TRANSATLANTIC HOLDINGS INC
Form 425
November 03, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): **November 3, 2011 (September 23, 2011)**

VALIDUS HOLDINGS, LTD.

(Exact name of registrant as specified in its charter)

Bermuda	**001-33606**	**98-0501001**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

29 Richmond Road, Pembroke, HM 08 Bermuda
(Address of principal executive offices)

Registrant's telephone number, including area code: **(441) 278-9000**

Not Applicable
(Former name or former address, if changed since last report)

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

ý Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

Revised Validus Merger Offer

Validus Holdings, Ltd. ("Validus") has delivered a letter containing an increased offer to the board of directors (the "Transatlantic Board") of Transatlantic Holdings, Inc. ("Transatlantic") pursuant to which Validus would acquire Transatlantic through an exchange offer and a second-step merger transaction for 1.5564 voting common shares, par value $0.175 per share of Validus (the "Validus Shares"), for each outstanding share of common stock, par value $1.00 per share, of Transatlantic (the "Transatlantic Shares") and Transatlantic would pay a special dividend of $11.00 in cash per Transatlantic Share (which may be increased by the amount of the Special Excess Dividend (as defined below)) immediately prior to the expiration time of the exchange offer (the "Validus Merger Offer"). The Validus Merger Offer could be structured to be tax-free to Transatlantic stockholders with respect to the Validus Shares to be issued thereunder. The special dividend of $11.00 in cash and any Special Excess Dividend in the Validus Merger Offer will generally be taxable to U.S. stockholders of Transatlantic and may be subject to withholding taxes for non-U.S. stockholders of Transatlantic, although many such non-U.S. stockholders may be eligible for a reduced rate of withholding tax, or an elimination of withholding tax, under an applicable tax treaty. Because individual circumstances may differ, Validus urges Transatlantic stockholders to consult with their own tax advisors as to the specific tax consequences of the Validus Merger Offer and the Special Excess Dividend, including the applicability of U.S., federal, state, local, non-U.S. and other tax laws.

Validus expects that the cash special dividend would be financed by new indebtedness incurred by Transatlantic. Validus has obtained a highly confident letter from J.P. Morgan Securities LLC in connection with the arrangement of financing for the full amount of the $11.00 per share cash special dividend.

Validus has notified Transatlantic that it would permit Transatlantic, pursuant to the terms of the Validus Merger Offer and Validus Exchange Offer (as defined below), to pay up to a $2.00 per share cash special dividend (less applicable taxes and without interest); the aggregate amount available to pay this cash special dividend to all Transatlantic stockholders would be reduced on a dollar-for-dollar basis for any funds used by Transatlantic for share repurchases made after October 31, 2011 (such dividend, the "Special Excess Dividend"). Therefore, if Transatlantic continues share repurchases from selling stockholders it will result in a lower Special Excess Dividend payable to all Transatlantic stockholders in a transaction with Validus. Validus cannot be assured of the timing or amounts of any ongoing Transatlantic share repurchases and therefore cannot ensure that the full amount of the Special Excess Dividend would be made available to all Transatlantic stockholders. Any Special Excess Dividend will be funded from available cash on hand at Transatlantic.

The Transatlantic Board has failed to accept the Validus Merger Offer.

Amendment to Validus Exchange Offer

On November 3, 2011, Validus announced that it had amended the terms of the exchange offer that it commenced on July 25, 2011 (the "Validus Exchange Offer") to include offer consideration of 1.5564 Validus Shares and $11.00 in cash (less applicable withholding taxes and without interest) per Transatlantic Share and to permit Transatlantic to pay up to a $2.00 per share Special Excess Dividend (less applicable taxes and without interest) prior to the expiration time of the Validus Exchange Offer. A copy of the press release announcing, among other matters, the amendment to the Validus Exchange Offer is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference in its entirety.

The Validus Exchange Offer and second-step merger pursuant to which Validus will acquire any Transatlantic Shares outstanding following consummation of the Validus Exchange Offer will be a taxable transaction for U.S. federal income tax purposes. U.S. holders of Transatlantic Shares generally will recognize gain or loss equal to the difference, if any, between (i) the sum of the cash and fair market value of the Validus Shares received by such U.S. holder in the Validus Exchange Offer and second-step merger (including cash received in lieu of fractional shares) and (ii) such U.S. holder's adjusted tax basis in the Transatlantic Shares surrendered in exchange therefor. Any gain or loss recognized upon the Validus Exchange Offer or second-step merger generally will be treated as capital gain or loss. Any Special Excess Dividend received by Transatlantic stockholders will generally be taxable to U.S. stockholders of Transatlantic and may be subject to withholding taxes for non-U.S. stockholders of Transatlantic, although many such non-U.S. stockholders may be eligible for a reduced rate of withholding tax, or an elimination of withholding tax, under an applicable tax treaty. Because individual circumstances may differ, Validus urges Transatlantic stockholders to consult with their own tax advisors as to the specific tax consequences of the Validus Exchange Offer and the Special Excess Dividend, including the applicability of U.S., federal, state, local, non-U.S. and other tax laws.

Validus Share Repurchase Program

On November 3, 2011, Validus announced that the board of directors of Validus (the "Validus Board") has approved, through open market purchases or otherwise, an increase in Validus' existing share repurchase authorization to a total of $1 billion, contingent upon the consummation of the acquisition of Transatlantic by Validus.

Updates to Transaction Background Since September 23, 2011

On September 23, 2011, Transatlantic and Validus entered into a confidentiality agreement (the "Confidentiality Agreement") pursuant to which they exchanged non-public information. Pursuant to the Confidentiality Agreement, Validus agreed, during a period that expired at 11:59 p.m., Eastern time, on October 31, 2011 (the "Restricted Period"), not to take or enter into an agreement with any third party regarding certain actions, including acquiring any additional Transatlantic Shares, mailing Validus' consent solicitation statement regarding the removal and replacement of the Transatlantic Board to Transatlantic stockholders or collecting consent cards in connection therewith or seeking to call a special meeting of Transatlantic's stockholders pursuant to Transatlantic's bylaws. Validus and Transatlantic also agreed to take no action with respect to their pending litigation in the Chancery Court of Delaware and United States District Court for the State of Delaware during the Restricted Period.

Also on September 23, 2011, Validus issued a press release announcing that it had entered into the Confidentiality Agreement and extended the Validus Exchange Offer to 5:00 p.m., Eastern time, on October 31, 2011, unless further extended by Validus.

On September 24, 2011 and September 25, 2011, Edward Noonan, Chief Executive Officer and Chairman of the board of directors of Validus, and Michael Sapnar, Executive Vice President and Chief Operating Officer of Transatlantic, and representatives of Greenhill & Co., LLC ("Greenhill"), Validus' financial advisor, and Goldman, Sachs & Co. ("Goldman Sachs") and Moelis & Company LLC ("Moelis"), Transatlantic's financial advisors, engaged in discussions regarding the processes under which Transatlantic and Validus would exchange non-public information.

Beginning on September 26, 2011 and continuing through November 2, 2011, representatives of Transatlantic and Validus and their respective advisors engaged in mutual due diligence, including through electronic data rooms, conference calls and in-person meetings. This diligence process, performed in consultation with an internationally recognized actuarial firm, generally confirmed Validus' prior view of Transatlantic's business, operations and reserve levels.

On October 5, 2011, representatives of Transatlantic and Validus and their respective advisors met to discuss structuring the Validus Exchange Offer and the second-step merger to permit Validus Shares issuable to Transatlantic stockholders to be received on a tax-free basis.

On October 16, 2011, Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden, Arps"), Validus' outside legal counsel, delivered a draft of an agreement and plan of merger to Gibson Dunn & Crutcher LLP ("Gibson Dunn"), Transatlantic's outside legal counsel, which contemplated that Validus would acquire all issued and outstanding Transatlantic Shares pursuant to an amended Validus Exchange Offer and second-step merger.

On October 25, 2011, the Validus Board met to receive an update on the due diligence on Transatlantic that had been conducted by Validus' management and its advisors and discuss a possible revision to the terms of the transaction proposal initially publicly announced by Validus on July 12, 2011 (the "Initial Validus Proposal"). During this meeting, the Validus Board discussed with Validus' management the parameters of a potential increase in the cash component of the Initial Validus Proposal.

On October 26, 2011, based on instruction from Validus' management, Greenhill advised Goldman Sachs and Moelis that, based in part on Validus' findings in due diligence, Validus was considering a potential increase in the size of the special dividend contemplated by the Initial Validus Proposal by $3.00 in cash per share, for a total of $11.00 per share, while maintaining the exchange ratio at 1.5564 Validus Shares per Transatlantic Share. Greenhill noted that this transaction would be consummated on the basis of the two-step merger agreement that had been delivered by Skadden, Arps to Gibson Dunn on October 16, 2011. Greenhill advised Goldman Sachs and Moelis of its view that agreement by Validus and Transatlantic on such a transaction could be reached prior to the expiration of the Restricted Period under the Confidentiality Agreement.

On October 27, 2011, Greenhill, Goldman Sachs and Moelis engaged in discussions regarding transaction related diligence matters raised by Transatlantic. Mr. Noonan and Mr. Sapnar also had a telephone conversation which covered these additional diligence matters.

On October 28, 2011, Mr. Noonan and Joseph E. (Jeff) Consolino, President and Chief Financial Officer of Validus, met with Mr. Sapnar and Steven Skalicky, Executive Vice President and Chief Financial Officer of Transatlantic, to discuss transaction related diligence matters. Later that evening, representatives of Greenhill, Goldman Sachs and Moelis engaged in further discussion regarding these matters.

On October 29, 2011 and October 30, 2011, Mr. Noonan and Mr. Sapnar and representatives of Greenhill, Goldman Sachs and Moelis continued their discussions.

On October 31, 2011, Goldman Sachs and Moelis contacted Greenhill to report the Transatlantic Board's views regarding the potential increase to the Initial Validus Proposal that had been discussed the previous week, including the potential parameters of an acceptable increased offer. Later that day, following discussions with Transatlantic management, Greenhill called Goldman Sachs and Moelis to discuss the possibility of Validus permitting Transatlantic to pay a $2.00 per share dividend out of Transatlantic's cash on hand in addition to the $11.00 per share special dividend previously proposed by Validus and to review governance issues. Mr. Noonan and Mr. Sapnar engaged in telephone discussions regarding a potential transaction following this call.

At 11:59 p.m., Eastern time, on October 31, 2011, the Restricted Period under the Confidentiality Agreement expired.

On November 1, 2011, Validus announced in a press release that it had extended the expiration time of the Validus Exchange Offer to 5:00 p.m., Eastern time, on Friday, November 25, 2011, and that Validus and Transatlantic continued to exchange information and remained in discussions regarding a possible transaction. Validus thereafter filed Amendment No. 19 to Validus' Schedule TO relating to the Validus Exchange Offer to reflect the extension of the expiration time of the Validus Exchange Offer.

Also on November 1, 2011, Goldman Sachs and Moelis reported to Greenhill that the Transatlantic Board was unable to act on the increased offer from Validus and had failed to accept the increased offer.

On November 2, 2011, Mr. Noonan called Mr. Sapnar to discuss Validus' increased offer. Mr. Sapnar advised that the Transatlantic Board had failed to accept the increased offer.

Also on November 2, 2011, Validus delivered to the Transatlantic Board a letter containing the Validus Merger Offer. The Validus Merger Offer increased the amount of the one-time special dividend contemplated to be paid as part of the Initial Validus Proposal to $11.00 in cash per Transatlantic Share and provided that this amount may be increased by the up to $2.00 per share Special Excess Dividend. The letter reads as follows:

November 2, 2011

Board of Directors of Transatlantic Holdings, Inc.
c/o Richard S. Press, Chairman
c/o Robert F. Orlich, Chief Executive Officer
c/o Michael Sapnar, President
80 Pine Street
New York, New York 10005

Re:
Compelling Increased Offer to Acquire Transatlantic Holdings, Inc.

Dear Sirs,

We are disappointed that you have failed to accept our increased offer which as of November 2, 2011 would have delivered total value of $55.35 per Transatlantic share based on Validus' closing share price on November 2, 2011, including an increase in the cash component of our offer of $3.00 per share and the ability for Transatlantic to pay up to an additional $2.00 per share. As a result, we have resumed our Consent Solicitation and Exchange Offer.

Background

It has been almost four months since Validus first announced its cash-and-stock offer to acquire Transatlantic on July 12th.

We had hoped that it would be possible to pursue a consensual transaction between Validus and Transatlantic after Transatlantic terminated its merger agreement with Allied World on September 16th following overwhelming Transatlantic stockholder opposition to that transaction. Following that time, Validus and Transatlantic entered into a confidentiality agreement on September 23rd, clearing the way for a mutual exchange of non-public information and negotiations to allow both Validus and Transatlantic to better understand each other's business and value, and Validus suspended its Consent Solicitation until November 1st so that the parties could focus their energies on reaching a consensual transaction.

Due Diligence and Increased Offer

We and our advisors have spent the past six weeks reviewing the information that Transatlantic was willing to share with us in an effort to better understand your business, operations and reserve adequacy and to determine whether we could provide greater value to your stockholders. This diligence process, performed in consultation with an internationally recognized actuarial firm, generally confirmed Validus' prior view of Transatlantic's business, operations and reserve levels.

Based on the additional work that we have done, Validus has determined that it will increase its offer. Our increased offer provides that Transatlantic stockholders would receive (1) 1.5564 Validus voting common shares pursuant to an exchange offer and merger, (2) $11.00 per share in cash pursuant to a pre-closing dividend from Transatlantic immediately prior to closing of the Exchange Offer and (3) up to an additional $2.00 cash per share in a pre-closing dividend. Our increased offer could be structured with Transatlantic's cooperation to be tax-free to Transatlantic stockholders with respect to the Validus shares they receive in the Exchange Offer and the Merger. As we have communicated to you and your advisors, we believe that the transaction can be consummated prior to year-end.

The aggregate amount available to pay the additional $2.00 cash pre-closing dividend to all Transatlantic stockholders would be reduced on a dollar-for-dollar basis for any funds used by Transatlantic for share repurchases made after October 31st. Therefore, if Transatlantic continues share repurchases from selling stockholders it will result in a lower pre-closing cash dividend payable to all Transatlantic stockholders in a transaction with Validus.

We believe that our increased offer (including the full amount of the additional cash dividend of $2.00 per share), which represented a 6.0% premium to Transatlantic's closing share price on November 2nd, presents a compelling proposition for your stockholders and provides full and fair value for Transatlantic shares. In addition, this increased offer represented as of November 2nd:

- a 25.8% premium to Transatlantic's closing share price on June 10th, the last trading day prior to the announcement of Transatlantic's merger agreement with Allied World; and
- a 12.9% premium to Transatlantic's closing share price on July 12th, the last trading day prior to Validus' announcement of its intention to acquire Transatlantic.§

When we asked our financial advisors at Greenhill to initially share our view with respect to a potential increase to our initial offer, we did so with the sincere hope that it would be possible to work with Transatlantic on an accelerated basis to achieve a consensual transaction by the October 31st deadline set by our confidentiality agreement. Given the work that has been done on both sides over the past six weeks, Validus was extremely disappointed that the Transatlantic board has failed to accept our increased offer.

We believe that our increased offer is a far better value-enhancing alternative for Transatlantic stockholders than waiting for Transatlantic to pursue a theoretical transaction, a third party-sponsored run-off, a minority investment from a third party or pursuing a "go it alone" approach for the following reasons:

- We believe an alternative transaction will be subject to greater execution, financing and regulatory delay and risks than a transaction with Validus.
  - Validus commenced its Exchange Offer to acquire Transatlantic on July 25th and its registration statement was declared effective by the Securities and Exchange Commission on August 22nd. The exchange offer can be used as the first step in a two-step transaction that can be consummated prior to year-end.
  - Validus has obtained from J.P. Morgan Securities LLC a highly confident letter in connection with the arrangement of the financing required to pay the $11.00 per Transatlantic share pre-closing cash dividend.
  - Validus has obtained, or is well along in the process of obtaining, all insurance, antitrust and other regulatory approvals required to complete the acquisition of Transatlantic.

Based on these factors, we believe no other party can provide more transaction certainty or speed of execution to Transatlantic stockholders than Validus.

- Validus does not believe that there is any economic rationale under which a standalone Transatlantic is a better option for Transatlantic stockholders than a transaction with Validus. A "go it alone" Transatlantic appears to face significant hurdles and negative implications for Transatlantic stockholders:
  - *No premium:* A "go it alone" approach provides no premium for Transatlantic's stockholders, no cash for Transatlantic's stockholders and no catalyst for a trading multiple expansion for Transatlantic shares. In contrast, Validus' increased offer that was not accepted by the Transatlantic board represented as of November 2nd a 25.8% premium to Transatlantic's June 10th unaffected closing share price and provides Transatlantic stockholders with a significant equity interest in Validus, whose stock has consistently traded at a higher multiple than Transatlantic.

Inflexible structure: On a "go it alone" approach, Transatlantic's capital remains trapped within a tax-inefficient U.S. structure. In contrast, Validus' Bermuda domicile provides flexibility that permits Validus to shift capital as needed to maximize returns.

No insurance experience: Despite its attempts to obtain access to U.S. primary insurance business through Putnam Reinsurance Company, a "go it alone" Transatlantic provides its stockholders with no insurance experience or track record as a potential avenue for growth. Combining with Validus would provide access to a skilled management team that has produced a company with a top tier position at Lloyd's, with over $1 billion of gross premiums written and top quartile Lloyd's financial performance. Moreover, Talbot will give Transatlantic immediate access to the U.S. excess and surplus market.

No E.U. passport: A "go it alone" Transatlantic will continue to lack an E.U. passport a key deficiency previously identified by Transatlantic's management. Validus would provide Transatlantic with an E.U. passport through Validus Re Europe Limited, which can be funded as appropriate to support the combined company's expanding business.

Smaller size: A "go it alone" Transatlantic will remain the number 10 ranked property and casualty reinsurance company, while a combination with Validus would create a top six property and casualty reinsurance company worldwide, as well as a market leader in the U.S. and Bermuda.

No synergies: A "go it alone" Transatlantic cannot create stockholder value through realizing synergies, as compared to the significant opportunities to expand earnings, return on equity and book value growth through a combination with Validus.

Inferior capital management opportunities: Although a "go it alone" Transatlantic can continue to pursue its recently announced share repurchase program, subject to rating agency and other business constraints, it lacks the incremental excess capital that would be created by a combination with Validus. Moreover, active capital management is, and has been, a core element of Validus' strategy, and Validus has a senior management team skilled in managing capital for the benefit of all of its shareholders. A combination of Validus and Transatlantic would create approximately $1 billion of pre-synergy, pre-catastrophe earnings power which, together with excess capital created by the transaction, would be available for expanded share repurchase activity by the combined company. Accordingly, the Validus Holdings, Ltd. board of directors has approved, through open market purchases or otherwise, an increase in the current Validus share repurchase authorization to an aggregate of $1 billion, contingent upon the consummation of the acquisition of Transatlantic.**

Conclusion

Validus firmly believes that Transatlantic stockholders will find our increased offer compelling. Our preference remains to reach a consensual transaction with the Transatlantic board. However, because the Transatlantic board has failed to accept Validus' compelling increased offer, Validus will take its offer directly to Transatlantic's stockholders through its Exchange Offer and Consent Solicitation to replace the Transatlantic board.

Sincerely,

/s/ Edward J. Noonan

Edward J. Noonan
Chairman and Chief Executive Officer

Based on Transatlantic ($52.23) closing share price on November 2, 2011, and Validus ($27.21) closing share price on November 2, 2011.

Based on Transatlantic ($44.01) closing share price on June 10, 2011, and Validus ($27.21) closing share price on November 2, 2011.

§
Based on Transatlantic ($49.02) closing share price on July 12, 2011, and Validus ($27.21) closing share price on November 2, 2011.

**
Validus expects the share repurchases to be made from time to time in the open market or in privately negotiated transactions. The timing, form and amount of the share repurchases under the program will depend on a variety of factors, including market conditions, Validus' capital position relative to internal and rating agency targets, legal requirements and other factors. The repurchase program may be modified, extended or terminated by the Validus Holdings, Ltd. board of directors at any time.

Additionally, on November 2, 2011, Validus delivered to Transatlantic a letter demanding that the Transatlantic Board set a record date in connection with Validus' consent solicitation. Further, on November 2, 2011, Validus delivered a letter demanding that Transatlantic deliver to Validus, among other things, a list of Transatlantic stockholders as of such date.

On November 3, 2011, Validus publicly disclosed the terms of the Validus Merger Offer in a press release and announced that it had amended the terms of the Validus Exchange Offer to include offer consideration of 1.5564 Validus Shares and $11.00 in cash (less applicable withholding taxes and without interest) per Transatlantic Share and to permit Transatlantic to pay up to a $2.00 per share Special Excess Dividend prior to the expiration time of the Validus Exchange Offer. Validus thereafter filed Amendment No. 20 to Validus' Schedule TO relating to the Validus Exchange Offer to reflect the revised terms of the Validus Exchange Offer.

Also on November 3, 2011, Validus announced that the Validus Board has approved, through open market purchases or otherwise, an increase in Validus' existing share repurchase authorization to a total of $1 billion, contingent upon the consummation of the acquisition of Transatlantic by Validus.

Source and Amount of Funds

Commitments

Validus has obtained commitments from J.P. Morgan Securities LLC, as lead arranger, and JPMorgan Chase Bank, N.A. to provide, subject to certain conditions, senior bank financing consisting of up to $350 million under a proposed new unsecured credit facility (the "Bridge Facility"), for financing a portion of the cash component of the consideration to be paid to Transatlantic stockholders in connection with the Validus Exchange Offer. These commitments supersede and replace the previously disclosed commitments from J.P. Morgan Securities LLC and JPMorgan Chase Bank, N.A. to provide up to $200 million of senior bank financing. The documentation governing the credit facility contemplated by these commitments has not been finalized, and accordingly, the actual terms may differ from the summary below. Validus plans to fund the remaining cash component of the consideration to be paid to Transatlantic stockholders in connection with the Validus Exchange Offer through borrowing under Validus' existing (i) $340 million Three-Year Unsecured Letter of Credit Facility Agreement, dated as of March 12, 2010, as amended (the "Existing Three-Year L/C Facility"), among Validus, Validus Reinsurance Ltd. ("Validus Re"), the subsidiary account parties from time to time party thereto, the lenders from time to time party thereto, Deutsche Bank Securities Inc., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent and (ii) $60 million Three-Year Revolving Credit Facility Agreement, dated as of March 12, 2010, as amended, among Talbot Holdings Ltd., as borrower, Validus, the lenders from time to time party thereto and Lloyds TSB Bank plc, as administrative agent.

Interest; Unused Commitment Fees

Each loan made under the Bridge Facility will bear interest at an Adjusted LIBOR Rate or Alternate Base Rate (as contemplated by the commitment letter relating to the Bridge Facility) plus, in each case, the applicable margin described in the chart below. Interest periods on Adjusted LIBOR Rate-based loans may be one, two, three or six months, at Validus' option. In the case of Adjusted LIBOR Rate-based loans, interest will accrue on the basis of a 360-day year, and will be payable on the last day of each relevant interest period and, for any interest period longer than 3 months, on each successive date 3 months after the first day of such interest period. Interest will accrue on Alternate Base Rate-based loans on the basis of a 365/366-day year (or 360-day year if based on the Federal Funds Rate or the Adjusted LIBOR Rate) and shall be payable quarterly in arrears. Unused loan commitments will be subject to an unused commitment fee, as described in the chart below.

Category	Index Ratings	Commitment Fee Rate	Eurodollar Spread	ABR Spread
Category 1	A-/A3 or better	0.125%	2.000%	1.000%
Category 2	BBB+/Baa1	0.150%	2.250%	1.250%
Category 3	BBB/Baa2	0.200%	2.500%	1.500%
Category 4	BBB-/Baa3	0.250%	2.750%	1.750%
Category 5	BB+/Ba1 or lower	0.325%	3.125%	2.125%

The Eurodollar Spreads and ABR Spreads set forth in the chart above will increase by an additional 0.25% on the date that is 90 days following the closing date of the Bridge Facility and every 90 days thereafter.

Additionally, Validus shall pay a duration fee for the ratable benefit of the lenders under the Bridge Facility on the dates set forth below, equal to the Applicable Duration Fee Percentage of the aggregate principal amount of loans outstanding as of such date:

Days after the closing date of the Bridge Facility	90 days	180 days	270 days
Applicable Duration Fee Percentage	0.50%	0.75%	1.00%

Conditions to Borrowing

Borrowing under the Bridge Facility will be subject to certain conditions. Set forth below is a description of the conditions precedent to borrowing under the Bridge Facility:

the negotiation, delivery and execution of definitive documentation with respect to the Bridge Facility consistent with the Existing Three-Year L/C Facility, and on terms consistent with, and containing only those conditions to borrowing expressly set forth in the commitment letter relating to the Bridge Facility;

(i) the Validus Exchange Offer shall have been consummated substantially concurrently with the initial funding of the Bridge Facility, in accordance with the terms described in the commitment letter relating to the Bridge Facility and in accordance with the terms of the definitive documents relating to the Validus Exchange Offer; (ii) without the prior written consent of the lead arranger (such consent not to be unreasonably withheld or delayed), there shall have been no amendment, modification, waiver or consent with respect to the conditions set forth in the documents relating to the Validus Exchange Offer entitled "Section 203 Condition" and "Rights Agreement Condition", in each case, as such conditions were in effect in the documents relating to the Validus Exchange Offer as of August 19, 2011; and (iii) after giving effect to the consummation of the Validus Exchange Offer on the closing date of the Bridge Facility, Validus shall own a majority of the then outstanding Transatlantic Shares on a fully diluted basis;

since December 31, 2010, there not having been any Combined Material Adverse Effect (as defined in the commitment letter relating to the Bridge Facility), other than any events, developments or occurrences (but not any future updates, developments or other changes in or to any such events, developments or occurrences) that have been disclosed prior to November 2, 2011 in any filing with the SEC on Form 10-K, Form 10-Q or Form 8-K of Validus or Transatlantic, as applicable;

as of the closing date of the Bridge Facility, no default or event of default shall have occurred and be continuing, or shall occur as a result of the consummation of the Validus Exchange Offer, the second-step merger and the financings thereof or the $2.00 per share Special Excess Dividend permitted to be paid prior to the expiration time of the Validus Exchange Offer, under

(i) the Existing Three-Year L/C Facility, the $500 million Five-Year Secured Letter of Credit Facility Agreement, dated as of March 12, 2007, as it may be amended, or, in each case any refinancing or replacement thereof or (ii) any other credit agreement of Validus, Transatlantic or any of their respective subsidiaries, or any refinancing or replacement thereof (other than, in the case of this clause (ii), any such agreements, refinancing or replacements with an aggregate outstanding principal amount (for all such agreements, refinancing and replacements) not in excess of $150,000,000);

accuracy of representations and warranties under the Bridge Facility (subject to materiality thresholds) (excluding any representation or warranty relating to Transatlantic or any of its subsidiaries or any of their respective businesses);

no default or event of default shall have occurred and be continuing at the time of, or after giving effect to the making of, the loans under the Bridge Facility;

on the closing date of the Bridge Facility, taking into account the Validus Exchange Offer and the second-step merger, Validus shall have (i) an unsecured long-term obligations rating of at least "Baa3" (with stable (or better) outlook from Moody's Investors Service, Inc. and (ii) long-term issuer credit rating of at least "BBB-" (with stable (or better) outlook) from Standard & Poor's Financial Services LLC, which ratings and outlooks shall have been reaffirmed within seven days prior to funding (to the extent the closing date of the Bridge Facility is more than 60 days after the original date of receipt of such ratings);

the lenders shall have received (i) audited consolidated financial statements of Validus for the three most recent fiscal years ended at least 90 days prior to the closing date of the Bridge Facility and (ii) unaudited consolidated financial statements of Validus for each interim quarterly period ended after the latest fiscal year referred to in clause (i) above and at least 45 days prior to the closing date of the Bridge Facility, and unaudited consolidated financial statements for the same period of the prior fiscal year;

the lenders shall have received a pro forma consolidated balance sheet of Validus as at the end of the most recent fiscal year ended at least 90 days prior to the closing date of the Bridge Facility and a pro forma statement of operations for each of (i) the most recent fiscal year of Validus ended at least 90 days prior to the closing date of the Bridge Facility and (ii) the most recent interim period of Validus ending at least 45 days prior to the closing date of the Bridge Facility, in each case adjusted to give effect to the consummation of the Validus Exchange Offer, the second-step merger and the financings contemplated in the commitment letter relating to the Bridge Facility as if such transactions had occurred on such date or on the first day of such period, as applicable. To the extent practicable, such pro forma financial statements shall be prepared in accordance with Regulation S-X, but it is acknowledged that to the extent Validus is limited as to information relating to Transatlantic and its subsidiaries, such preparation may not be practicable;

payment of all fees and expenses then due with respect to the Bridge Facility to the extent invoiced at least one business day prior to the closing date of the Bridge Facility;

the administrative agent shall have received such legal opinions, certificates (including a solvency certificate from the chief financial officer of Validus certifying the solvency of Validus and its subsidiaries on a consolidated basis, after giving effect to the Validus Exchange Offer, the second-step merger and the borrowings under the Bridge Facility), documents and other instruments and information (including PATRIOT Act and related compliance documentation and information), in each case, as are customary for transactions of this type as it may reasonably request; and

receipt by the administrative agent of a customary borrowing request from Validus.

Maturity

Validus expects that the contemplated Bridge Facility will mature on the earlier of (i) one year after the closing date of the Bridge Facility and (ii) March 12, 2013.

Prepayments and Repayments

The loans made under the Bridge Facility may be voluntarily prepaid without premium or penalty, subject to Validus' payment of breakage costs in connection with any Adjusted LIBOR Rate-based loans.

Subject to certain exceptions and thresholds, (i) the loans made under the Bridge Facility will be mandatorily prepaid and, (ii) after the execution of the commitment letter relating to the Bridge Facility, but prior to the closing date of the Bridge Facility, the commitments of the lenders under the Bridge Facility will be reduced, in each case, on a pro rata basis with (a) 100% of the net cash proceeds of any issuance of equity by Validus (other than any issuance of equity pursuant to the Validus Exchange Offer), (b) 100% of the net cash proceeds of any incurrence of indebtedness for borrowed money by Validus or any of its subsidiaries and (c) 100% of the net cash proceeds of any non-ordinary course sale or other disposition of assets by Validus of any of its subsidiaries.

Guarantee

All obligations of Validus and its subsidiaries under the Bridge Facility will, from and after the consummation of the second-step merger, be unconditionally guaranteed (the "Guarantee"), by Transatlantic so long as the provision of such Guarantee at such time is not prohibited by any material contract of Transatlantic or applicable law or regulation and would not result in material adverse tax consequences as reasonably determined by Validus and the administrative agent. In the event that (and for so long as) the Guarantee is not provided, the Bridge Facility will include the following additional covenants, in each case, consistent with the terms of the Existing Three-Year L/C Facility: (i) a minimum level of capital surplus at Validus Re equal to at least $2,451,837,960, (ii) a limitation on direct or indirect investments by Validus and its subsidiaries (other than Transatlantic and its subsidiaries) in Transatlantic and its subsidiaries and (iii) a covenant to provide quarterly financial statements of Validus Re.

Representations and Warranties; Covenants; Events of Default.

The representations and warranties contained in and the events of default under the Bridge Facility shall be substantially similar to those of the Existing Three-Year L/C Facility, as modified to reflect and permit the Validus Exchange Offer, the second-step merger and the other transactions contemplated by the Exchange Offer Documents (as defined below).

Validus Projected Financial Information

Validus' senior management does not as a matter of practice prepare or disclose public forecasts or projections as to Validus' future performance, earnings or other operating metrics beyond the current fiscal year, and Validus does not place much emphasis on projections for extended periods due to the unpredictability of the underlying assumptions and estimates.

However, at the request of Transatlantic's management, certain financial projections prepared by, or as directed by Validus' management have been provided by Validus to Transatlantic in connection with the Validus Merger Offer. Summaries of the foregoing financial projections (the "Financial Projections") are being provided herein solely because they were provided to Transatlantic to assist Transatlantic in reviewing the terms of the Validus Merger Offer. The inclusion of these Financial Projections in this Current Report on Form 8-K should not be regarded as an indication that Validus, Transatlantic, the board of directors of Validus or Transatlantic (or any committee thereof), or any other recipient of this information considered, or now considers, such Financial Projections to be a reliable prediction of future results, and they should not be relied on as such.

The Financial Projections reflect numerous judgments, estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to Validus' business, all of which are difficult to predict and many of which are beyond Validus' control. The Financial Projections are subjective in many respects and thus are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. As such, the Financial Projections constitute forward-looking information and are subject to risks and uncertainties that could cause actual results to differ materially from the results forecasted in such projections, including the various risks set forth in this Current Report on Form 8-K and Validus' periodic reports. See the subheading of this Item 8.01 titled "Cautionary Statement Regarding Forward-Looking Statements." There can be no assurance that the projected results will be realized or that actual results will not be significantly higher or lower than projected. The Financial Projections cover multiple years and such information by its nature becomes meaningfully less reliable with each successive year.

The Financial Projections do not take into account any circumstances or events occurring after the date they were prepared, and they do not give effect to the Validus Merger Offer or the Validus Exchange Offer or the effect of any failure of the transactions contemplated by the Validus Merger Offer or the Validus Exchange Offer to occur, and should not be viewed as accurate or continuing as of any other such date or in the event of any such failure.

The Financial Projections were prepared solely for use in connection with evaluating the Validus Merger Offer and not with a view toward public disclosure or toward complying with generally accepted accounting principles, the published guidelines of the Securities and Exchange Commission (the "SEC") regarding projections or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither Validus' registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the Financial Projections included below, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and deny any association with, the Financial Projections. The audit report included in the Validus 10-K refers exclusively to Validus' historical financial information. It does not extend to the Financial Projections and should not be read as such.

Validus has made publicly available its actual results of operations for the quarter ended September 30, 2011. Readers of this Current Report on Form 8-K are cautioned not to place undue reliance on the projections set forth below. No one has made or makes any representation to any stockholder regarding the information included in the Financial Projections.

The inclusion of the Financial Projections herein will not be deemed an admission or representation by Validus that they are viewed by Validus or any other party as material information of Validus. The Financial Projections are not included in this Current Report on Form 8-K in order to induce any holder of shares of Transatlantic common stock to deliver a written consent to Validus pursuant to the consent solicitation contemplated by the preliminary consent solicitation statement originally filed by Validus with the SEC on September 14, 2011 or to tender Transatlantic Shares pursuant to the Validus Exchange Offer. Validus does not intend to update or otherwise revise the Financial Projections to reflect circumstances existing since their preparation, to reflect the occurrence of unanticipated events even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic or industry conditions.

The projections include the effects of capital management over the projection period (either by means of share repurchases or dividends).

Validus Summary Projections

($ in thousands, except per share data)

	2011E	2012E	2013E	2014E	2015E	2016E
Stockholders' Equity	$ 3,646,196	$ 3,660,569	$ 3,660,569	$ 3,660,569	$ 3,660,569	$ 3,660,569
Total Net Premiums Written	1,751,264	1,994,353	2,053,021	2,102,594	2,172,702	2,257,523
Net Income	77,521	440,544	466,341	472,414	474,605	492,627
Diluted EPS	$ 0.68	$ 4.33	$ 5.34	$ 6.20	$ 7.24	$ 8.90
Loss Ratio	67.8%	49.5%	49.7%	50.0%	50.5%	50.6%
Combined ratio	99.8%	80.1%	80.0%	80.2%	80.7%	80.7%

Selected Historical Consolidated Financial Data of Validus

Set forth below is certain selected historical consolidated financial data relating to Validus. The financial data has been derived from Validus' financial results for the nine months ended September 30, 2011, furnished as part of Validus' Current Report on Form 8-K filed with the SEC on October 27, 2011, (the "Validus Q3 Earnings Release"), and Validus' Annual Report on Form 10-K for the year ended December 31, 2010 (the "Validus 10-K"). Historical results are not necessarily indicative of the results that may be expected for the remainder of this fiscal year or any other future period. This financial data should be read in conjunction with the financial statements and the related notes and other financial information contained in the Validus Q3 Earnings Release and the Validus 10-K.

The following table sets forth summarized operational data for the periods ended December 31, 2010, 2009, 2008, 2007 and 2006 and September 30, 2011 and 2010:

	Nine Months Ended September 30,		Year Ended December 31,				
	2011	2010	2010	2009[12]	2008	2007	2006
	(Dollars in thousands, except share and per share amounts)						
Revenues							
Gross premiums written	$ 1,846,412	$ 1,731,835	$ 1,990,566	$ 1,621,241	$ 1,362,484	$ 988,637	$ 540,789
Reinsurance premiums ceded	(272,752)	(194,106)	(229,482)	(232,883)	(124,160)	(70,210)	(63,696)
Net premiums written	1,573,660	1,537,729	1,761,084	1,388,358	1,238,324	918,427	477,093
Change in unearned premiums	(259,863)	(209,417)	39	61,219	18,194	(60,348)	(170,579)
Net premiums earned	1,313,797	1,328,312	1,761,123	1,449,577	1,256,518	858,079	306,514
Gain on bargain purchase, net of expenses[13]				287,099			
Net investment income	84,216	103,141	134,103	118,773	139,528	112,324	58,021
Realized gain on repurchase of debentures				4,444	8,752		
Net realized gains (losses) on investments	23,177	46,897	32,498	(11,543)	(1,591)	1,608	(1,102)
Net unrealized (losses) gains on investments	(22,150)	88,641	45,952	84,796	(79,707)	12,364	
Other income	2,201	4,667	5,219	4,634	5,264	3,301	
Foreign exchange (losses) gains	(22,390)	(2,073)	1,351	(674)	(49,397)	6,696	2,157
Total revenues	1,378,851	1,569,585	1,980,246	1,937,106	1,279,367	994,372	365,590
Expenses							
Losses and loss expenses	909,572	832,361	987,586	523,757	772,154	283,993	91,323
Policy acquisition costs	232,931	217,376	292,899	262,966	234,951	134,277	36,072
General and administrative expenses[1]	145,244	154,779	209,290	185,568	123,948	100,765	