



GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO. FSD OF 2022 ()

IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT (2021 REVISION)

AND IN THE MATTER OF ATLAS FINANCIAL HOLDINGS, INC

PETITION

To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION OF Atlas Financial Holdings, Inc whose registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands (the "**Company**") shows the following:

1. The object of this Petition is to seek the sanction of the Court pursuant to section 86 of the Companies Act (2021 Revision) (the "**Companies Act**") to a proposed Scheme of Arrangement (the "**Scheme**") between the Company and the holders of the Notes (as defined below) (the "**Noteholders**").
2. A copy of the Scheme is contained in a composite scheme document (the "**Scheme Document**"), a draft of which forms part of Exhibit "SDW-1" to the First Affidavit of Scott D Wollney.

The Company

3. The Company was incorporated on 21 December 2009 in Canada and continued in the Cayman Islands on 30 December 2010 as an exempted limited company with registration number 249791. The Company's registered office is situated at Cricket Square, Hutchins Drive, PO Box 2681, KY1-1111, Cayman Islands.
4. 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.

The Notes

5. In April 2017, the Company offered US\$25 million aggregate principal amount of 6.625% Senior Notes due 2022 (the "**Notes**"). The Company intended to use the proceeds received from the issuance of the Notes (together with cash already held by the Company's group) to repay US\$19.4 million in outstanding indebtedness under its secured credit facility (which was subsequently terminated), to make repurchases of common stock, support organic growth, and to make potential acquisitions, as well using the proceeds for general corporate purposes.
6. The Notes were issued pursuant to an Indenture dated 26 April 2017, as amended by a first supplemental indenture dated 26 April 2017 between the Company and Wilmington Trust, National Association as the Indenture Trustee ("**Indenture Trustee**"), ((as so supplemented), the "**Indenture**").
7. The Indenture is governed by New York law.

Financial Position of the Company

8. The COVID-19 pandemic has had serious and far reaching consequences on the profitability of the Company.
9. As at 30 September 2021, the Company had total assets of US\$95,448,000 and total liabilities of US\$121,351,000.
10. The Company is both balance sheet and cash flow insolvent based on the obligations under the Notes, and the Board considers that the Company will be unable to satisfy the amounts due on the Notes upon their maturity on 26 April 2022.
11. On 26 July 2021, an interest payment under the Notes fell due. Subsequently, on 26 October 2021 an additional interest payment under the notes fell due. In breach of the terms of the Notes, including “grace periods” provided for under the Indenture, the interest payments were not made by the Company.
12. As at the date of this Petition, there is approximately US\$25 million (plus accrued interest) outstanding under the terms of the Notes.

Objects and mechanics of the Scheme and the Restructuring

13. The purpose of the Scheme is to restructure the Notes (by way of exchange for new notes) so as to extend their maturity date and give the Company the opportunity to take advantage of improved economic conditions to ensure the maximum possible return to the Noteholders.
14. The Company has one class of Scheme Creditor. This is made up of the Noteholders.

Orders and Directions

15. The Company intends to make an application for, amongst other things, orders and directions:

15.1 that the relevant class of Scheme Creditor affected by the Scheme is the Noteholders;

15.2 that the Company be at liberty to convene a single meeting of the Noteholders (the “**Scheme Meeting**”) for the purpose of considering, and if thought fit, approving (with or without modification) the Scheme;

15.3 as to the mode of delivery of the Scheme Document (which includes an explanatory statement and notice of the Scheme Meeting) to the Noteholders and that a record date be set for the purposes of dispatch and for the purposes of voting at the Scheme Meeting; and

15.4 as to the appointment of a Chairman of the Scheme Meeting, and for directions that the chairman of the Scheme Meeting should report the result thereof to the Court.

16. That the resolution intended to be put to the Noteholders at the Scheme Meeting is:

“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.”

YOUR PETITIONER, THE COMPANY, THEREFORE HUMBLY PRAYS:

- (1) That the Scheme may be sanctioned by the Court so as to be binding on each party thereto in accordance with its terms.
- (2) That, to this end, all necessary inquiries may be made and directions may be made and given.
- (3) Such further or other relief as the Court shall see fit.

And your Petitioner will ever pray etc.

Dated this 4th day of January 2022

Conyers Dill & Pearman LLP

Conyers Dill & Pearman LLP
Attorneys-at-Law for the Petitioner herein

This Petition is presented by Conyers Dill & Pearman LLP, Attorneys-at-Law, for and on behalf of the Petitioner whose address for service is that of its said Attorneys-at-Law, Second Floor, SIX, Cricket Square, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands

