New file for my Company drawer
CAPCO

Facsimile Cover Sheet

PLAINTIFF'S EXHIBIT 416

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Date: 7/19/00
Pages including this cover page: 2

Comments:

George,

This is the narrative that goes with the e-mail I sent you. Lost the word file so hence the fax.

regards

DEFENDANT'S EXHIBIT D 5-17-07

PROPRIETARY AND CONFIDENTIAL

Narrative Description of Proposal for External Investor

Capco Reinsurance Company Ltd. (Capco) is a Barbados domiciled insurer with approximately $5m in equity and $93m assets as at December 31, 1999. Prior to June 30, 2000 Capco will be restructured, novating all active contracts to it's parent, distributing all remaining assets save $.2m of equity and obtaining an indemnification from it's parent in respect of all prior business.

The restructured Capco will then be available for the sole purpose of reinsuring a U.S. insurance entity (Reinsured Company) on a particular closed book of U.S. risk business. Immediately prior to entering this reinsurance treaty Capco will be recapitalized with non-voting cumulative redeemable Preferred shares of $170m, to be funded by a Sponsor Company and $20m Common shares. The Sponsor Company is seeking an External Investor(s) to take a majority holding in the Common shares of Capco.

Since the nature of the business is somewhat unpredictable, and the related losses are difficult to estimate, the business ceded may ultimately create an underwriting loss to Capco. The External Investor's risk of loss from its ownership of Common shares of Capco will be limited through the use of non-recourse loans provided by the Sponsor Company to purchase such Common shares. However, the emergence of a possible underwriting loss in the assumed reinsurance may render such Common equity interest worthless. Immediately thereafter, any continuing losses would erode the value of the Preferred shares placed by the Sponsor Company.

The fully paid purchase price for the Common and Preferred shares and the premium received under the reinsurance treaty will fully fund the limit of the reinsurance treaty. Restrictions will be placed on the business operations of Capco to ensure that these funds are not used for other purposes.

Although the last paid loss under the ceded book will be in approximately six years, the Reinsured Company may wish to commute the reinsurance treaty in three to four years subject to loss experience to date on mutually agreed upon terms. If there were unfavorable underwriting experience the Sponsor Company's remaining Preferred shares would then receive all remaining assets of Capco. Conversely, if there were favorable underwriting experience, the External Investor would receive all remaining assets after redemption of the Preferred shares.

Capco will be managed by a services company. Capco will bear the expense of the services company, audit fees, directors' fees and applicable insurance as required.

Notice: This presentation is not an offer to sell or a solicitation of an offer to buy securities in any jurisdiction where such offer or solicitation would be unlawful.

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