlas will be unable to meet its obligations on the New Notes when they mature.*

The New Notes are unsecured and, therefore, will effectively be subordinated to any secured indebtedness of the Issuer currently outstanding or incurred in the future to the extent of the value of the collateral securing such indebtedness. As of the date of this Explanatory Statement, the Issuer has \$500,000 in outstanding secured indebtedness under the Credit Agreement; the Issuer may draw an additional \$2,500,000 under the Credit Agreement subject to its terms and conditions. The terms of the Credit Agreement require that all of the stock of certain of Atlas’ subsidiaries and substantially all of the assets of its non-insurance company subsidiaries are to be pledged to secure any indebtedness from time to time outstanding under the Credit Agreement. While Atlas intends to use cash on hand and operating revenue to repay all outstanding indebtedness and terminate its obligations under the Credit Agreement (including the pledge of its assets), the Indenture, as amended and supplemented by the Second Supplemental Indenture, allows for incurrence of additional indebtedness by Atlas of up to \$10,000,000, including indebtedness senior to the New Notes, or by its subsidiaries. In the event of a bankruptcy or similar proceeding involving the Issuer, any of its assets which serve as collateral for any secured indebtedness will be available to satisfy the obligations under such secured indebtedness before any payments are made on the New Notes.

- 13.11 *Atlas may not be able to generate sufficient cash to service its debt obligations, including the New Notes.*

Atlas’ ability to make payments on and to refinance its indebtedness, including the New Notes, will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. Atlas may be unable to maintain a level of cash flows from operating activities to permit it to pay the principal, premium, if any, and interest on its indebtedness, including the New Notes.

- 13.12 *Atlas may be subject to litigation that, if not resolved in Atlas’ favour and not sufficiently insured against, could have a material adverse effect on Atlas’ operations.*

The Company is subject to proceedings pending in the North District Court of Illinois Eastern Division [1:18-cv-01640]. The plaintiffs seek unspecified compensatory damages and costs and expenses. The Company considers that the allegations are unfounded and has sought to dismiss the lawsuit. Both the Company's motion to dismiss and the plaintiff's motion to strike are fully briefed and pending before the court.

Whilst Atlas is not currently involved in any other material litigation proceedings, the Company may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, governmental claims for taxes or duties, and other litigation that arises in the ordinary course of the Issuer's business.

14 TAXATION

None of the Issuer, the Indenture Trustee or any Noteholder has analyzed, and this Explanatory Statement does not discuss, the tax consequences to any Scheme Creditor of the Restructuring. Such tax consequences may be complex and each Scheme Creditor is urged to consult its own tax adviser with respect to the tax consequences of the Restructuring in light of such Person's particular circumstances, including the tax consequences in any jurisdiction of the Scheme. Scheme Creditors are liable for any taxes that may arise as a result of the Scheme and the Restructuring, and shall have no recourse to the Issuer, the Indenture Trustee, the Information Agent, any Noteholder, any Advisor or any other Person in respect of such taxes or any filing obligation with respect thereto.

APPENDIX I - DEFINITIONS

Account Holder	means a financial institution which holds, through their accounts with Clearing Systems, an interest or interests in the Notes either on their own behalf or on behalf of others
Advisers	means collectively: (i) DLA Piper LLP (US); and (ii) Conyers Dill & Pearman LLP
Affiliates	means in relation to any Person, its current and former direct and indirect subsidiaries, subsidiary undertakings, parent companies, holding companies, partners, equity holders, members and managing members and any of their respective Affiliates or any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person
AGMI	means Anchor Group Management, Inc.
Beneficial Ownership Ballot	means a beneficial ownership ballot attached to this Explanatory Statement
Borrowers	has the meaning in Section 8.6 of this Explanatory Statement
Business Day	means any day on which banks are open for general business in the Cayman Islands and New York
Cayman Court	means the Grand Court of the Cayman Islands
Chairman	means the person appointed Chairman of the Scheme Meeting pursuant to the Convening Order
Chapter 15 Hearing	means the hearing before the U.S. Bankruptcy Court at which the Chapter 15 Order will be sought
Chapter 15 Order	means the order of the U.S. Bankruptcy Court granting the recognition and enforcement of the Scheme and certain related relief
Chapter 15 Proceeding	means the proceeding commenced by the Issuer as the foreign representative by filing the petitions under Chapter 15 of the U.S. Bankruptcy Code seeking recognition and enforcement of the Scheme as a "foreign main proceeding" and a "foreign non-main proceeding" as the case may be and certain related relief

Claim	means all and any actions, causes of action, claims, counterclaims, suits, debts, sums of money, accounts, contracts, agreements, promises, contribution, indemnification, damages, judgments, executions, demands or rights whatsoever or howsoever arising, whether present, future, prospective or contingent, known or unknown, whether or not for a fixed or unliquidated amount, whether or not involving the payment of money or the performance of an act or obligation or any failure to perform any obligation or any omission, whether arising at common law, in equity or by statute in or under the laws of the Cayman Islands or New York or under any other law or in any other jurisdiction howsoever arising and "Claims" shall be construed accordingly
Clearing Systems	means the Depositary Trust Company and the direct and indirect participants thereof
Companies Act	means the Companies Act (2021 Revision) as applicable in the Cayman Islands and as revised
Consenting Noteholder(s)	means each Scheme Creditor that is or becomes a party to the Restructuring Support Agreement
Consenting Notes	means all Notes held by a Consenting Noteholder from time to time
Contracts (Rights of Third Parties) Act	means the Contracts (Rights of Third Parties) Act 2014 as applicable in the Cayman Islands
Convening Order	means the order of the Cayman Court permitting the Issuer to convene the Scheme Meeting pursuant to section 86(1) of the Companies Act
Credit Agreement	means the convertible senior secured delayed-draw credit agreement dated 1 September 2021 (as amended, restated, supplemented or otherwise modified from time to time) and entered into by the Company and certain of its subsidiaries, the Security Agent and the Lenders
Event of Default	has the meaning given in the Indenture
Explanatory Statement	means this explanatory statement in relation to the Scheme pursuant to Order 102, Rule 20(4) of the Cayman Islands Grand Court Rules 1995 (Revised Edition)
Governmental Authority	means any nation or government (including the Cayman Islands and the United States), any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any multilateral or supranational entity

Indenture	means the indenture governed by the laws of the State of New York dated 26 April 2017, as amended or supplemented from time to time, among the Issuer and the Indenture Trustee in its capacity as indenture trustee
Indenture Trustee	means Wilmington Trust of 1100 North Market Street, Wilmington, DE 19890 acting solely in its capacity as indenture trustee
Information Agent	means Donlin, Recano & Company, Inc.
Information Agent Website	means the website set up for Scheme Creditors by the Information Agent at: https://www.donlinrecano.com/Clients/afh/Index
Issuer	means Atlas Financial Holdings, Inc., a Cayman Islands exempted company limited by shares
July Interest Payment	has the meaning in Section 5.4 of this Explanatory Statement
Lenders	means certain Consenting Noteholder, as named in the Credit Agreement
Liability	means any debt, liability or obligation whatsoever whether it is present, future, prospective or contingent, known or unknown whether or not its amount is fixed or undetermined, whether or not it involves the payment of money or the performance of an act or obligation and whether it arises at common law, in equity or by statute, in or under the laws of the Cayman Islands or New York or in any other jurisdiction, or in any other manner whatsoever and "Liabilities" shall be construed accordingly
Lodgment Date	means the Scheme Effective Date
Longstop Date	March 1, 2022, as may be extended in writing by the Issuer and the Requisite Consenting Noteholders in accordance with the Restructuring Support Agreement
Master Proxy	means a master proxy to be completed by Account Holders on the written direction of Scheme Creditors in substantially the same form as set out at Appendix IV of this Explanatory Statement

New Notes	means US\$25,000,000 in aggregate nominal principal amount of senior unsecured notes issued pursuant to the Second Supplemental Indenture with a coupon of 6.625% per annum if paid in cash and 7.25% if paid in kind (at the Company's option, which option the Company shall have for any interest payments due for the period up to two years after the date of issuance of the New Notes) and with a maturity date of April 27, 2027
Note Restructuring	has the meaning in Section 8.1 of this Explanatory Statement
Notes	means US\$25,000,000 in aggregate nominal principal amount of senior unsecured notes with a coupon of 6.625% with a final legal maturity date of 26 April 2022 issued pursuant to the terms of the Indenture
Noteholders	means with respect to any Note, the Person that is the registered holder of a beneficial interest in the principal of such Note
Ordinary Shares	means ordinary fully paid shares par value US\$0.003 each per share in the capital of the Company
Person	means any individual, corporation, company, limited liability company, partnership, joint venture trust, estate, unincorporated association, Governmental Authority or other entity of whatever nature
Personnel	means, in relation to any legal entity, its current and former officers, partners, directors, employees, staff, agents, counsel and other representatives
Petition	means the petition filed with the Cayman Court by the Issuer with respect to the Scheme and dated 4 January 2022
Protected Parties	means: (i) the Issuer; (ii) the Indenture Trustee; (iii) the Security Agent; and (iv) the Advisers (including their Personnel and Affiliates) and each of their predecessors, successors and assigns
Registrar of Companies	means the Registrar of Companies (including any deputy registrar and/or assistant registrar or similar) appointed under the Companies Act
Requisite Consenting Noteholders	means, as of the date of determination, Consenting Noteholders holding at least thirty percent (30%) of the aggregate principal amount of the Consenting Notes

Restructuring	means (i) any and all steps taken by the Indenture Trustee since 26 April 2017 in connection with the Notes; (ii) the negotiation, execution, performance or implementation of the Restructuring Support Agreement; (iii) the negotiation, execution, performance or implementation of this Scheme; and (iv) the issuance of New Notes
Restructuring Documents	means the Second Supplemental Indenture, the Scheme (including any ancillary documents to the Scheme) and this Explanatory Statement
Restructuring Effective Date	means the Business Day on which the Issuer gives notice to the Scheme Creditors through the Information Agent Website that the Scheme Conditions have been satisfied
Restructuring Support Agreement	means the restructuring support agreement dated 31 August 2021 by and among the Issuer and each Consenting Noteholder
Sanction Hearing	means the hearing at the Cayman Court, including any adjournment thereof, for the purpose of sanctioning the Scheme
Sanction Order	means the order of the Cayman Court sanctioning the Scheme pursuant to section 86 (2) of the Companies Act
Scheme	means the scheme of arrangement set out at Appendix II to this Explanatory Statement, between the Issuer and the Scheme Creditors under section 86 of the Companies Act in its present form or with, or subject to, any modification, addition or condition which the Cayman Court may think fit to approve or impose, as appropriate
Scheme Conditions	means those conditions set out in clause 4.1 of the Scheme
Scheme Creditor	means a Noteholder as reflected on the records of the Clearing Systems on the Voting Record Date and "Scheme Creditors" has a corresponding meaning
Scheme Effective Date	means the date on which the Sanction Order for the Scheme has been filed with the Registrar of Companies
Scheme Meeting	means the meeting of the Scheme Creditors in relation to the Scheme as convened by the Convening Order for the purpose of considering and, if thought fit, approving the Scheme

Second Supplemental Indenture	means the second supplemental indenture between the Issuer and the Indenture Trustee in its capacity as indenture trustee, amending and supplementing the Indenture as set out in this Explanatory Statement and attached as Appendix VI
Securities Act	means the U.S. Securities Act of 1933, as amended
Security Agent	means Sheridan Road Partners, LLC of 157 Columbus Avenue, 5th Floor, New York, New York 10023 and its successors and assigns from time to time
Term Loans	has the meaning in Section 8.6 of this Explanatory Statement
Term Sheet	means the restructuring term sheet dated August 31, 2021 which constitutes exhibit A of the Restructuring Support Agreement
TNC	has the meaning in Section 4.4 of this Explanatory Statement
U.S. Bankruptcy Code	means Title 11 of the United States Code, as in effect on the Restructuring Effective Date
U.S. Bankruptcy Court	means the United States Bankruptcy Court for the Southern District of New York
Vote Submission Deadline	means 4pm (EST) on 18 February 2022
Voting Record Date	means 4pm (EST) on 15 February 2022
Voting Value	means the authenticated outstanding principal amount of the Notes beneficially held by the Scheme Creditor on the Voting Record Date, as reflected on the records of the Clearing Systems

APPENDIX II – SCHEME

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO: FSD 3 of 2022 (IKJ)

IN THE MATTER OF THE COMPANIES ACT (2021 REVISION)

AND

IN THE MATTER OF ATLAS FINANCIAL HOLDINGS, INC.

SCHEME OF ARRANGEMENT
(under section 86 of the Companies Act (2021 Revision))

BETWEEN
ATLAS FINANCIAL HOLDINGS INC.
AND
THE SCHEME CREDITORS
(as defined below)

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1 DEFINITIONS

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

Advisers	means collectively: (i) DLA Piper (US) LLP; and (ii) Conyers Dill & Pearman LLP
Affiliates	means in relation to any Person, its current and former direct and indirect subsidiaries, subsidiary undertakings, parent companies, holding companies, partners, equity holders, members and managing members and any of their respective Affiliates or any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person
Business Day	means any day on which banks are open for general business in the Cayman Islands and New York
Cayman Court	means the Grand Court of the Cayman Islands
Chapter 15 Order	means the order of the U.S. Bankruptcy Court granting the recognition and enforcement of this Scheme and certain related relief
Chapter 15 Proceedings	means the proceedings commenced by the Issuer by filing the petitions under Chapter 15 of the U.S. Bankruptcy Code seeking recognition and enforcement of this Scheme as a "foreign main proceeding" or a "foreign non main proceeding" as the case may be and certain related relief
Claim	means all and any actions, causes of action, claims, counterclaims, suits, debts, sums of money, accounts, contracts, agreements, promises, contribution, indemnification, damages, judgments, executions, demands or rights whatsoever or howsoever arising, whether present, future, prospective or contingent, known or unknown, whether or not for a fixed or unliquidated amount, whether or not involving the payment of money or the performance of an act or obligation or any failure to perform any obligation or any omission, whether arising at common law, in equity or by statute in or under the laws of the Cayman Islands or New York or under any other law or in any other

	jurisdiction howsoever arising and "Claims" shall be construed accordingly
Clearing Systems	means the Depositary Trust Company and the direct and indirect participants thereof
Companies Act	means the Companies Act (2021 Revision) of the Cayman Islands
Consenting Noteholder(s)	means each Scheme Creditor that is or becomes a party to the Restructuring Support Agreement
Consenting Notes	means all Notes held by a Consenting Noteholder from time to time
Contracts (Rights of Third Parties) Act	means the Contracts (Rights of Third Parties) Act 2014 as applicable in the Cayman Islands
Explanatory Statement	means the explanatory statement in relation to this Scheme pursuant to Order 102, Rule 20(4) of the Cayman Islands Grand Court Rules 1995 (Revised Edition)
Governmental Authority	means any nation or government (including the Cayman Islands and the United States), any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any multilateral or supranational entity
Indenture	means the indenture governed by the laws of the State of New York dated 26 April 2017, as amended or supplemented from time to time, among the Issuer and the Indenture Trustee in its capacity as indenture trustee
Indenture Trustee	means Wilmington Trust of 1100 North Market Street, Wilmington, DE 19890 acting solely in its capacity as indenture trustee
Information Agent	means Donlin, Recano & Company, Inc.
Information Agent Website	means the website set up for Scheme Creditors by the Information Agent at: https://www.donlinrecano.com/Clients/afh/Index
Issuer	means Atlas Financial Holdings, Inc. a Cayman Islands exempted company limited by shares

Liability	means any debt, liability or obligation whatsoever whether it is present, future, prospective or contingent, known or unknown whether or not its amount is fixed or undetermined, whether or not it involves the payment of money or the performance of an act or obligation and whether it arises at common law, in equity or by statute, in or under the laws of the Cayman Islands or New York or in any other jurisdiction, or in any other manner whatsoever and "Liabilities" shall be construed accordingly
Longstop Date	means March 1, 2022, as may be extended in writing by the Issuer and the Requisite Consenting Noteholders in accordance with the Restructuring Support Agreement
New Notes	means US\$25,000,000 in aggregate nominal principal amount of senior unsecured notes issued pursuant to the Second Supplemental Indenture with a coupon of 6.625% per annum if paid in cash and 7.25% if paid in kind (at the Company's option, which option the Company shall have for any interest payments due for the period up to two years after the date of issuance of the New Notes) and with a maturity date of April 27, 2027
Notes	means US\$25,000,000 in aggregate nominal principal amount of senior unsecured notes with a coupon of 6.625% with a final legal maturity date of 26 April 2022 issued pursuant to the terms of the Indenture
Noteholders	means with respect to any Note, the Person that is the registered holder of a beneficial interest in the principal of such Note
Person	means any individual, corporation, company, limited liability company, partnership, joint venture trust, estate, unincorporated association, Governmental Authority or other entity of whatever nature
Personnel	means, in relation to any legal entity, its current and former officers, partners, directors, employees, staff, agents, counsel and other representatives
Protected Parties	means: (i) the Issuer; (ii) the Indenture Trustee; (iii) the Security Agent; and (iv) the Advisers (including their

	Personnel and Affiliates) and each of their predecessors, successors and assigns
Registrar of Companies	means the Registrar of Companies in the Cayman Islands (including any deputy registrar and/or assistant registrar or similar) appointed under the Companies Act
Releasing Parties	means each Scheme Creditor on behalf of itself and each of its predecessors, successors and assigns, the Indenture Trustee and the Issuer
Requisite Consenting Noteholder	as of the date of determination, Consenting Noteholders holding at least thirty percent (30%) of the aggregate principal amount of the Consenting Notes
Restructuring	means (i) any and all steps taken by the Indenture Trustee since 26 April 2017 in connection with the Notes; (ii) the negotiation, execution, performance or implementation of the Restructuring Support Agreement; (iii) the negotiation, execution, performance or implementation of this Scheme; and (iv) the issuance of the New Notes
Restructuring Documents	means the Second Supplemental Indenture, this Scheme (including any ancillary documents to the Scheme) and the Explanatory Statement
Restructuring Effective Date	means (i) the Business Day on which the Issuer gives notice to the Scheme Creditors through the Information Agent Website that the Scheme Conditions have been satisfied; and (ii) the time at which the Sanction Order is filed with the Registrar of Companies
Restructuring Support Agreement	means the restructuring support agreement dated 31 August 2021 by and among the Issuer and each Consenting Noteholder
Sanction Hearing	means the hearing of the Cayman Court, including any adjournment thereof, for the purpose of sanctioning this Scheme
Sanction Order	means the order of the Cayman Court sanctioning this Scheme pursuant to section 86(2) of the Companies Act
Scheme	means this scheme of arrangement between the Company and the Scheme Creditors proposed to be made under section 86 of the Companies Act in its

	present form or with, or subject to, any modification, addition or condition which the Cayman Court may think fit to approve or impose, as appropriate
Scheme Conditions	means those conditions set out in clause 4.1 of this Scheme
Scheme Creditor	means a Noteholder as reflected on the records of the Clearing Systems on the Voting Record Date and "Scheme Creditors" has a corresponding meaning
Scheme Effective Date	means the date on which the Sanction Order for the Scheme has been filed with the Registrar of Companies
Security Agent	means Sheridan Road Partners, LLC of 157 Columbus Avenue, 5th Floor, New York, New York 10023 and its successors and assigns from time to time
Second Supplemental Indenture	means the second supplemental Indenture between the Issuer and the Indenture Trustee in its capacity as indenture trustee as set out in Annex A to this Scheme, as may be further amended or supplemented from time to time
U.S. Bankruptcy Code	means Title 11 of the United States Code, as in effect on the Restructuring Effective Date
U.S. Bankruptcy Court	means the United States Bankruptcy Court for the Southern District of New York
Voting Record Date	means 4pm (EST) on 15 February 2022

2 INTERPRETATION

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

- (a) a company is a "subsidiary" of another company, its "holding company", if that other company (i) holds a majority of the voting rights in it; (ii) is a member of it and has the right to appoint or remove a majority of its board of directors; or (iii) is a member of it and controls alone, or pursuant to an agreement with other members, a majority of the voting rights in it, or it is a subsidiary of a company that is itself a subsidiary of that other company;
- (b) references to "clauses" and "annexes" are references to the clauses and annexes of this Scheme;
- (c) references to a statute or statutory provision include the same as subsequently modified,

amended or re-enacted from time to time;

- (d) the singular includes the plural and vice versa and words importing one gender shall include all genders;
- (e) headings are for ease of reference only and shall not affect the interpretation of this Scheme;
- (f) to the extent that there shall be any conflict of inconsistency between the terms of this Scheme and the Explanatory Statement then the terms of this Scheme will prevail;
- (g) references to an agreement, deed or document shall be deemed also to refer to such agreement, deed or document as amended, supplemented, restated, verified, replaced, and/or novated (in whole or in part) from time to time and to any agreement, deed or document executed pursuant thereto;
- (h) references to US\$ are references to the lawful currency of the United States;
- (i) unless otherwise specified, references to times and dates are to times and dates in the Cayman Islands; and
- (j) "including", "includes" and "included" shall be construed without limitation.

3 THE SCHEME EFFECTIVE DATE

3.1 On the Scheme Effective Date:

- (a) the Scheme shall become effective in accordance with its terms and be binding on all Scheme Creditors and the Issuer; and
- (b) the Indenture Trustee is instructed and directed by the Scheme Creditors to execute the Second Supplemental Indenture and deliver the Second Supplemental Indenture into escrow.

4 RESTRUCTURING EFFECTIVE DATE

4.1 The Restructuring Effective Date will occur on the Business Day on which the Issuer gives notice to the Scheme Creditors through the Information Agent Website that the following conditions have been satisfied:

- (a) the Sanction Order has been granted and the Scheme Effective Date has occurred;
 - (b) the Second Supplemental Indenture has been executed and is held in escrow; and
 - (c) the Chapter 15 Order has been entered by the U.S. Bankruptcy Court,
- (each a "**Scheme Condition**").

4.2 On the Restructuring Effective Date the:

(a) Second Supplemental Indenture, as set out in Annex A to this Scheme, will become effective; and

(b) Issuer shall issue the New Notes in exchange for the cancellation of the Notes.

4.3 With effect from the Restructuring Effective Date each Scheme Creditor irrevocably covenants with the Issuer and the Indenture Trustee for the benefit of each of the Protected Parties, to the extent permitted by law, that it will not act other than in accordance with the Second Supplemental Indenture and this Scheme.

5 LONGSTOP DATE

5.1 If the Restructuring Effective Date has not occurred by the Longstop Date, the Issuer may, with the prior written consent of the Requisite Consenting Noteholders, extend the Longstop Date.

5.2 If the Restructuring Effective Date has not occurred by the Longstop Date, as may be extended pursuant to clause 5.1, any Restructuring Documents held in escrow shall be promptly destroyed by or on behalf of the Issuer and shall have no further force or effect.

6 RELEASES AND EXCULPATION

6.1 With effect from the Restructuring Effective Date the Releasing Parties to the fullest extent permitted by law, shall and shall be deemed to completely and forever release, waive, void, acquit, forgive, extinguish and discharge unconditionally each of the Protected Parties from any and all Claims and/or Liabilities arising or resulting from the Protected Parties' involvement in this Scheme and/or the Restructuring, except for Claims and/or Liabilities arising out of:

(a) any fraud, gross negligence or wilful default; and

(b) any material breach by a Protected Party of its express obligations or representations in the Restructuring Support Agreement, this Scheme, the Restructuring Documents or arising from the Chapter 15 Order.

6.2 With effect from the Restructuring Effective Date the Releasing Parties to the fullest extent permitted by law, shall and shall be deemed to completely and forever release and waive any Claim and/or Liability they may have under the Notes.

6.3 The parties to this Scheme may not rescind or vary any term of this clause 6 with respect to a Protected Party without the prior written consent of such Protected Party.

6.4 None of the Releasing Parties shall commence or continue, or instruct, direct or authorize any other person to commence or continue, any proceeding in respect of Claims or Liabilities that have been released in accordance with clause 6.

7 FUTURE LIQUIDATION

This Scheme shall be unaffected by any present or future liquidation of the Issuer (including, for the avoidance of doubt, any provisional liquidation of the Issuer) and shall in those circumstances remain in force according to its terms.

8 APPLICATION TO THE CAYMAN COURT FOR DIRECTIONS

Without prejudice to any rights that the Issuer and the Noteholders might otherwise have in connection with this Scheme or any aspect of it, the Issuer and the Noteholders shall be entitled to make an application to the Cayman Court for directions at any time in connection with any matter arising under or in relation to this Scheme.

9 FOREIGN REPRESENTATIVE

The Issuer shall be appointed and authorised to act as the representative of the Issuer on and in connection with the Chapter 15 Proceedings.

10 MODIFICATION

The Issuer may, at or in connection with the Sanction Hearing with the consent of the Requisite Consenting Noteholders, implement on behalf of all Scheme Creditors any modification of, or addition to, this Scheme and/or the Restructuring Documents or any terms or conditions that the Cayman Court may think fit to approve or impose. However, if such modifications, additions, terms or conditions could reasonably be expected directly or indirectly to have a material adverse effect on the rights or interests of any Scheme Creditor under this Scheme, then the Issuer shall not give such consent without the prior written consent of such affected Scheme Creditor.

11 NOTICES

- 11.1 Any notice or other written communication to be given under or in relation to this Scheme shall be given in writing and shall be deemed to have been duly given if it is given in accordance with the terms of the Indenture.
- 11.2 The accidental omission to send any notice, written communication or other document in accordance with this clause 11, or the non-receipt of any such notice by any Scheme Creditor, shall not affect the provisions of this Scheme.
- 11.3 The Issuer or the Indenture Trustee shall not be responsible for any loss or delay in the transmission of any notice or other documents or payments posted by or to any Scheme Creditors which shall be posted at the risk of such Scheme Creditors.

12 THIRD PARTIES

- 12.1 Subject to clause 12.2, no person who is not a party to this Scheme has any right under the Contracts (Rights of Third Parties) Act 2014 to enforce any of its terms.
- 12.2 The Protected Parties may enforce this Scheme in accordance with the Contracts (Rights of Third Parties) Act 2014.

13 MISCELLANEOUS

If at any time any provision of this Scheme is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability under the law of any other jurisdiction of that or any other provision of this Scheme shall be affected or

impaired.

14 GOVERNING LAW AND JURISDICTION

- 14.1 This Scheme and any non-contractual obligations arising out of or in connection with this Scheme shall be governed by, and this Scheme shall be construed in accordance with, the laws of Cayman Islands. The Cayman Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which may arise out of the Explanatory Statement or any provision 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. The U.S. Bankruptcy Court shall retain jurisdiction with respect to the enforcement, amendment or modification of the Chapter 15 Proceedings and the Chapter 15 Order.
- 14.2 Each of the Scheme Creditors irrevocably submits to the jurisdiction of the Cayman Court for the purposes of clause 14.1, provided, however, that nothing in this clause 14 shall affect the validity of other provisions determining governing law and jurisdiction as between the Indenture Trustee, the Issuer and any of the Scheme Creditors, whether contained in any contract (which includes, without limitation, the Indenture and the Second Supplemental Indenture) or otherwise.
- 14.3 For the avoidance of doubt, nothing in clause 14.1 shall affect (i) the ability of any Scheme Creditor or the Indenture Trustee to enforce any rights it may have under the Second Supplemental Indenture in accordance with the terms of such documents and (ii) the ability of the Issuer to enter into reorganization, liquidation or restructuring proceedings in any jurisdiction.

ANNEX A – SECOND SUPPLEMENTAL INDENTURE

APPENDIX III – FORM OF NOTICE OF SCHEME MEETING

NOTICE OF SCHEME MEETING

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 3 OF 2022 (IKJ)

IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT (2021 REVISION)
AND IN THE MATTER OF ATLAS FINANCIAL HOLDINGS, INC

NOTICE OF COURT MEETING

Terms used in this Notice have the same meanings as in the Explanatory Statement relating to the proposed scheme of arrangement of Atlas Financial Holdings, Inc (the “**Company**”).

NOTICE IS HEREBY GIVEN that, by Order dated 25 January 2022 made in the above matter, the Grand Court of the Cayman Islands has directed that the Scheme Meeting be convened for the purposes of considering and, if thought fit, approving (with or without modification) the Scheme of Arrangement pursuant to section 86 of the Companies Act between the Company and Scheme Creditors. The Scheme of Arrangement is proposed by the Company.

The Scheme Meeting will be held at 10am (EST) on 21 February 2022 at the offices of Conyers Dill & Pearman LLP, SIX 2nd Floor, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. A satellite meeting will also take place at the offices of DLA Piper LLP (US), 1251 6th Ave, New York, NY 10020. A Zoom facility for Scheme Creditors to observe the Scheme Meeting and ask questions (but not to cast their vote), will be made available. Scheme Creditors will be able to obtain the Zoom details for the Scheme Meeting by sending an email addressed to Atlas@conyers.com (referencing ‘Atlas’ in the subject line) no less than forty-eight hours prior to the scheduled Scheme Meeting.

All Scheme Creditors are requested to attend the Scheme Meeting either in person, by an authorised representative (if a corporation), or by proxy.

At the Scheme Meeting, the following resolution will be proposed:

"THAT the Scheme of Arrangement, a copy of which has been tabled at this Scheme Meeting, be approved subject to any modification, addition or condition which the Grand Court of the Cayman Islands may think fit to approve or impose which would not directly or indirectly have a material adverse effect on the rights of the Scheme Creditors."

In order for the resolution to be passed, the Scheme of Arrangement must be approved by a majority in number representing 75% in value of those Scheme Creditors who are present, in person or by proxy, and vote at the Scheme Meeting.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement explaining the effect of the Scheme of Arrangement are incorporated into the composite document of which this notice forms part. A copy of such document will be made available to the Scheme Creditors by request to email addressed to Atlas@conyers.com (referencing 'Atlas' in the subject line) and will also be available on the Information Agent Website, as specified below.

Voting Record Date

Entitlement to attend and vote at the Scheme Meeting and the Voting Value attributable to an individual Scheme Creditor will be determined as at the Voting Record Date (being 4:00pm (EST) on 15 February 2022).

Voting Procedures

Attendance and voting at the Scheme Meeting can be in person or by proxy in accordance with the voting instructions set out in the Explanatory Statement. A Scheme Creditor that has a beneficial interest as principal in the Notes who wishes to vote at the Scheme Meeting is requested to liaise with its Account Holder to complete the Beneficial Ownership Ballot set out in the Explanatory Statement and return the completed Beneficial Ownership Ballot to their Account Holder as soon as possible in accordance with the instructions contained in the Beneficial Ownership Ballot and, in any event, so as to enable its Nominee to complete the Master Proxy to be received by the Submission Deadline, being **4:00pm (EST) on 18 February 2022**. Scheme Creditors may direct questions concerning the Scheme of Arrangement to the Information Agent, at the address set forth below. Under no circumstances should any Scheme Creditor (i) deliver the Beneficial Ownership Ballot or any documents related to the Scheme of Arrangement to the Indenture Trustee or (ii) direct any questions concerning the Scheme of Arrangement to the Indenture Trustee.

A Scheme Creditor on whose behalf a duly completed Beneficial Ownership Ballot is submitted before the Submission Deadline may still attend the Scheme Meeting in person.

If a Scheme Creditor wishes to amend its voting instructions provided in a Beneficial Ownership Ballot to its Account Holder, it may do so by attending and voting in person at the Scheme Meeting provided that it complies with the procedures set out in the Explanatory Statement.

Consenting Noteholders should cast their votes through the Information Agent as a duly appointed proxy pursuant to the Restructuring Support Agreement.

The Indenture Trustee is not a Scheme Creditor for the purpose of the Scheme of Arrangement and is, therefore, not entitled to vote at the Scheme Meeting.

Any Scheme Creditor who wishes to be represented in person at the Scheme Meeting or any proxy for a Scheme Creditor that wishes to attend in person will be required to register its attendance at the Scheme Meeting prior to its commencement. Registration will commence at 9:00 am (EST) on 21 February 2022 at both the Scheme Meeting and the satellite meeting. Proof of personal identity and entitlement to vote must be provided to the Chairman in order to attend the Scheme Meeting. In the case of a corporation attending in person by way of its corporate representative, evidence of corporate authority will be required (for example, a valid power of attorney and/or board minutes). Each proxy must bring to the Scheme Meeting a copy of the Beneficial Ownership Ballot of the Scheme Creditor having been duly completed authorising him or her to act as proxy on behalf of the Scheme Creditor and evidence of personal identity.

If appropriate personal identification is not produced, that person will only be permitted to attend and vote at the Scheme Meeting at the discretion of the Chairman of the Scheme Meeting.

Chairman of the Scheme Meeting

By the said Order, the Grand Court has appointed Matthew Stocker or, failing him, any other attorney of Conyers Dill & Pearman LLP, to act as the Chairman of the Scheme Meeting and has directed the Chairman of the Scheme Meeting to report the result thereof to the Grand Court. The results of the Scheme Meeting will also be made available on the Information Agent Website.

If the requisite majorities of Scheme Creditors approve the Scheme of Arrangement at the Scheme Meeting, the Grand Court will hold a hearing to consider whether to sanction the

Scheme of Arrangement (the "**Sanction Hearing**"). Scheme Creditors are entitled (but not obliged) to attend the Sanction Hearing, through legal counsel, to support or oppose the sanction of the Scheme of Arrangement. The Sanction Hearing is expected to take place at 10am (EST) on 25 February 2022 or such other date and time as the Information Agent may be instructed by the Company to notify Scheme Creditors.

A Scheme of Arrangement will be legally binding on the Scheme Creditors, including both those voting against the Scheme of Arrangement and those not voting if:

- (a) the Scheme of Arrangement is approved by a majority in number representing 75% in value of those Scheme Creditors who are present, in person or by proxy, and vote at the Scheme Meeting;
- (b) the Court sanctions the Scheme of Arrangement at the Sanction Hearing; and
- (c) a copy of the Court order sanctioning the Scheme of Arrangement is filed with the Registrar of Companies.

For further information please contact the Information Agent using the contact details below:

Information Agent

Address: Donlin, Recano & Company Inc, Re: Atlas Financial Holdings, Inc., P.O. Box 199043, Blythebourne Station Brooklyn, NY 11219 Attn: Voting Department

Telephone: +1 (212) 771-1128 (ask for Solicitation Team)

Email: DRCVote@DonlinRecano.com (please reference "Atlas" in the subject line)

Website: <https://www.donlinrecano.com/Clients/afh/Index>

APPENDIX IV – VOTING DOCUMENTS

No person has been authorized to give any information or advice, or to make any representation, other than what is contained in the Explanatory Statement and the Scheme of Arrangement under Section 86 of the Companies Act (2021 Revision) proposed by Atlas Financial Holdings, Inc.

BENEFICIAL OWNERSHIP BALLOT EXCLUSIVELY FOR THE USE BY BENEFICIAL OWNERS OF THE NOTES

This ballot (“Ballot”) is being sent to all beneficial holders of the Notes (as defined in the Scheme), collectively being the “Beneficial Holders”, for use in voting to accept or reject the scheme of arrangement proposed by Atlas Financial Holdings, Inc. (the “Issuer”, the “Company” or “Atlas”) pursuant to section 86 of the Companies Act (2021 Revision) (the “Scheme”) (as may be modified, supplemented, and/or amended) and in connection with the explanatory statement provided to Beneficial Holders in connection with the Scheme (the “Explanatory Statement”), copies of which accompany this Ballot.

You are receiving this Ballot because records maintained by your broker, dealer, commercial bank, trust company or other nominee or intermediary (collectively with their mailing agents, “Nominee”) indicate that you are a Beneficial Holder of the Notes. Accordingly, you have a right to vote to accept or reject the Scheme.

Your rights in connection with the Scheme are described in the Explanatory Statement, which was included in the solicitation package you are receiving with this Ballot. This Ballot may not be used for any purpose other than casting votes to accept or reject the Scheme.

If you have any questions regarding this Ballot or the procedures to vote with respect to the Scheme, please contact the Information Agent, Donlin, Recano & Company (the “Information Agent”) at +1 (212) 771-1128 (ask for Solicitation Team), Donlin, Recano & Company, Inc. (Voting Team) Re: Atlas Financial Holdings, Inc., P.O. Box 199043, Blythebourne Station, Brooklyn, NY 11219 and electronically at DRCVote@DonlinRecano.com (please reference “Atlas” in the subject line). PLEASE NOTE THAT THE INFORMATION AGENT IS NOT AUTHORIZED TO PROVIDE, AND WILL NOT PROVIDE, LEGAL ADVICE.

IMPORTANT

You should review the Explanatory Statement and Scheme before voting. You may wish to seek legal advice concerning the Scheme and the classification and treatment of your claim or other claims under the Scheme.

THE VOTING SUBMISSION DEADLINE IS 4:00 P.M. (EST) ON 18 FEBRUARY 2022. UNLESS OTHERWISE DIRECTED, THIS BALLOT MUST BE RETURNED TO YOUR NOMINEE OR ACCOUNT HOLDER WITH SUFFICIENT TIME TO PERMIT THE NOMINEE OR ACCOUNT HOLDER TO COMPILE BALLOTS AND RETURN A MASTER PROXY TO THE INFORMATION AGENT PRIOR TO THE VOTING SUBMISSION DEADLINE.

The Voting Record Date has been set as 4pm (EST) on 15 February 2022.

Most Beneficial Holders will submit votes to accept or reject the Scheme by completing a Ballot and returning it to their Nominee or Account Holder, who will then prepare and submit the Master Proxy. You may have received specific instructions from your Nominee or Account Holder for use in returning completed Ballots. Please follow the instructions provided by your Nominee or Account Holder and return your Ballot in sufficient time for your Nominee or Account Holder to complete and submit the Master Proxy so that it is

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Scheme.

received on or before the Voting Deadline. If a Ballot (or the Master Proxy) is not received by the Information Agent on or before the Voting Deadline and such Voting Deadline is not extended, the vote will not count as an acceptance or rejection of the Scheme.

If the Scheme is approved by the Grand Court of the Cayman Islands, it will be binding on you whether or not you vote on the Scheme.

You may also contact the Information Agent at +1 (212) 771-1128 (ask for Solicitation Team), Donlin, Recano & Company, Inc. (Voting Team) Re: Atlas Financial Holdings, Inc., P.O. Box 199043, Blythebourne Station, Brooklyn, NY 11219, and electronically at DRCVote@DonlinRecano.com (please reference "Atlas" in the subject line) in order to obtain copies of the Scheme and Explanatory Statement or for further information in respect of the Scheme or this Ballot.

A person signing a Ballot in capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation, or otherwise acting in a fiduciary or representative capacity should indicate such capacity when signing and, if requested, must submit proper evidence to the requesting party of authorization to sign.

Item 1. Principal Amount of Notes

The undersigned hereby certifies that the undersigned is the Beneficial Holder (or authorized signatory for a Beneficial Holder), or the Nominee of a Beneficial Holder, of Notes in the following amount:

**(If an amount has not been provided by your bank, broker, nominee or other intermediary on a label below, please insert the amount in the box below. If your Notes are held by a Nominee on your behalf and you do not know the amount of Notes held or the amount provided on the label is incorrect, please contact your Nominee immediately.)*

Name(s): _____

CUSIP No.: _____

Amount Held: \$ _____

Item 2. Accepting or Rejecting the Scheme

The undersigned acknowledge(s) receipt of the Scheme and Explanatory Statement. Please note that the Scheme contemplates a single class of creditors. You may not split your vote. You must vote all of the Notes you hold to either accept or to reject the Scheme.

Any Notes represented by this Ballot that (a) does not indicate either an acceptance or a rejection of the Scheme, (b) indicates both an acceptance and a rejection of the Scheme or (c) is incomplete, illegible or unsigned, will not be included in any calculation of votes with respect to the Scheme.

The undersigned hereby votes (please tick appropriate box):

FOR the Scheme	AGAINST the Scheme
<input type="checkbox"/>	<input type="checkbox"/>

IMPORTANT: IF YOU WISH TO VOTE FOR THE SCHEME, PLEASE TICK THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE SCHEME, PLEASE TICK THE BOX MARKED "AGAINST".

Item 3. Certification

By returning this Ballot, the undersigned certifies that it is the Beneficial Holder (or is the authorized signatory and has full power and authority to vote for the Beneficial Holder) of such amounts described in Item 1 above to which this Ballot pertains and is sending this Ballot to its Nominee with respect to the Notes, and authorizes and instructs such Nominee to submit a Ballot to the Information Agent.

Name of Holder: _____
(Print or Type)

Federal Tax I.D. No. (if applicable): _____

Custody Details (Optional)

Bank or Broker with Custody of My Notes:

Bank/Broker DTC Number (Optional): _____

Signature: _____

Print Name: _____

Title (if corporation, partnership or LLC): _____

Street Address: _____

City, State, Zip Code: _____

Telephone Number (Optional): _____

Email Address (Optional): _____

Date Completed: _____

**FORM OF MASTER PROXY FOR USE AT THE SCHEME MEETING TO BE HELD ON
21 FEBRUARY, 2022 AT 10:00 A.M (EST) (OR ANY ADJOURNMENT THEREOF)**

Form of proxy for use at the scheme meeting (or any adjournment thereof) (the "Scheme Meeting") of Scheme Creditors (as defined in the Scheme of Arrangement and mentioned in the explanatory statement referred to in the Notice of the Scheme Meeting) being persons who hold senior unsecured notes with a coupon of 6.625% with a final legal maturity date of 26 April 2022 issued pursuant to the terms of the Indenture dated 26 April 2017, as amended by a first supplemental indenture dated 26 April 2017 by and among Atlas Financial Holdings, Inc (the "Company") and Wilmington Trust, National Association.

I/We ^(Note 1) _____
of _____
being the account holder(s) of _____ notes ^(Note 2), **HEREBY**
APPOINT THE CHAIRMAN OF THE SCHEME MEETING ^(Note 3) or of _____
as my/our proxy to attend and act for me/us and on my/our behalf at the Scheme Meeting of the Scheme Creditors convened by the direction of the Grand Court of the Cayman Islands (or at any adjournment thereof) to be held at the offices of Conyers Dill & Pearman LLP, SIX, Cricket Square, Grand Cayman, Cayman Islands on 21 February 2022 at 10:00 a.m. (EST) for the purpose of considering and, if thought fit, approving the Scheme of Arrangement referred to in the Notice of the Scheme Meeting (the "Scheme of Arrangement") to vote for me/us and in my/our name(s) for the Scheme of Arrangement (either with or without modification(s), as my/our proxy may approve) or against the Scheme of Arrangement, as indicated below ^(Note 4), or if no such indication is given, as my/our proxy thinks fit and in respect of any other resolution that may properly come before the Scheme Meeting (and/or any adjournment thereof).

FOR the Scheme of Arrangement ^(Note 4)	AGAINST the Scheme of Arrangement ^(Note 4)

PLEASE ALSO INCLUDE FURTHER DETAIL IN THE APPENDIX TO THIS FORM

Dated this _____ day of _____ 2021

Scheme Creditor's signature ^(Note 5): _____

Contact Phone Number: _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**. The names of all joint holders should be stated.
2. Please insert the number of notes registered in your name(s) and to which this form of proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the notes registered in your name(s). Please include all further detail required in the Appendix.
3. Any Scheme Creditor entitled to attend and vote at the Scheme Meeting is entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. If any proxy other than the Chairman of the Scheme Meeting is preferred, strike out the words "THE CHAIRMAN OF THE SCHEME MEETING or" and insert the name and address of the proxy desired in the space provided.
4. **IMPORTANT: IF YOU WISH TO VOTE FOR THE SCHEME OF ARRANGEMENT, PLEASE TICK THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE SCHEME OF ARRANGEMENT, PLEASE TICK THE BOX MARKED "AGAINST".** Failure to tick either box will entitle your proxy to cast his vote or abstain at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Scheme Meeting other than those referred to in the Notice of the Scheme Meeting or abstain.
5. This form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be either executed under its common seal or under the hand of an officer or attorney or other person duly authorized to sign the same.
6. To be valid, this form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, must be completed, signed and provided to Donlin, Recano & Company Inc at (Voting Team) Re: Atlas Financial Holdings, Inc., P.O. Box 199043, Blythebourne Station, Brooklyn, NY 11219, as soon as possible and in any event before the Voting Submission Deadline (being 4:00pm (EST) on 18 February 2022). Completion and delivery of this form of proxy will not preclude you from attending the Scheme Meeting (or any adjournment thereof) and voting in if you so wish, provided that you adhere to and follow the procedures set out in the explanatory statement to the Scheme.
7. The proxy need not be a holder of Notes but must attend the Scheme Meeting in person to represent you.
8. The full text of the Scheme of Arrangement and a copy of an explanatory statement explaining the effect of the Scheme of Arrangement appears in the composite scheme document dated 26 January 2022.

Appendix

Record of underlying voting numbers and value

Summary:

- Total votes in favour:
- Total votes against:
- Total value in favour:
- Total value against:

[illegible]

APPENDIX V – LIQUIDATION ANALYSIS

Liquidation Analysis as at January 31, 2022
(In US Dollars \$000)

	<u>Notes</u>	<u>Available sums in a liquidation</u>
Estimated Proceeds		
Cash	(1)	\$ 1,237
Residual Asset Sales	(2)	1,850
Miscellaneous Receipts	(3)	617
Total Estimated Proceeds		<u>\$ 3,704</u>
 Estimated Wind Down Expenditures		
Credit Facility redemption - secured	(4)	\$ 2,058
Wind Down and Corporate Expenses	(5)	1,499
Liquidator's Fees and Expenses (incl. legal counsel)	(6)	100
Total Estimated Wind Down Expenditures		<u>\$ 3,657</u>
 Estimated Proceeds Available for Distribution		<u>\$ 47</u>

Notes

- 1 The pro forma cash balance as of the liquidation Conversion Date is based on the forecast cash balances as of January 31, 2022, adjusted for payment of the liquidators' fees and costs, based on projections prepared by the Debtors and their advisors.

- 2 Residual assets consist of certain financial assets owned by AFH. The value under the liquidation scenario is based on the anticipated sale of the Company's Headquarters building and land, optOn IP and business licenses, and Anchor Group Management, Inc. ("AGMI").
 - Company's Headquarters: The estimated net proceeds related to the building sale assumes a sales price of \$11.0 million, less costs expected at closing of \$2.4 million and the payment of existing mortgage obligations of \$7.3 million at the time of close.
 - optOn: A nominal value of \$50,000 is used for the sale of the optOn assets which include trademarks and software and other intellectual property developed for a proof of concept in 2018. The optOn technology has been "on the shelf" since early 2019 and would require significant investment to re-launch and the Company was unable to identify an interested buyer for this asset as it exists.
 - In the event of a sale of AGMI, the Company's share would be 51% pursuant to an existing pledge agreed with the Illinois Department of Insurance. The MGA does not currently have positive EBIDTA which is typically the method of valuing an MGA. Based on informal offers discussed with potential interested buyers in the past, without positive EBITDA, an overall valuation above \$1 million is unlikely. These sale prices of assets in this category may differ

from our public financial statements which are presented at book value pursuant to accounting rules.

- The analysis assumes that any final equity claims for the Company's insurance subsidiaries that are in liquidation is de minimis, therefore the value of these claims is not contemplated in this analysis. At the time these former subsidiaries were placed into liquidation by their domestic insurance regulators, they were deemed by the regulators to be insolvent. The final liquidation of each related estate will likely take a number of years to conclude.
- The analysis also assumes that deferred tax assets have no value in liquidation as they cannot be monetized.

- 3** Release of security deposits held by the Company's banks to alleviate credit risk related to the Company's banking activities.
- 4** Proceeds to credit facility on the basis that the facility is senior.
- 5** Corporate Wind Down expenses consist of tax return preparation fees, legal and advisory expenses and general staff statutory severance.
- 6** The Liquidators' fees are the estimated fees that Cayman Islands' Official Liquidators would be likely to charge the liquidation estate.

APPENDIX VI – SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE

between

ATLAS FINANCIAL HOLDINGS, INC.,
as Issuer,

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee

6.625%/7.25% Senior Unsecured PIK Toggle Notes due 2027

Dated as of [], 2022

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This SECOND SUPPLEMENTAL INDENTURE, dated as of [], 2022 (this “**Second Supplemental Indenture**”), between Atlas Financial Holdings, Inc., a company limited by shares duly formed under the laws of the Cayman Islands (the “**Company**”), and Wilmington Trust, National Association, as trustee (the “**Trustee**”), supplementing the Indenture, dated as of April 26, 2017 (the “**Base Indenture**”), as supplemented by that First Supplemental Indenture, dated as of April 26, 2017 by and between the Company and the Trustee (the “**First Supplemental Indenture**” and the Base Indenture as supplemented by the First Supplemental Indenture, the “**Original Indenture**”), between the Company and the Trustee.

RECITALS

WHEREAS, the Company executed and delivered the Base Indenture to the Trustee to provide for the future issuance of the Company’s senior debt securities (the “**Securities**”), to be issued from time to time in one or more series as might be determined by the Company under the Base Indenture;

WHEREAS, pursuant to the terms of the Original Indenture, the Company issued a series of Securities known as the 6.625% Senior Unsecured Notes due 2022 (the “**2017 Notes**”), the form and substance of which 2017 Notes and the terms, provisions and conditions thereof are as set forth in the Original Indenture;

WHEREAS, on January [], 2022, the Company commenced a proceeding (the “**Cayman Proceeding**”) before the Grand Court of the Cayman Islands (the “**Cayman Court**”) to obtain the Cayman Court’s sanction of a scheme of arrangement (the “**Scheme**”) pursuant to Part IV of the Cayman Islands Companies Law as modified, amended or re-enacted from time to time;

WHEREAS, on [], 2022, the Cayman Court (i) appointed the Company as the foreign representative for purposes of seeking recognition of the Cayman Proceeding as a foreign main or nonmain proceeding and enforcement of the Scheme in a proceeding under chapter 15 of title 11 of the United States Code (the “**Bankruptcy Code**”; such proceeding, the “**Chapter 15 Proceeding**”) to be commenced in the United States Bankruptcy Court [for the Southern District of New York] (the “**U.S. Bankruptcy Court**”) and (ii) approved the proposed solicitation procedures and materials and the conduct of a meeting of creditors to approve the Scheme (the “**Scheme Meeting**”);

WHEREAS, the Scheme was approved by the requisite majorities in number and value of the Outstanding 2017 Notes at the Scheme Meeting and thereafter was sanctioned by the Cayman Court on [], 2022;

WHEREAS, on [], 2022, the Company in its capacity as the duly appointed foreign representative commenced a Chapter 15 Proceeding under the Bankruptcy Code in the U.S. Bankruptcy Court, and the US Bankruptcy Court issued an order (the “**Recognition Order**”) recognizing the Cayman Proceeding as foreign proceeding and enforcing the Scheme that sanctioned the cancellation of the 2017 Notes and the issuance of the 2027 Notes as set forth in this Second Supplemental Indenture, therefore binding all holders of the Outstanding 2017 Notes to the terms of this Second Supplemental Indenture;

WHEREAS, pursuant to the terms of the Original Indenture and this Second Supplemental Indenture (together, the “**Indenture**”), the Company desires to cancel the 2017 Notes and issue to the holders thereof new notes, which shall hereinafter be referred to as the 6.625%/7.25% Senior Unsecured PIK Toggle Notes due 2027 (the “**2027 Notes**”), the form and substance of such 2027 Notes, and the terms, provisions and conditions thereof to be set forth herein as provided in the Indenture;

WHEREAS, as a result of the foregoing transactions, certain amendments to the Original Indenture are necessary or desirable for the Company and are being set out herein;

WHEREAS, the Company has requested that the Trustee, in respect to the 2027 Notes, execute and deliver this Second Supplemental Indenture in such capacity;

WHEREAS, all requirements necessary to make this Second Supplemental Indenture a valid instrument in accordance with its terms and to make the 2027 Notes, when executed by the Company and authenticated and delivered

by the Trustee, the valid obligations of the Company, have been done and performed, and the execution and delivery of this Second Supplemental Indenture has been duly authorized in all respects; and

NOW THEREFORE, in consideration of the cancellation of the 2017 Notes and the issuance of the 2027 Notes to the holders of the 2017 Notes, and for the purpose of setting forth, as provided in the Indenture, the form and substance of the 2027 Notes, and the terms, provisions and conditions thereof, the parties hereto hereby agree as follows:

ARTICLE I 2027 NOTES

SECTION 1.01 *Definitions.*

Unless the context otherwise requires or unless otherwise set forth herein:

(a) a term not defined herein that is defined in the Original Indenture, has the same meaning when used in this Second Supplemental Indenture;

(b) the definition of any term in this Second Supplemental Indenture that is also defined in the Original Indenture, shall for the purposes of this Second Supplemental Indenture supersede the definition of such term in the Original Indenture;

(c) a term defined anywhere in this Second Supplemental Indenture has the same meaning throughout;

(d) the definition of a term in this Second Supplemental Indenture is not intended to have any effect on the meaning or definition of an identical term that is defined in the Original Indenture insofar as the use or effect of such term in the Original Indenture, as previously defined, is concerned;

(e) the singular includes the plural and *vice versa*;

(f) headings are for convenience of reference only and do not affect interpretation; and

(g) the following terms have the meanings given to them in this Section 1.01(g):

“Affiliate Holder Global Security” means a Global Security bearing the Affiliate Holder Legend.

“Affiliate Holder Legend” means the legend set forth in Section 1.06 of this Second Supplemental Indenture to be placed on certain 2027 Notes as provided in this Second Supplemental Indenture.

“Cash Interest” shall have the meaning given in Section 1.03(b) of this Second Supplemental Indenture.

“Global Security Legend” means the legend set forth in Section 1.06 of this Second Supplemental Indenture to be placed on any Global Security.

“Interest Payment Date” means January 27, April 27, July 27 and October 27 of each year, commencing [] 27, 2022.

“Interest Period” shall mean the period commencing on and including an Interest Payment Date and ending on and including the day immediately preceding the next succeeding Interest Payment Date, with the exception that the first Interest Period shall commence on and include the Original Issue Date and end on and include [] 27, 2022 (the Interest Payment Date for any Interest Period shall be the Interest Payment Date occurring on the day immediately following the last day of such Interest Period).

“Material Subsidiary” means a direct or indirect subsidiary of the Company that is an insurance company with statutory surplus of at least \$15,000,000 for the most recently completed fiscal quarter.

“Non-Affiliate Holder Global Security” means a Global Security other than an Affiliate Holder Global Security.

“Original Issue Date” means [], 2022.

“PIK Interest” means payment of interest on the 2027 Notes through an increase in the principal amount of the outstanding 2027 Notes.

“PIK Interest Note” shall have the meaning given in Section 1.03(b) of this Second Supplemental Indenture.

“PIK Notice” shall have the meaning given in Section 1.03(b) of this Second Supplemental Indenture.

“PIK Payment” shall have the meaning given in Section 1.03(b) of this Second Supplemental Indenture.

“Redemption Date” means the date fixed for the redemption of the 2027 Notes by or pursuant to the Indenture.

“Regular Record Date” means, with respect to each Interest Payment Date, the close of business on the preceding January 12, April 12, July 12 and October 12, as the case may be (whether or not a Business Day).

“Stated Maturity” means April 27, 2027.

SECTION 1.02 *Establishment of 2027 Notes.*

(a) In accordance with the Scheme and the Recognition Order, the 2017 Notes, issued and authenticated in accordance with the terms of the Original Indenture, are to be canceled and the holders thereof to be issued the 2027 Notes. The 2027 Notes shall hereinafter be designated as the Company’s 6.625%/7.25% Senior Unsecured PIK Toggle Notes due 2027.

(b) There are to be issued, authenticated and delivered to the holders of the 2017 Notes the 2027 Notes, in the exchange ratio and as further provided in Section 2.01 hereof, initially limited in aggregate principal amount to \$25,000,000 (1,000,000 units of \$25 each), and no further 2027 Notes shall be authenticated and delivered except as provided by Sections 2.04, 3.06, 3.07, 3.10 or 11.04 of the Original Indenture and this Second Supplemental Indenture; *provided, however*, that the aggregate principal amount of the 2027 Notes may be increased in the future with no limit, without the consent of the holders of the 2027 Notes, on the same terms and with the same CUSIP and ISIN numbers as the 2027 Notes, except for the Original Issue Date and, if applicable, the first Interest Payment Date and the initial interest accrual date, *provided* that no Event of Default with respect to the 2027 Notes shall have occurred and be continuing. In connection with any PIK Payment, the Company is entitled to, without the consent of the holders (and without regard to any restrictions or limitations set forth under the Indenture including Section 1.10(d) of this Second Supplemental Indenture) to increase the outstanding principal amount of the 2027 Notes or to issue PIK Interest Notes under this Indenture on the same terms and conditions as the 2027 Notes. Additionally, on the Original Issue Date, the Company is entitled to, without the consent of the holders (and without regard to any restrictions or limitations set forth under the Indenture including Section 1.10(d) of this Second Supplemental Indenture) to increase the outstanding principal amount of the 2027 Notes to capitalize into the outstanding principal amount of the 2027 Notes all or a portion of the amount of any accrued and unpaid interest on the 2017 Notes. The 2027 Notes shall be in fully registered form. At the time of their issuance, \$5,151,675 aggregate principal amount of the 2027 Notes [to be issued to Broadbill Partners] shall bear the Affiliate Holder Legend.

(c) The 2027 Notes shall be issued in the form of one or more Global Securities, registered in the name of the Depository (as defined below) or its nominee. Each Global Security and the Trustee’s Certificate of Authentication thereof, shall be in substantially the form set forth in Exhibit A hereto (including the applicable legend(s) thereon and the “Schedule of Exchanges of Interests in the Global Security” attached thereto). 2027 Notes issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without the legend thereon and without the “Schedule of Exchanges of Interests in the Global Security” attached thereto). Each Global Security shall represent

such of the outstanding 2027 Notes as shall be specified in the “Schedule of Exchanges of Interests in the Global Security” attached thereto, and each shall provide that it shall represent up to the aggregate principal amount of 2027 Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding 2027 Notes represented thereby may from time to time be reduced or increased, as applicable, to reflect exchanges, redemptions and the payment of PIK Interest as provided in Section 1.03 of this Second Supplemental Indenture or capitalization of all or any portion of any accrued and unpaid interest on the 2017 Notes into principal at the Original Issue Date. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding 2027 Notes represented thereby shall be made by the Trustee in accordance with written instructions given by the holder thereof as required by Section 3.06 of the Base Indenture, written instructions as required by Section 1.06 hereof or written instructions by the Company in connection with a PIK Payment as described in Section 1.03 of this Second Supplemental Indenture or capitalization of all or a portion of any accrued and unpaid interest on the 2017 Notes into principal at the Original Issue Date. The depository with respect to the 2027 Notes shall be The Depository Trust Company (the “**Depository**”).

(d) Each 2027 Note shall be dated the date of authentication thereof and shall bear interest from the Original Issue Date or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

SECTION 1.03 *Payment of Principal and Interest.*

(a) The principal of the 2027 Notes shall be due at Stated Maturity. The unpaid principal amount of the 2027 Notes shall bear interest at the rates per year described in clause (b) below until paid or duly provided for. Interest shall be paid or compounded quarterly in arrears on each Interest Payment Date, commencing [] 27, 2022, to the Person in whose name the 2027 Notes are registered on the Regular Record Date for such Interest Payment Date, *provided* that interest payable at the Stated Maturity or upon redemption will be paid to the Person to whom principal is payable. Any such interest that is not so punctually paid or duly provided for will forthwith cease to be payable to the holders on such Regular Record Date and may be paid as provided in Section 3.08 of the Original Indenture.

(b) Payments of interest on the 2027 Notes will include interest accrued from the most recent date to which interest has been paid (or the Original Issue Date if no interest has been paid) to, but excluding, the respective Interest Payment Dates. Interest payments for the 2027 Notes shall be computed and paid on the basis of a 360-day year consisting of twelve 30-day months. Interest will be payable as follows: (a) Cash Interest on the 2027 Notes will accrue at a rate of 6.625% per annum and (b) any PIK Interest on the 2027 Notes will accrue at a rate per annum equal to 7.25% per annum. The payment of interest on the 2027 Notes in cash is referred to herein as “**Cash Interest**”; payment of interest on the 2027 Notes through an increase in the principal amount of the outstanding 2027 Notes or through the issuance of PIK Notes as described in the prior sentence is herein referred to as “**PIK Interest**”. The Company has determined to pay PIK Interest on the first Interest Payment Date on [] 27, 2022. In the event that the Company determines to pay PIK Interest for any Interest Period ending thereafter or prior to April 27, 2024, then the Company will deliver a notice (a “**PIK Notice**”) to the Trustee no later than five (5) Business Days prior to the beginning of such Interest Period, which notice will state the total amount of interest to be paid on the Interest Payment Date in respect of such Interest Period and the amount of such interest to be paid as PIK Interest. The Company shall promptly deliver the PIK Notice to the holders or may request the Trustee deliver such notice to the holders on the Company’s behalf (which notice to the holders may be given through the Depository). For the avoidance of doubt, interest on the 2027 Notes in respect of any Interest Period for which a PIK Notice is not delivered following the first Interest Payment Date must be paid entirely as Cash Interest. PIK Interest will be considered paid on the date due if on such date the Trustee has received (i) an Officers’ Certificate, in accordance with Section 2.02 of the Base Indenture, from the Company to increase the balance of any Global Security to reflect such PIK Interest or (ii) PIK Interest Notes duly executed by the Company together with an Officers’ Certificate, in accordance with Section 2.02 of the Base Indenture, of the Company requesting the authentication of such PIK Interest Notes by the Trustee. On any Interest Payment Date on which the Company pays PIK Interest (a “**PIK Payment**”), with respect to a Global Security, the Trustee will increase the principal amount of such Global Security by an amount equal to the PIK Interest payable, rounded down to the nearest whole penny, for the relevant Interest Period on the principal amount of such Global Security, to the credit of the holders on the relevant Regular Record Date and an adjustment will be made on the books and records of the Trustee with respect to such Global Security to reflect such increase. On any Interest Payment Date on which the Company makes a PIK Payment by issuing definitive 2027 Notes (a “**PIK Interest Note**”) under this Indenture having the same terms as the 2027 Notes, the principal amount of any such PIK Interest Note issued to any holder, for the relevant Interest Period as of the relevant Regular Record Date for such Interest Payment Date, will be

rounded down to the nearest whole penny. In connection with the payment of PIK Interest in respect of the 2027 Notes, the Company will, without the consent of holders (and without regard to any restrictions or limitations set forth under Section 1.10(d) of this Second Supplemental Indenture), either increase the outstanding principal amount of the 2027 Notes or issue PIK Interest Notes under this Indenture. PIK Notes will be issued in definitive form solely if the 2027 Notes are in definitive form; any PIK Notes issued in definitive form will be dated as of the applicable Interest Payment Date and will bear interest from and after such date. Following an increase in the principal amount of the outstanding Global Securities as a result of a PIK Payment, the 2027 Notes will bear interest on such increased principal amount from and after the date of such PIK Payment. Interest for the last Interest Period ending at Stated Maturity shall be payable entirely in cash.

(c) In the event that any date on which interest is payable on the 2027 Notes is not a Business Day (including the Redemption Date), then a payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable.

(d) The Trustee is hereby designated as Paying Agent for the 2027 Notes and all payments of the principal of and interest due on the 2027 Notes at the Stated Maturity or upon redemption will be made upon surrender of the 2027 Notes at the Corporate Trust Office of the Trustee in the United States.

(e) The principal of and interest due on the 2027 Notes shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of Cash Interest (including interest on any Interest Payment Date) will be made, subject to such surrender where applicable and subject, in the case of a Global Security, to the Trustee's arrangements with the Depositary, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Debt Security Register, or (ii) by wire transfer at such place and to such account at a banking institution in the United States of America as may be designated in writing to the Trustee at least 15 days prior to the date for payment by the Person entitled thereto.

SECTION 1.04 *Denominations.*

The 2027 Notes may be issued in minimum denominations of \$25, or any integral multiples of \$.01 in excess thereof or in units, each representing \$25.

SECTION 1.05 *Global Securities.*

(a) Except under the limited circumstances described below, 2027 Notes represented by Global Securities will not be exchangeable for, and will not otherwise be issuable as, 2027 Notes in definitive form. The Global Securities described above may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee.

(b) Except as otherwise provided in this Second Supplemental Indenture, owners of beneficial interests in such Global Securities will not be considered the holders thereof for any purpose under the Indenture, and no Global Security representing a 2027 Note shall be exchangeable, except for another Global Security of like denomination and to be registered in the name of the Depositary or its nominee or to a successor Depositary or its nominee. The rights of holders of such Global Securities shall be exercised only through the Depositary.

(c) A Global Security shall be exchangeable in whole or, from time to time, in part for 2027 Notes in definitive registered form only as provided in the Indenture. If (i) at any time the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for the 2027 Notes or if at any time the Depositary shall no longer be registered or in good standing as a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, at such time as the Depositary is required to be so registered and the Depositary so notifies the Company and, in each case, the Company does not appoint a successor Depositary within 90 days after the Company receives such notice or becomes aware of such condition, as the case may be, or (ii) subject to the procedures of the Depositary, the Company in its sole discretion

determines that the 2027 Notes shall be exchangeable for 2027 Notes in definitive registered form and executes and, in each case, delivers to the Security Registrar a written order of the Company providing that the 2027 Notes shall be so exchangeable, the 2027 Notes shall be exchangeable for 2027 Notes in definitive registered form, *provided* that definitive 2027 Notes so issued in exchange for the 2027 Notes shall be in minimum denominations of \$25, or any integral multiples of \$.01 in excess thereof (or in units, each unit representing \$25) and be of like aggregate principal amount and tenor as the portion of the 2027 Notes to be exchanged. Except as provided herein, owners of beneficial interests in the 2027 Notes will not be entitled to have 2027 Notes registered in their names, will not receive or be entitled to physical delivery of 2027 Notes in definitive registered form and will not be considered the holders thereof for any purpose under the Indenture. None of the Company, the Trustee, any Paying Agent, the Security Registrar or any of their agents shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the 2027 Notes, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Any Global Security that is exchangeable pursuant to this Section 1.05(c) shall be exchangeable for 2027 Notes registered in such names as the Depositary shall direct.

SECTION 1.06 *Transfer and Exchange.*

(a) *Transfer and Exchange of Beneficial Interests in the Global Securities.* Beneficial interests in any Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in a Global Security. The transfer and exchange of beneficial interests in the Global Securities will be effected through the Depositary, in accordance with the provisions of this Indenture and the rules and procedures of the Depositary that apply to such transfer or exchange. No written orders or instructions shall be required to be delivered to the Security Registrar to effect the transfers described in this Section 1.06(a) except as provided in clause (b) below.

(b) *Transfer and Exchange of Beneficial Interests in an Affiliate Holder Global Security for Beneficial Interests in a Non-Affiliate Holder Global Security or an Affiliate Holder Global Security.* A beneficial interest in any Affiliate Holder Global Security may be exchanged by any Holder thereof for a beneficial interest in a Non-Affiliate Holder Global Security or an Affiliate Holder Global Security or transferred to a Person who takes delivery thereof in the form of a beneficial interest in a Non-Affiliate Holder Global Security or a Affiliate Holder Global Security if the exchange or transfer complies with the requirements of this Section 1.06(b):

(A) the Security Registrar receives the following:

(1) if the holder of such beneficial interest proposes to exchange such beneficial interest for a beneficial interest in a Non-Affiliate Holder Global Security, a certificate from such Holder substantially in the form of Exhibit C hereto; or

(2) if the holder of such beneficial interest proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in a Non-Affiliate Holder Global Security or an Affiliate Holder Global Security, a certificate from such holder in the form of Exhibit B hereto;

and, in each such case set forth in this subparagraph (A), if the Security Registrar so requests or if the applicable procedures of the Depositary so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and, if applicable, that the restrictions on transfer contained herein and in the Affiliate Holder Legend are no longer required in order to maintain compliance with the Securities Act; or

(B) such transfer is effected pursuant to an automatic exchange in accordance with Section 1.06(c) of this Indenture. If any such transfer is effected at a time when a Non-Affiliate Holder Global Security is not outstanding, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Non-Affiliate Global Securities in an aggregate principal amount equal to the aggregate principal amount of beneficial interests so transferred.

Beneficial interests in a Non-Affiliate Holder Global Security cannot be exchanged for, or transferred to, Persons who take delivery thereof in the form of, a beneficial interest in an Affiliate Holder Global Security.

(c) *Automatic Exchange from Affiliate Holder Global Security to Non-Affiliate Holder Global Security.* At the option of the Company and upon compliance with the following procedures, beneficial interests in an Affiliate Holder Global Security shall be exchanged for beneficial interests in a Non-Affiliate Holder Global Security. In order to effect such exchange, the Company shall (i) provide written notice to the Trustee instructing the Trustee to direct the Depositary to transfer the specified amount of the outstanding beneficial interests in the Affiliate Holder Global Security to a Non-Affiliate Holder Global Security and provide the Depositary with all such information as is necessary for the Depositary to appropriately credit and debit the relevant Holder accounts and (ii) provide prior written notice to all Holders of such exchange, which notice must include the date such exchange is proposed to occur, the CUSIP number of the Affiliate Holder Global Security and the CUSIP number of the Non-Affiliate Holder Global Security into which such Holders' beneficial interests will be exchanged. As a condition to any such exchange pursuant to this Section 1.06(c), the Trustee shall be entitled to receive from the Company, and rely upon conclusively without any liability, an Officers' Certificate and an Opinion of Counsel, in form and in substance reasonably satisfactory to the Trustee, to the effect that such transfer of beneficial interests to the Non-Affiliate Holder Global Security shall be effected in compliance with the Securities Act. The Company may request from Holders such information it reasonably determines is required in order to be able to deliver such Officers' Certificate and Opinion of Counsel. Upon such exchange of beneficial interests pursuant to this Section 1.06(c), the Securities Registrar shall reflect on its books and records the date of such transfer and a decrease and increase, respectively, in the principal amount of the Affiliate Holder Global Security and the Non-Affiliate Holder Global Security, respectively, equal to the principal amount of beneficial interests transferred. Following any such transfer pursuant to this Section 1.06(c) of all of the beneficial interests in a Affiliate Holder Global Security, such Affiliate Holder Global Security shall be cancelled.

(d) *Legends.* The following legends will appear on the face of all Global Securities and definitive 2027 Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(i) *Global Security Legend.* Each Global Security will bear a legend in substantially the following form:

“THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE ORIGINAL INDENTURE HEREINAFTER REFERRED TO. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (“DTC”), A NEW YORK CORPORATION, TO ATLAS FINANCIAL HOLDINGS, INC. OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN. THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO THE INDENTURE.

EXCEPT AS OTHERWISE PROVIDED IN SECTION 1.05 OF THE SECOND SUPPLEMENTAL INDENTURE, THIS NOTE MAY BE TRANSFERRED IN WHOLE, BUT NOT IN PART, ONLY TO DTC, TO ANOTHER NOMINEE OF DTC OR TO A SUCCESSOR DEPOSITARY OR TO A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.”

(ii) *Affiliate Holder Legend.* \$5,151,675 principal amount of 2027 Notes will, at the time of their issuance, bear a legend in substantially the following form:

“THIS NOTE (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND THE NOTE EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE NOTE EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY SECTION 1145 OF THE UNITED STATES BANKRUPTCY CODE

OR RULE 144A UNDER THE SECURITIES ACT. THE HOLDER OF THE NOTE EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT:

(A) SUCH NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY:

(i)(a) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT WITHOUT REGARD TO THE HOLDING PERIOD SPECIFIED IN RULE 144(d), (c) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1),(2),(3) OR (7) OF THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR")) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN \$100,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL AND OTHER CERTIFICATIONS AND DOCUMENTS IF THE COMPANY SO REQUESTS),

(ii) TO THE COMPANY, OR

(iii) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND IN EACH CASE SUBJECT TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THIS NOTE BY THE HOLDER OR BY ANY INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL;

(B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTE EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE; AND

(C) NOTWITHSTANDING THE FOREGOING, THE COMPANY ACKNOWLEDGES THAT BY VIRTUE OF THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY SECTION 1145 OF THE UNITED STATES BANKRUPTCY CODE, AS APPLIED BY THE UNITED STATES BANKRUPTCY COURT TO THE ISSUANCE OF THE NOTE EVIDENCED HEREBY, THIS NOTE IS NOT A RESTRICTED SECURITY."

(e) *Cancellation of Global Securities.* At such time as all beneficial interests in a particular Global Security have been exchanged for definitive 2027 Notes or a particular Global Security has been redeemed, repurchased or canceled in whole and not in part, each such Global Security shall be returned to or retained and canceled by the Trustee in accordance with Section 3.10 of the Base Indenture.

(f) *General Provisions Relating to Transfers and Exchanges.* In addition to the applicable provisions of the Base Indenture, the following provisions shall apply to the 2027 Notes. The Trustee is hereby designated as Security Registrar for the 2027 Notes. No service charge will be made for any registration of transfer or exchange of 2027 Notes, but payment will be required of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

SECTION 1.07 *Defeasance.*

The provisions of Sections 13.01 and 13.02 of the Original Indenture will apply to the 2027 Notes.

SECTION 1.08 *Redemption at the Option of the Company.*

(a) (1) Subject to Article 4 of the Original Indenture, at any time and from time to time on [], 2025, or at any time thereafter, the 2027 Notes will be redeemable at the Company's option, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest thereon to, but excluding, the Redemption Date.

(2) Subject to Article 4 of the Original Indenture, on any Interest Payment Date, the 2027 Notes will be redeemable at the Company's option, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed in an amount not to exceed the excess of the Outstanding principal amount of the 2027 Notes as of such Interest Payment Date (including, if applicable, any PIK Interest accrued as of such Interest Payment Date) over the original par amount of 2027 Notes Outstanding as of such Interest Payment Date. For avoidance of doubt, the amount which may be redeemed pursuant to the foregoing sentence shall not exceed the amount attributable to PIK Interest added to the principal amount of the then-Outstanding 2027 Notes.

(b) If less than all of the 2027 Notes are to be redeemed, the Trustee shall select the 2027 Notes or portions of the 2027 Notes to be redeemed by such method as the Trustee shall deem fair and appropriate. The Trustee may select for redemption 2027 Notes and portions of 2027 Notes in minimum amounts of \$25 and integral multiples of \$.01 in excess thereof, and shall thereafter promptly notify the Company in writing of the numbers of 2027 Notes to be redeemed in whole or in part; *provided* that if the 2027 Notes are represented by one or more Global Securities, interests in such Global Securities shall be selected for redemption by the Depositary in accordance with its applicable procedures therefor.

SECTION 1.09 *No Sinking Fund.*

The 2027 Notes shall not be entitled to any sinking fund.

SECTION 1.10 *Material Subsidiaries.*

(a) Subject to Section 1.10(c), the Company shall not:

- (i) directly or indirectly, sell, assign, pledge, transfer or otherwise dispose, and shall not permit any of its subsidiaries to, directly or indirectly, sell, pledge, assign, transfer or otherwise dispose of, shares of voting capital stock, or securities convertible into voting stock, or options, warrants or rights to subscribe for or purchase voting capital stock of a Material Subsidiary; or
- (ii) permit a Material Subsidiary to issue, sell or otherwise dispose of any shares of its voting capital stock or securities convertible into its voting capital stock or options, warrants or rights to subscribe for or purchase its voting capital stock, unless the Company will own, directly or indirectly, at least 90% of the issued and outstanding voting stock of the Material Subsidiary after giving effect to such transaction; provided, that this Section 1.10(a)(ii) shall not apply to a transaction subject to the provisions of Article 12 of the Base Indenture).

(b) Subject to Section 1.10(c) below, the Company shall not permit any Material Subsidiary to:

- (i) merge or consolidate with or into any corporation or other Person, unless such Material Subsidiary is the surviving corporation or Person, or unless the Company will own, directly or indirectly, at least 90% of the surviving corporation's issued and outstanding voting stock;
- (ii) lease, sell, assign or transfer all or substantially all of its properties and assets to any corporation or other Person (other than the Company), unless the Company will own, directly or indirectly, at least 90% of the issued and outstanding voting stock of that corporation or other Person; or
- (iii) pay any dividend in a Material Subsidiary's voting capital stock or make any other distribution in its voting capital stock, other than to the Company or its other subsidiaries, unless the Material Subsidiary to which the transaction relates, after obtaining any necessary regulatory approvals, unconditionally guarantees payment of the principal and interest of the 2027 Notes.

(c) Notwithstanding Section 1.10(a) and (b), the Company may agree to any merger or consolidation or sale, lease, assignment, pledge or transfer of securities, properties or assets of or with respect to a Material Subsidiary if: (i) required by law and such lease, sale, assignment or transfer of securities is made to any Person for the purpose of the qualification of such Person to serve as a director; (ii) such lease, sale, assignment or transfer of securities is made

by the Company or any of its subsidiaries acting in a fiduciary capacity for any Person other than the Company or any of its subsidiaries; (iii) made in connection with the consolidation of the Company with or the sale, lease or conveyance of all or substantially all of the assets of the Company to, or merger of the Company with or into, any other Person (which transaction will be subject to the provisions of Article 12 of the Base Indenture); or (iv) it is required as a condition imposed by any law or any rule, regulation or order of any governmental agency or authority to the acquisition by the Company of another entity; provided that in the case of (iv) only, after giving effect to such acquisition, (A) at least 90% of the issued and outstanding voting stock of such entity will be owned, directly or indirectly, by the Company and (B) the Company's consolidated assets will be at least equal to 70% of its consolidated assets prior to the acquisition; provided, that the foregoing shall not prohibit the Company or a Material Subsidiary from pledging any assets to secure borrowings incurred in the ordinary course of business.

(d) Other than that \$3,000,000 Convertible Senior Secured Delayed-Draw Credit Agreement, dated September 1, 2021 entered into by the Company and certain of its subsidiaries which shall remain outstanding, the Company shall not, and it shall not permit any of its subsidiaries to, incur debt for borrowed money, commitments for the extension of debt for borrowed money or other obligations in excess of the greater of (I) \$10,000,000 and (II) 10% of shareholders' equity as reported in the most recent consolidated financial statements of the Company filed with the U.S. Securities and Exchange Commission, in each case in the aggregate, which is secured by any shares of voting stock of a Material Subsidiary (or securities convertible into, or options, warrants or rights to subscribe for or purchase shares of that voting stock) without making effective provision for securing the 2027 Notes equally and ratably with that secured debt; provided, however, that this Section 1.10(d) shall not apply to the extent that the Company continues to own, directly or indirectly, at least 90% of the issued and outstanding voting stock of each Material Subsidiary (treating that encumbrance as a transfer of those shares to the secured party); provided, further, that this Section 1.10(d) shall not apply with respect to any (i) pledge, encumbrance or lien to secure the Company's indebtedness or the indebtedness of a subsidiary as part of the purchase price of such shares of voting stock, or incurred prior to, at the time of or within 120 days after acquisition thereof for the purpose of financing all or any part of the purchase price thereof; (ii) lien for taxes, assessments or other government charges or levies (A) which are not yet due or payable without penalty, (B) which the Company is contesting in good faith by appropriate proceedings so long as the Company has set aside on its books such reserves as shall be required in respect thereof in conformity with generally accepted accounting principles, or (C) which secure obligations of less than \$500,000 in amount; or (iii) lien of any judgment, if that judgment (X) is discharged, or stayed on appeal or otherwise, within 90 days, (Y) is currently being contested in good faith by appropriate proceedings so long as the Company has set aside on its books such reserves as shall be required in respect thereof in conformity with generally accepted accounting principles or (Z) involves claims of less than \$500,000.

ARTICLE II

2027 NOTES ISSUED FOR 2017 NOTES; SATISFACTION AND DISCHARGE OF 2017 NOTES

SECTION 2.01 *2027 Notes Issued for 2017 Notes.*

The 2027 Notes are not being issued for cash consideration, but are being issued to the holders of the 2017 Notes in the exchange ratio and as pursuant to the Scheme approved at the Scheme Meeting, sanctioned by the Cayman Court and given recognition by the U.S. Bankruptcy Court in the Recognition Order.

SECTION 2.02 *Cancellation of 2017 Notes; Satisfaction and Discharge of 2017 Notes.*

The 2017 Notes shall be delivered to the Trustee for cancellation in accordance with Section 13.01(a) of the Base Indenture. The Company shall be deemed to have paid, in the currency required, all sums payable under the Indenture in respect of the 2017 Notes. The 2017 Notes shall be deemed to have been paid and discharged in accordance with the terms of the Indenture.

SECTION 2.03 *Undertaking to Register Certain 2027 Notes.*

The Company shall, as soon as practicable, file a Form S-1 registration statement or a Form S-3 registration statement under the Securities Act covering the 2027 Notes represented by the Affiliate Holder Global Security and shall pursue such registration on a best efforts basis. Upon the successful registration of such 2027 Notes, the Company shall

direct the transfer of the balances on such Affiliate Holder Global Security to a Non-Affiliate Holder Global Security in accordance with Section 1.06(c) hereof.

ARTICLE III MISCELLANEOUS PROVISIONS

This Second Supplemental Indenture will become effective upon its execution and delivery.

SECTION 3.01 *2027 Notes Unaffected by Other Supplemental Indentures.*

To the extent the terms of the Original Indenture are amended as provided herein, no such amendment shall in any way affect the terms of any such other supplemental indenture or any other series of Securities. This Second Supplemental Indenture shall relate and apply solely to the 2027 Notes.

SECTION 3.02 *Trustee Not Responsible for Recitals.*

The recitals herein contained are made by the Company and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture or the 2027 Notes.

SECTION 3.03 *Ratification and Incorporation of Original Indenture.*

As supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture and this Second Supplemental Indenture shall be read, taken and construed as one and the same instrument.

SECTION 3.04 *Governing Law.*

This Second Supplemental Indenture shall be deemed to be a contract made under the internal laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State.

SECTION 3.05 *Separability.*

In case any one or more of the provisions contained in this Second Supplemental Indenture or in the 2027 Notes shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Second Supplemental Indenture or of the 2027 Notes, but this Second Supplemental Indenture and the 2027 Notes shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 3.06 *Executed in Counterparts.*

This Second Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original; and all of which taken together shall constitute one and the same agreement. The exchange of copies of this Indenture and of signature pages by facsimile or electronic format (e.g., “.pdf” or “.tif”) transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or electronic format (e.g., “.pdf” or “.tif”) shall be deemed to be their original signatures for all purposes.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

ATLAS FINANCIAL HOLDINGS, INC.,
as Issuer

By: _____
Name:
Title:

WILMINGTON TRUST, NATIONAL
ASSOCIATION,
as Trustee

By: _____
Name:
Title:

EXHIBIT A

(FORM OF 6.625%/7.25% SENIOR UNSECURED PIK TOGGLE NOTES DUE 2027)

[Insert the Global Security Legend, if applicable, pursuant to the provisions of the Indenture]

[Insert the Affiliate Holder Legend, if applicable, pursuant to the provisions of the Indenture]

No. R-[●]

CUSIP No.: []

ISIN No.: []

ATLAS FINANCIAL HOLDINGS, INC.

Global Certificate initially representing
\$25,000,000 aggregate principal amount of
6.625%/7.25% Senior Unsecured PIK Toggle Notes due 2027

Units: 1,000,000

Regular Record Date: With respect to each Interest Payment Date, the close of business on the preceding January 12, April 12, July 12 and October 12, as the case may be (whether or not a Business Day).

Original Issue Date: [], 2022

Stated Maturity: April 27, 2027

Interest Payment Dates: January 27, April 27, July 27 and October 27 of each year, commencing [] 27, 2022

Interest Rate: 6.625%/7.25% per year

Authorized Denomination: \$25, or any integral multiples of \$.01 in excess thereof (each unit representing \$25)

This Global Certificate is in respect of a duly authorized issue of 6.625%/7.25% Senior Unsecured PIK Toggle Notes due 2027 (the “**2027 Notes**”) of Atlas Financial Holdings, Inc., company limited by shares duly formed under the laws of the Cayman Islands (the “**Company**,” which term includes any successor corporation under the Indenture referred to on the reverse hereof). The Company, for value received, hereby promises to pay to Cede & Co., or registered assigns, the amount of principal of the 2027 Notes represented by this Global Certificate on the Stated Maturity shown above, and to pay interest thereon from the Original Issue Date shown above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing [] 27, 2022, and on the Stated Maturity. Interest will be payable as follows: (a) Cash Interest (as defined below) on the 2027 Notes will accrue at a rate of 6.625% per annum and (b) any PIK Interest (as defined below) on the 2027 Notes will accrue at a rate per annum equal to 7.25% per annum and be payable (x) with respect to 2027 Notes represented by one or more Global Securities registered in the name of, or held by, DTC or its nominee on the relevant Regular Record Date (as defined below), by increasing the principal amount of the outstanding Global Security by an amount equal to the amount of PIK Interest for the applicable Interest Period (as defined below) (rounded down to the nearest whole penny) and (y) with respect to 2027 Notes represented by definitive notes, by issuing PIK Notes in definitive form in an aggregate principal amount equal to the amount of PIK Interest for the applicable Interest Period (rounded down to the nearest whole penny), and the Trustee will, at the request of the Company, authenticate and deliver such PIK Notes in definitive form for original issuance to the holders on the relevant Regular Record Date, as shown by the records of the register of holders. The payment of interest on the 2027 Notes in cash is referred to herein as “**Cash Interest**”; payment of interest on the 2027 Notes through an increase in the principal amount of the outstanding 2027 Notes or through the issuance of PIK Notes as described in the prior sentence is herein referred to as “**PIK Interest**”. Following an increase in the principal amount of the outstanding Global Securities as a result of a PIK Payment, the 2027 Notes will bear interest on such increased principal amount from and after the date of such PIK Payment. PIK Notes will be issued in definitive form solely if the 2027 Notes are in definitive form; any PIK Notes issued in definitive form will be dated as of the applicable Interest Payment Date and will bear interest from and after such date. All 2027 Notes issued pursuant to a PIK Payment will mature on the Stated Maturity Date and will be governed by, and subject to the terms, provisions and conditions of, the Indenture and shall have the same rights and benefits as the 2027 Notes issued on the Original Issue Date.

Interest will be paid on the 2027 Notes until the principal hereof is paid or made available for payment and on any overdue principal and on any overdue installment of interest at such rate to the extent permitted by law. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than an Interest Payment Date that is the Stated Maturity or any Redemption Date) will, as provided in the Indenture, be paid to the Person in whose name this 2027 Note is registered at the close of business on the Regular Record Date as specified above next preceding such Interest Payment Date, *provided* that any interest payable at Stated Maturity or on any Redemption Date will be paid to the Person to whom principal is payable. Any such interest that is not so punctually paid or duly provided for will forthwith cease to be payable to the holders on such Regular Record Date and may be paid as provided in Section 3.08 of the Original Indenture.

The Company has determined to pay PIK Interest on the first Interest Payment Date on [] 27, 2022. In the event that the Company determines to pay PIK Interest for any Interest Period ending thereafter or prior to April 27, 2024, the Company will deliver a notice (a “**PIK Notice**”) to the Trustee no later than five (5) Business Days prior to the beginning of such Interest Period, which notice will state the total amount of interest to be paid on the Interest Payment Date in respect of such Interest Period and the amount of such interest to be paid as PIK Interest. The Company shall promptly deliver the PIK Notice to the holders or may request the Trustee deliver such notice to the holders on the Company’s behalf (which notice to the holders may be given through the Depositary). For the avoidance of doubt, interest on the 2027 Notes in respect of any Interest Period following the first Interest Payment Date for which a PIK Notice is not delivered must be paid entirely as Cash Interest. Interest for the last Interest Period ending at Stated Maturity shall be payable entirely in cash. The 2027 Notes will be unsecured obligations of the Company and will rank equally in right of payment with all of the Company’s existing and future unsecured and unsubordinated indebtedness. The 2027 Notes will rank senior to any subordinated indebtedness of the Company.

“Interest Period” shall mean the period commencing on and including an Interest Payment Date and ending on and including the day immediately preceding the next succeeding Interest Payment Date, with the exception that the first Interest Period shall commence on and include the Original Issue Date and end on and include [] 27, 2022 (the Interest Payment Date for any Interest Period shall be the Interest Payment Date occurring on the day immediately following the last day of such Interest Period). Payments of interest on this 2027 Note will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this 2027 Note shall be computed and paid on the basis of a 360-day year consisting of twelve 30-day months. In the event that any date on which interest is payable on this 2027 Note is not a Business Day (including the Redemption Date), then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable.

Payment of the principal of and interest due on this 2027 Note at the Stated Maturity or upon redemption will be made upon surrender of this 2027 Note at the Corporate Trust Office of the Trustee in the United States. The principal of and Cash Interest due on this 2027 Note shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payment of Cash Interest will be made, subject to such surrender where applicable and subject to the Trustee’s arrangements with the Depositary, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Debt Security Register, or (ii) by wire transfer at such place and to such account at a banking institution in the United States of America as may be designated in writing to the Trustee at least 15 days prior to the date for payment by the Person entitled thereto.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS 2027 NOTE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this 2027 Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

ATLAS FINANCIAL HOLDINGS, INC.

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the 2027 Notes referred to in the within mentioned Indenture.

WILMINGTON TRUST, NATIONAL
ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

Dated:

REVERSE OF 2027 NOTE

1. This 2027 Note is one of a duly authorized issue of senior debt securities of the Company (the “**Securities**”) issued under an Indenture dated as of April 26, 2017 (the “**Base Indenture**”), as supplemented by the First Supplemental Indenture, dated as of April 26, 2017 (the “**First Supplemental Indenture**” and as further supplemented by that Second Supplemental Indenture, dated as of [], 2022 by and between the Company and the Trustee (the “**Second Supplemental Indenture**” and the Base Indenture as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, the “**Indenture**”), between the Company and Wilmington Trust, National Association, as trustee (the “**Trustee**,” which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the holders of the 2027 Notes issued thereunder and of the terms upon which said 2027 Notes are, and are to be, authenticated and delivered. This 2027 Note comprises one of the 6.625%/7.25% Senior Unsecured PIK Toggle Notes due 2027, initially limited in aggregate principal amount of \$25,000,000 (1,000,000 units of \$25 each); *provided, however*, that (subject to the provisions of the Indenture) the aggregate principal amount of the 2027 Notes may be increased in the future with no limit, without the consent of the holders of the 2027 Notes, on the same terms and with the same CUSIP and ISIN numbers as the 2027 Notes, except for the Original Issue Date and, if applicable, the first Interest Payment Date and the initial interest accrual date, *provided* that no Event of Default with respect to the 2027 Notes shall have occurred and be continuing. In connection with any PIK Payment, the Company is entitled to, without the consent of the holders (and without regard to any restrictions or limitations set forth under the Indenture including Section 1.10(d) of this Second Supplemental Indenture) to increase the outstanding principal amount of the 2027 Notes or to issue PIK Interest Notes under this Indenture on the same terms and conditions as the 2027 Notes. Additionally, on the Original Issue Date, the Company is entitled to, without the consent of the holders (and without regard to any restrictions or limitations set forth under the Indenture including Section 1.10(d) of the Second Supplemental Indenture) to increase the outstanding principal amount of the 2027 Notes to capitalize into the outstanding principal amount of the 2027 Notes all or any portion of any accrued and unpaid interest on the 2017 Notes. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

2. This 2027 Note is exchangeable in whole or, from time to time, in part for 2027 Notes in definitive registered form only as provided herein and in the Indenture. If (i) at any time the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for this 2027 Note or if at any time the Depositary shall no longer be registered or in good standing as a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, at such time as the Depositary is required to be so registered and the Depositary so notifies the Company and, in each case, the Company does not appoint a successor Depositary within 90 days after the Company receives such notice or becomes aware of such condition, as the case may be or (ii) subject to the procedures of the Depositary, the Company in its sole discretion determines that this 2027 Note shall be exchangeable for 2027 Notes in definitive registered form and executes and delivers to the Security Registrar a written order of the Company providing that this 2027 Note shall be so exchangeable, this 2027 Note shall be exchangeable for 2027 Notes in definitive registered form, *provided* that the definitive 2027 Notes so issued in exchange for this 2027 Note shall be in minimum denominations of \$25 and integral multiples of \$.01 in excess thereof (or units, each unit representing \$25) and be of like aggregate principal amount and tenor as the portion of this 2027 Note to be exchanged. Except as provided above or in the Second Supplemental Indenture, owners of beneficial interests in this 2027 Note will not be entitled to have 2027 Notes registered in their names, will not receive or be entitled to physical delivery of 2027 Notes in definitive registered form and will not be considered the holders thereof for any purpose under the Indenture. None of the Company, the Trustee, any Paying Agent nor the Security Registrar shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in this 2027 Note, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

3. If an Event of Default with respect to the 2027 Notes shall occur and be continuing, the principal of the 2027 Notes may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

4. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the holders of greater than 50% in aggregate principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions

permitting the holders of specified percentages in principal amount of the 2027 Notes at the time Outstanding, on behalf of the holders of all 2027 Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the holder of this 2027 Note shall be conclusive and binding upon such holder and upon all future holders of this 2027 Note and of any 2027 Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this 2027 Note.

5. The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company pursuant to this 2027 Note and (b) restrictive covenants and the related Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this 2027 Note.

6. At any time and from time to time on [], 2025, or at any time thereafter, this 2027 Note will be redeemable at the Company's option, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest thereon to, but excluding, such Redemption Date. On any Interest Payment Date, the 2027 Notes will be redeemable at the Company's option, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed in an amount not to exceed the excess of the Outstanding principal amount of the 2027 Notes as of such Interest Payment Date (including, if applicable, any PIK Interest accrued as of such Interest Payment Date) over the original par amount of 2027 Notes Outstanding as of such Interest Payment Date. For avoidance of doubt, the amount which may be redeemed pursuant to the foregoing sentence shall not exceed the amount attributable to PIK Interest added to the principal amount of the then-Outstanding 2027 Notes.

7. If less than all of the 2027 Notes are to be redeemed, the Trustee shall select the 2027 Notes or portions of 2027 Notes to be redeemed by such method as the Trustee shall deem fair and appropriate. The Trustee may select for redemption 2027 Notes and portions of 2027 Notes in amounts of \$25 and integral multiples of \$.01 in excess thereof and shall thereafter promptly notify the Company in writing of the numbers of 2027 Notes to be redeemed, in whole or in part; *provided* that if the 2027 Notes are represented by one or more Global Securities, interests in such Global Securities shall be selected for redemption by the Depositary in accordance with its standard procedures therefor.

8. No reference herein to the Indenture and no provision of this 2027 Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest due on this 2027 Note at the time, place and rate, and in the coin or currency, herein prescribed.

9. (a) As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this 2027 Note is registrable in the Security Register, upon surrender of this 2027 Note for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company or the Security Registrar and duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new 2027 Notes, of authorized denominations and of like tenor and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such exchange or registration of transfer, but the Company will require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

(b) Prior to due presentment of this 2027 Note for registration of transfer, the Company, the Trustee, any Paying Agent and the Security Registrar of the Company or the Trustee may deem and treat the Person in whose name this 2027 Note is registered as the absolute owner hereof for all purposes, whether or not this 2027 Note be overdue and notwithstanding any notice of ownership or writing thereon made by anyone other than the Security Registrar, and neither the Company nor the Trustee nor any Paying Agent nor the Security Registrar shall be affected by notice to the contrary. Except as provided in Section 1.03 of the Second Supplemental Indenture (relating to the accrual of PIK Interest), all payments of the principal of and interest due on this 2027 Note made to or upon the order of the registered holder hereof shall, to the extent of the amount or amounts so paid, effectually satisfy and discharge liability for moneys payable on this 2027 Note.

(c) The 2027 Notes are issuable only in registered form without coupons in minimum denominations of \$25, or any integral multiples of \$.01 in excess thereof (or units, each unit representing \$25). As provided in the Indenture and subject to certain limitations therein set forth, 2027 Notes are exchangeable for a like aggregate principal amount of 2027 Notes of a different authorized denomination, as requested by the holder surrendering the same upon surrender of the 2027 Note or 2027 Notes to be exchanged at the office or agency of the Company.

10. No recourse shall be had for payment of the principal of or interest on this 2027 Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

11. This 2027 Note shall be deemed to be a contract made under the internal laws of the State of New York, and for all purposes shall be construed in accordance with laws of said State.

12. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the 2027 Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to holders. No representation is made as to the accuracy of such numbers either as printed on the 2027 Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - Custodian under
Uniform Gift to Minors Act

(State)

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and
not as tenants in common.

Additional abbreviations may also be used though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

(please insert Social Security or other identifying number of assignee)

the within 2027 Note and all rights thereunder, hereby irrevocably constituting and appointing

agent to transfer said 2027 Note on the books of the Company, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must
correspond with the name as written upon the face of the
within instrument in every particular without alteration
or enlargement, or any change whatsoever.

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL SECURITY

The initial outstanding principal amount of this Global Security is \$[]. The following exchanges of a part of this Global Security for an interest in another Global Security or for a definitive 2027 Note, or exchanges of a part of another Global or definitive Security for an interest in this Global Security, have been made:

Date of Exchange or Increase	Amount of decrease in Principal Amount	Amount of increase in Principal	Amount of this Global Security	Principal Amount of this Global Security following such decrease or increase	Signature of authorized officer of Trustee or Custodian
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FORM OF CERTIFICATE OF TRANSFER

Atlas Financial Holdings, Inc.
[ADDRESS]

Wilmington Trust Company, National Association
[ADDRESS]

Re: 6.625%/7.25% Senior Unsecured PIK Toggle Notes due 2027

Reference is hereby made to the Indenture, dated as of April 26, 2017, as supplemented by that First Supplemental Indenture, dated as of April 26, 2017 and that Second Supplemental Indenture, dated as of [___], 2022, each by and between Atlas Financial Holdings, Inc. (the “Company”) and the Trustee (the “Indenture”). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the “Transferor”) owns and proposes to transfer the 2027 Note[s] or interest in such 2027 Note[s] specified in Annex A hereto, in the principal amount of \$_____ in such 2027 Note[s] or interests (the “Transfer”), to _____ (the “Transferee”), as further specified in Annex A hereto.

In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. ☐ CHECK IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN THE AFFILIATE HOLDER GLOBAL SECURITY PURSUANT TO RULE 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the “Securities Act”), and, accordingly, the Transferor hereby further certifies that the beneficial interest is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States.

2. ☐ CHECK AND COMPLETE IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN A GLOBAL SECURITY PURSUANT TO ANY PROVISION OF THE SECURITIES ACT OTHER THAN RULE 144A. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in an Affiliate Holder Global Security and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) ☐ such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act (without regard to the holding period specified under Rule 144(d)); or

(b) ☐ such Transfer is being effected to the Company or a subsidiary thereof; or

(c) ☐ such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act; or

(d) ☐ such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A and Rule 144, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial

interests in an Affiliate Holder Global Security and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in the form of Exhibit B-1 to the Indenture and (2) if such Transfer is in respect of a principal amount of 2027 Notes at the time of Transfer of less than \$100,000, an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest will be subject to the restrictions on transfer enumerated in the Affiliate Holder Legend printed on the Affiliate Holder Global Security and in the Indenture and the Securities Act.

3. ☐ CHECK IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN A NON-AFFILIATE HOLDER GLOBAL SECURITY.

(a) ☐ CHECK IF TRANSFER IS PURSUANT TO RULE 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 to a Person who is not an affiliate (as defined in Rule 144) of the Company under the Securities Act (without regard to the holding period specified under Rule 144(d)) and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Affiliate Holder Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest will no longer be subject to the restrictions on transfer enumerated in the Affiliate Holder Legend printed on the Affiliate Holder Global Security and in the Indenture.

(b) ☐ CHECK IF TRANSFER IS PURSUANT TO OTHER EXEMPTION. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144 to a Person who is not an affiliate (as defined in Rule 144) of the Company and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Affiliate Holder Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest will not be subject to the restrictions on transfer enumerated in the Affiliate Holder Legend printed on the Affiliate Holder Global Security and in the Indenture.

4. ☐ CHECK IF TRANSFEROR IS AN AFFILIATE OF THE COMPANY.

5. ☐ CHECK IF TRANSFEREE IS AN AFFILIATE OF THE COMPANY.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

[Insert Name of Transferor]

By: _____
Name: _____
Title: _____
Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer its interest in the Affiliate Holder Global Security
2. After the Transfer the Transferee will hold:

[CHECK ONE]

a beneficial interest in the:

- (i) ☐ Affiliate Holder Global Security (CUSIP [_____]), or
- (ii) ☐ Non-Affiliate Holder Global Security (CUSIP [_____]),

in accordance with the terms of the Indenture.

FORM OF CERTIFICATE FROM
ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR

Atlas Financial Holdings, Inc.
[ADDRESS]

Wilmington Trust Company, National Association
[ADDRESS]

Re: 6.625%/7.25% Senior Unsecured PIK Toggle Notes due 2027

Reference is hereby made to the Indenture, dated as of April 26, 2017, as supplemented by that First Supplemental Indenture, dated as of April 26, 2017 and that Second Supplemental Indenture, dated as of [___], 2022, each by and between Atlas Financial Holdings, Inc. (the “Company”) and the Trustee (the “Indenture”). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of \$_____ aggregate principal amount of 2027 Notes, we confirm that:

1. We understand that any subsequent transfer of the 2027 Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the 2027 Notes or any interest therein except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the “Securities Act”).

2. We understand that the 2027 Notes have not been registered under the Securities Act, and that the 2027 Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the 2027 Notes or any interest therein, we will do so only (A) to the Company, (B) in accordance with Rule 144A under the Securities Act to a “qualified institutional buyer” (as defined therein), (C) to an institutional “accredited investor” (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the Company a signed letter substantially in the form of this letter and, if such transfer is in respect of a principal amount of 2027 Notes at the time of transfer of less than \$100,000, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such transfer is in compliance with the Securities Act, (D) pursuant to an effective registration statement under the Securities Act, (E) in accordance with Rule 144 under the Securities Act (without regard to the holding period specified under Rule 144(d)) or (F) in accordance with another exemption from the registration requirements of the Securities Act, and we further agree to provide to any Person purchasing the 2027 Notes from us in a transaction meeting the requirements of clauses (A) through (F) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the 2027 Notes or beneficial interest therein, we will be required to furnish to you and the Company such certifications, legal opinions and other information as you and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the 2027 Notes purchased by us will bear a legend to the foregoing effect.

4. We are an institutional “accredited investor” (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the 2027 Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the 2027 Notes or beneficial interest therein purchased by us for our own account or for one or more accounts (each of which is an institutional “accredited investor”) as to each of which we exercise sole investment discretion.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

[Insert Name of Accredited Investor]

By: _____
Name: _____
Title: _____
Dated: _____

FORM OF CERTIFICATE OF EXCHANGE

Atlas Financial Holdings, Inc.
[ADDRESS]

Wilmington Trust Company, National Association
[ADDRESS]

Re: 6.625%/7.25% Senior Unsecured PIK Toggle Notes due 2027

Reference is hereby made to the Indenture, dated as of April 26, 2017, as supplemented by that First Supplemental Indenture, dated as of April 26, 2017 and that Second Supplemental Indenture, dated as of [___], 2022, each by and between Atlas Financial Holdings, Inc. (the “Company”) and the Trustee (the “Indenture”). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the “Owner”) owns and proposes to exchange the 2027 Note[s] or interest in such 2027 Note[s] specified herein, in the principal amount of \$ _____ in such 2027 Note[s] or interests (the “Exchange”). In connection with the Exchange, the Owner hereby certifies that:

1) EXCHANGE OF BENEFICIAL INTERESTS IN AN AFFILIATE HOLDER GLOBAL SECURITY WITH AN AFFILIATE HOLDER LEGEND FOR BENEFICIAL INTERESTS IN A NON-AFFILIATE HOLDER GLOBAL SECURITY

a) ☐ CHECK IF EXCHANGE IS FROM BENEFICIAL INTEREST IN AN AFFILIATE HOLDER GLOBAL SECURITY WITH AN AFFILIATE HOLDER LEGEND TO BENEFICIAL INTEREST IN A NON-AFFILIATE HOLDER GLOBAL SECURITY. In connection with the Exchange of the Owner's beneficial interest in an Affiliate Holder Global Security with a Affiliate Holder Legend for a beneficial interest in a Non-Affiliate Holder Global Security in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Securities and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the “Securities Act”), (iii) the restrictions on transfer contained in the Indenture and the Affiliate Holder Legend are not required in order to maintain compliance with the Securities Act, (iv) the beneficial interest in a Non-Affiliate Holder Global Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States and (v) the Owner is not an affiliate (as defined in Rule 144) of the Company.

2) ☐ CHECK IF OWNER IS AN AFFILIATE OF THE COMPANY.

3) ☐ CHECK IF OWNER IS EXCHANGING THIS 2027 NOTE IN CONNECTION WITH AN EXPECTED TRANSFER TO AN AFFILIATE OF THE COMPANY.

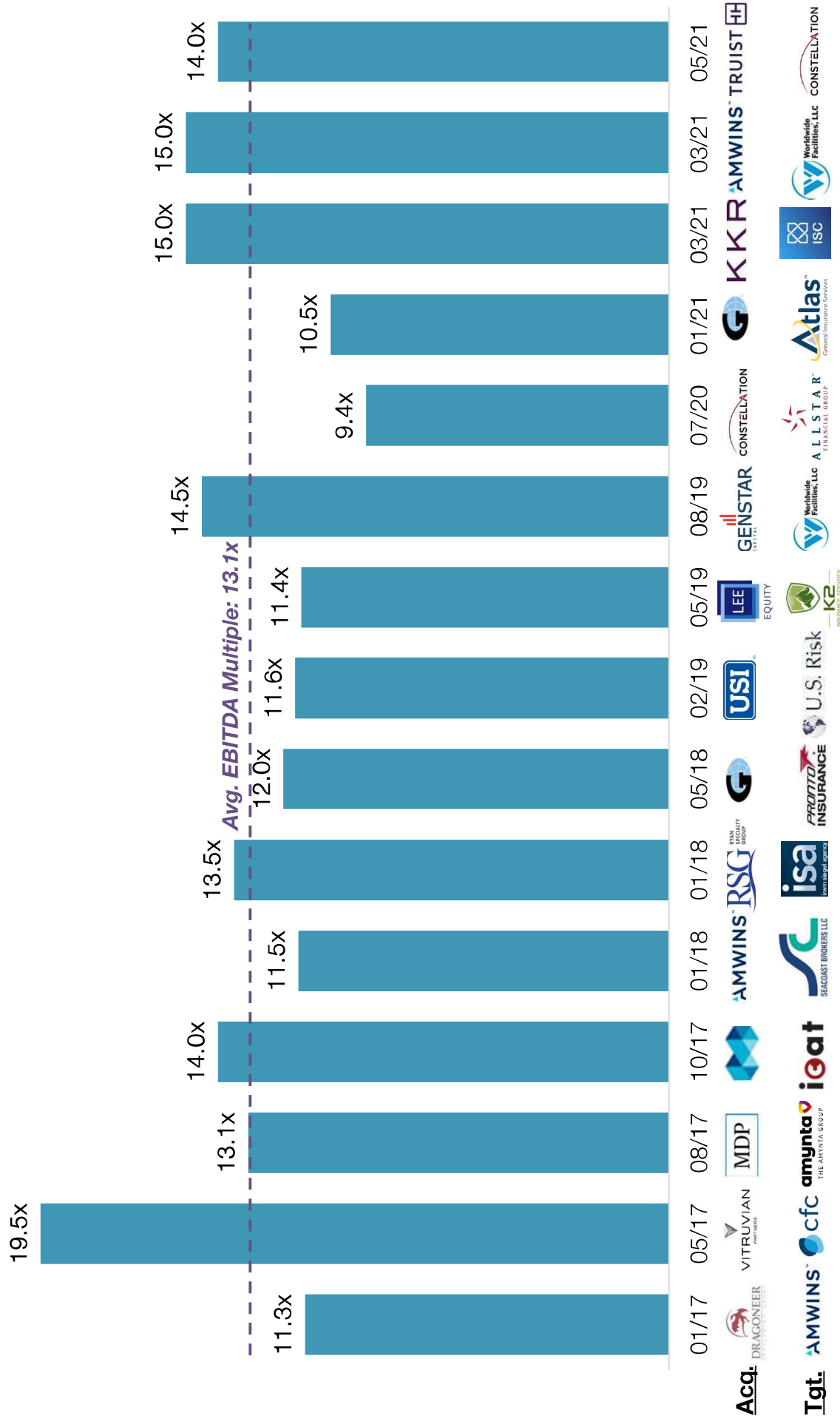
This certificate and the statements contained herein are made for your benefit and the benefit of the Company and are dated

[Insert Name of Transferor]

By: _____
Name: _____
Title: _____
Dated: _____

APPENDIX VII – CHART REGARDING MGA VALUATIONS

Selected Wholesale/MGA/MGU Valuations



Sources: S&P Global Market Intelligence, Company filings, PSC Intelligence.