



American Overseas Group Limited Announces Acquisition of Orpheus Group Ltd.

HAMILTON, Bermuda, October 29, 2014 (BUSINESS WIRE) -- American Overseas Group Limited (BSX:AORE.BH) (Pink Sheets: AOREF.PK) (“AOG” or the “Company”) today announced the acquisition of Orpheus Group Ltd. (together with its subsidiaries, “Orpheus”), formerly the principal shareholder of the Company, for a combination of common stock and senior notes. Following the transaction, the Company’s outstanding common shares increased from 27,492 shares to 42,914 shares, net of treasury stock. The Company also issued approximately \$43.9 million of senior notes in connection with the transaction.

Orpheus is a specialty writer of non-standard auto (“NSA”) business in the U.S. In addition, Orpheus provides specialty risk transfer, reinsurance and management services through its operating subsidiaries in the U.S., Bermuda and Barbados. Orpheus derives the vast majority of its income from management fees earned in connection with providing these services. The acquisition completes the transformation of the Company into a Property & Casualty insurance holding company. The Company now has 41 employees and a well-established franchise with strong cash flow characteristics.

It is currently anticipated that the Financial Guaranty business of American Overseas Reinsurance Company Limited (“AORE”) will continue to run-off over an extended period of time. The Company will continue to work on establishing AORE as a specialty writer of Property & Casualty reinsurance.

Prior to the acquisition, Orpheus owned approximately 48.0% of the Company’s outstanding common shares. As a result of the acquisition, the outstanding shares of the Company are now widely distributed. No single shareholder currently owns more than 10% of the Company’s outstanding shares.

The senior notes issued by the Company mature on October 28, 2039. During the term of the senior notes the holders will receive interest at a fixed rate of 9.0% per annum, payable in quarterly installments. Principal is not due until maturity. The stock of AORE and Orpheus have been pledged as collateral for the senior notes. The senior notes also contain a replacement capital covenant that will prevent the company from purchasing any of its junior securities without the advance written consent of the holders of a majority of the senior notes by principal amount, unless such purchase is funded with proceeds from the issuance of new junior securities. The Company will continue to be permitted to redeem its Series A Preference shares for an amount not to exceed the pro-rata share of the Series A Preference shareholder’s share of the assets in the Series A Trust that was established earlier this year.

The U.S. holding company subsidiary of Orpheus also had outstanding debt at the time of the acquisition. As part of the acquisition, the Company renegotiated the terms of this legacy debt. The remaining legacy debt will also mature on October 28, 2039. The legacy debt will pay interest at a fixed rate of 12.0% per annum, payable in quarterly installments. Principal will not be due until maturity. The legacy debt also contains a dividend restriction that will prevent the U.S. holding company subsidiary from paying dividends to Orpheus without the express written consent of the note holder, except for the funds that may be necessary to enable the Company to pay its operating expenses and interest on the senior notes.

The Company currently expects the operating cash flow of the acquired businesses to be sufficient to pay the interest on the senior notes and the legacy debt, and that excess cash flow, if any, will be reinvested in the acquired businesses. The Company does not anticipate having sufficient cash flow to pay dividends on its common shares or Series A Preference shares, or to repurchase common shares, for the foreseeable future.

Forward-Looking Statements

This release contains statements that may be considered "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, the Company's expectations with respect to the volatility of its insured portfolio, losses, loss reserves and loss development, the adequacy and availability of its liquidity and capital resources, its current Financial Guaranty run-off strategy, its strategy for writing Property & Casualty reinsurance businesses and its expense reduction measures. These statements are based on current expectations and the current views of the economic and operating environment and are not guarantees of future performance. A number of risks and uncertainties, including economic competitive conditions, could cause actual results to differ materially from those projected in forward-looking statements. The Company's actual results could differ materially from those expressed or implied in the forward-looking statements. Among the factors that could cause actual results to differ materially are: (i) the Company's ability to execute its business strategy, including with respect to the acquired businesses; (ii) changes in general economic conditions, including inflation, foreign currency exchange rates, interest rates and other factors; (iii) the loss of significant customers; (iv) legislative and regulatory developments; (v) changes in regulations or tax laws applicable to the Company or its customers; (vi) more severe or more frequent losses associated with AORE's reinsured portfolio; (vii) losses on credit derivatives; (viii) changes in the Company's accounting policies and procedures that impact the Company's reported financial results; (ix) the effects of ongoing and future litigation and (x) other risks and uncertainties that have not been identified at this time. The Company undertakes no obligation to revise or update any forward-looking statement to reflect changes in conditions, events, or expectations, except as required by law.

Information About the Company

American Overseas Group Limited is an insurance holding company incorporated in Bermuda and a tax resident of the United Kingdom. Its operating subsidiaries provide specialty property/casualty insurance, reinsurance and insurance management services. More information can be found at www.aoreltd.com.