

**RAM HOLDINGS LTD.
(a Bermuda company)**

**RAM Re House
46 Reid Street
Hamilton HM 12
Bermuda**

NOTICE OF SPECIAL GENERAL MEETING OF HOLDERS OF SERIES A PREFERENCE SHARES

To Be Held on February 11, 2010

Dear Holders of Series A Preference Shares:

We are pleased to invite you to our Special General Meeting of holders of Non-Cumulative Preference Shares, Series A, \$0.10 par value and \$1,000 liquidation preference per share (the "Series A Preference Shares"), of RAM Holdings Ltd. ("RAM Holdings"), which we refer to as the "Series A Special Meeting". We will hold the Series A Special Meeting at Canon's Court, 22 Victoria Street, Hamilton HM EX, Bermuda, on February 11, 2010 at 6:00 p.m., New York City time.

The purpose of the Series A Special Meeting is:

1. To make various amendments (the "Proposed Series A Amendments") to the Certificate of Designations of the Series A Preference Shares (the "Series A Certificate of Designations") to eliminate certain preferential rights of the Series A Preference Shares, including the following amendments:
 - (i) to eliminate the provisions prohibiting, unless full dividends for the latest completed dividend period on all Series A Preference Shares have been paid, the (a) payment of dividends on any class or series of the share capital of RAM Holdings that ranks junior to the Series A Preference Shares and (b) purchase or redemption of any such junior shares;
 - (ii) to eliminate the provisions requiring that, when full dividends are not paid on the Series A Preference Shares and any preference shares of RAM Holdings that rank on parity with the Series A Preference Shares, any dividends declared on the Series A Preference Shares and such parity shares be declared on a *pro rata* basis among such securities; and
 - (iii) to eliminate the provisions prohibiting, when, in connection with a mandatory redemption, RAM Holdings has failed to deposit sufficient funds for such redemption, the (a) redemption or acquisition of any preference shares of RAM Holdings that rank on parity with the Series A Preference Shares or discharge of redemption, sinking fund or other similar obligations in respect of such parity shares, and (b) making of distributions on any class or series of the share capital of RAM Holdings that ranks junior to the Series A Preference Shares, redemption or acquisition of such junior shares or discharge of redemption, sinking fund or other similar obligations in respect of such junior shares.
2. To consider any adjournment or postponement of the Series A Special Meeting, including proposals to adjourn the Series A Special Meeting with respect to proposals for which insufficient votes to approve were cast and, with respect to such proposals, to permit further solicitation of proxies.

The Proposed Series A Amendments are being proposed in connection with:

- an offer by RAM Holdings to purchase any and all outstanding Series A Preference Shares at a price per share equal to (a) \$250.00 (the "Series A Total Consideration"), comprised of \$200.00 (the "Series A Purchase Price") and \$50.00 (the "Series A Early Tender Premium"), in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) on or before 5:00 p.m., New York City time, on February 11, 2010 (such time and date, as the same may be modified, the "Series A Early Tender Deadline") and accepted by RAM Holdings, or (b) \$200.00, which is the Series A Purchase Price, in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) after the Series A Early Tender Deadline but no later than 11:59 p.m., New York City time, on February 26, 2010, unless extended or earlier terminated (such time and date, as the same may be modified, the "Series A Expiration Date"), and such shares are accepted by RAM Holdings, and
- an offer by RAM Reinsurance Company Ltd. ("RAM Re") to purchase any and all outstanding Class B Preference Shares, \$1,000 par value and \$100,000 liquidation preference per share (the "Class B Preference Shares"), of RAM Re at a price per share equal to (a) \$25,000.00 (the "Class B Total Consideration"), comprised of \$20,000.00 (the "Class B Purchase Price") and \$5,000.00 (the "Class B Early Tender Premium"), in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) on or before 5:00 p.m., New York City time, on February 11, 2010 (such time and date, as the same may be modified, the "Class B Early Tender Deadline") and accepted by RAM Re, or (b) \$20,000.00, which is the Class B Purchase Price, in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) after the Class B Early Tender Deadline but no later than 11:59 p.m., New York City time, on February 26, 2010, unless extended or earlier terminated (such time and date, as the same may be modified, the "Class B Expiration Date"), and such shares are accepted by RAM Re.

Concurrently with soliciting proxies for the Series A Special Meeting, we are soliciting consents from the holders of Series A Preference Shares for the Proposed Series A Amendments. If we receive the requisite number of consents, we will cancel the Series A Special Meeting.

Enclosed is a Purchase Offer Memorandum and Proxy Statement (the "Purchase Offer Memorandum and Proxy Statement"), dated January 29, 2010, which describes the offers to purchase the Series A Preference Shares and the Class B Preference Shares and explains the matters to be acted upon at the Series A Special Meeting.

You may vote at the Series A Special Meeting and give your consent to the Proposed Series A Amendments if you were a shareholder of record of Series A Preference Shares, as shown by the register of shareholders of RAM Holdings, at 5:00 p.m., New York City time, on January 28, 2010.

By order of the board of directors,

/s/ Vernon M. Endo
Vernon M. Endo
Director, Chief Executive Officer

January 29, 2010
Hamilton, Bermuda

RAM REINSURANCE COMPANY LTD.
(a Bermuda company)

RAM Re House
46 Reid Street
Hamilton HM 12
Bermuda

NOTICE OF SPECIAL GENERAL MEETING OF HOLDERS OF CLASS B PREFERENCE SHARES

To Be Held on February 11, 2010

Dear Holders of Class B Preference Shares:

We are pleased to invite you to our Special General Meeting of holders of Class B Preference Shares, \$1,000 par value and \$100,000 liquidation preference per share (the "Class B Preference Shares"), of RAM Reinsurance Company Ltd. ("RAM Re"), which we refer to as the "Class B Special Meeting". We will hold the Class B Special Meeting at Canon's Court, 22 Victoria Street, Hamilton HM EX, Bermuda, on February 11, 2010 at 6:30 p.m., New York City time.

The purpose of the Class B Special Meeting is:

1. To make various amendments (the "Proposed Class B Amendments") to the Certificate of Designation, Preferences and Rights of the Class B Preference Shares (the "Class B Certificate of Designation") to eliminate certain preferential rights of the Class B Preference Shares, including the following amendments:
 - (i) to eliminate the provisions prohibiting the payment of dividends or making of distributions on any class or series of the share capital of RAM Re that ranks junior to the Class B Preference Shares, or the purchase or other acquisition of any such junior shares, unless all accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period have been paid;
 - (ii) to eliminate the provisions prohibiting the payment of dividends on any preference shares of RAM Re that rank on parity with the Class B Preference Shares without paying a proportionate dividend for all classes of RAM Re's preference shares ranking on parity with the Class B Preference Shares;
 - (iii) to eliminate the provisions requiring that, when full dividends are not paid on the Class B Preference Shares and any preference shares of RAM Re that rank on parity with the Class B Preference Shares, any dividends declared on the Class B Preference Shares and such parity shares be declared on a *pro rata* basis among such securities;
 - (iv) to make future dividends non-cumulative under all circumstances;
 - (v) to permit the redemption of the Class B Preference Shares at any time and from time to time, to permit the partial redemption of any amount of the Class B Preference Shares and to eliminate the payment of any cumulated dividends in connection with such redemptions;

- (vi) to eliminate the right of the Class B Preference Shares to consent to certain amendments to the Memorandum of Association or the Bye-Laws of RAM Re; and
 - (vii) to eliminate the right of holders of Class B Preference Shares to elect two directors to the board of directors of RAM Re if dividends have not paid in full for 18 consecutive months.
2. To consider any adjournment or postponement of the Class B Special Meeting, including proposals to adjourn the Class B Special Meeting with respect to proposals for which insufficient votes to approve were cast and, with respect to such proposals, to permit further solicitation of proxies.

The Proposed Class B Amendments are being proposed in connection with:

- an offer by RAM Holdings Ltd. ("RAM Holdings") to purchase any and all outstanding Non-Cumulative Preference Share, Series A, \$0.10 par value and \$1,000 liquidation preference per share (the "Series A Preference Shares"), of RAM Holdings at a price per share equal to (a) \$250.00 (the "Series A Total Consideration"), comprised of \$200.00 (the "Series A Purchase Price") and \$50.00 (the "Series A Early Tender Premium"), in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) on or before 5:00 p.m., New York City time, on February 11, 2010 (such time and date, as the same may be modified, the "Series A Early Tender Deadline") and accepted by RAM Holdings, or (b) \$200.00, which is the Series A Purchase Price, in the case of the Series A Preference Shares tendered (and not subsequently validly withdrawn) after the Series A Early Tender Deadline but no later than 11:59 p.m., New York City time, on February 26, 2010, unless extended or earlier terminated (such time and date, as the same may be modified, the "Series A Expiration Date"), and such shares are accepted by RAM Holdings, and
- an offer by RAM Re to purchase any and all outstanding Class B Preference Shares at a price per share equal to (a) \$25,000.00 (the "Class B Total Consideration"), comprised of \$20,000.00 (the "Class B Purchase Price") and \$5,000.00 (the "Class B Early Tender Premium"), in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) on or before 5:00 p.m., New York City time, on February 11, 2010 (such time and date, as the same may be modified, the "Class B Early Tender Deadline") and accepted by RAM Re, or (b) \$20,000.00, which is the Class B Purchase Price, in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) after the Class B Early Tender Deadline but no later than 11:59 p.m., New York City time, on February 26, 2010, unless extended or earlier terminated (such time and date, as the same may be modified, the "Class B Expiration Date"), and such shares are accepted by RAM Re.

Concurrently with soliciting proxies for the Class B Special Meeting, we are soliciting consents from the holders of Class B Preference Shares for the Proposed Class B Amendments. If we receive the requisite number of consents, we will cancel the Class B Special Meeting.

Enclosed is a Purchase Offer Memorandum and Proxy Statement (the "Purchase Offer Memorandum and Proxy Statement"), dated January 29, 2010, which describes the offers to purchase the Series A Preference Shares and the Class B Preference Shares and explains the matters to be acted upon at the Class B Special Meeting.

You may vote at the Class B Special Meeting and give your consent to the Proposed Class B Amendments if you were a shareholder of record of Class B Preference Shares, as shown by the register of shareholders of RAM Re, at 5:00 p.m., New York City time, on January 28, 2010.

By order of the board of directors,

/s/ Vernon M. Endo

Vernon M. Endo

Director, Chief Executive Officer

January 29, 2010
Hamilton, Bermuda

PURCHASE OFFER MEMORANDUM AND PROXY STATEMENT

**RAM HOLDINGS LTD.
RAM Re House
46 Reid Street
Hamilton HM 12
Bermuda**

**RAM REINSURANCE COMPANY LTD.
RAM Re House
46 Reid Street
Hamilton HM 12
Bermuda**

**OFFER TO PURCHASE FOR CASH
BY
RAM HOLDINGS LTD.
ANY AND ALL OUTSTANDING
NON-CUMULATIVE PREFERENCE SHARES, SERIES A, OF RAM HOLDINGS LTD.
(CUSIP NO. G7368R203)**

AND

**OFFER TO PURCHASE FOR CASH
BY
RAM REINSURANCE COMPANY LTD.
ANY AND ALL OUTSTANDING
CLASS B PREFERENCE SHARES OF RAM REINSURANCE COMPANY LTD.
(CUSIP NO. 74924G201)**

AND

**SOLICITATION OF PROXIES AND CONSENTS FOR
CERTAIN AMENDMENTS TO THE CERTIFICATE OF DESIGNATIONS OF NON-CUMULATIVE
PREFERENCE SHARES, SERIES A, OF RAM HOLDINGS LTD. AND THE CERTIFICATE OF
DESIGNATION, PREFERENCES AND RIGHTS OF CLASS B PREFERENCE SHARES OF RAM
REINSURANCE COMPANY LTD.**

**EACH OFFER TO PURCHASE EXPIRES
AT 11:59 P.M., NEW YORK CITY TIME, ON FEBRUARY 26, 2010,
UNLESS SUCH OFFER TO PURCHASE IS EXTENDED OR EARLIER TERMINATED.**

**THE WITHDRAWAL RIGHTS WITH RESPECT TO THE APPLICABLE PREFERENCE
SHARES EXPIRE UPON THE EARLIER OF (I) THE APPROVAL AND ADOPTION OF THE
APPLICABLE PROPOSED AMENDMENTS AT THE APPLICABLE SPECIAL MEETING AND (II) THE
APPROVAL AND ADOPTION OF SUCH PROPOSED AMENDMENTS BY WAY OF WRITTEN
CONSENT IN LIEU OF SUCH SPECIAL MEETING.**

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RAM Holdings Ltd. ("RAM Holdings") is offering to purchase pursuant to Section 42A of The Bermuda Companies Act 1981, upon the terms and subject to the conditions set forth in this Purchase Offer Memorandum and Proxy Statement and in the related proxy, consent and letter of transmittal (the "Series A Offer to Purchase"), any and all of the outstanding Non-Cumulative Preference Shares, Series A, \$0.10 par value and \$1,000 liquidation preference per share (the "Series A Preference Shares"), of RAM Holdings at a price per share of (a) \$250.00 (the "Series A Total Consideration"), comprised of \$200.00 (the "Series A Purchase Price") and \$50.00 (the "Series A Early Tender Premium"), in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) on or before 5:00 p.m., New York City time, on February 11, 2010, (such time and date, as the same may be modified, the "Series A Early Tender Deadline") and accepted by RAM Holdings, or (b) \$200.00 per share, which is the Series A Purchase Price, in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) after the Series A Early Tender Deadline but no later than 11:59 p.m., New York City time, on February 26, 2010, unless extended or earlier terminated (such time and date, as the same may be modified, the "Series A Expiration Date"), and such shares are accepted by RAM Holdings.

In addition, RAM Reinsurance Company Ltd. ("RAM Re") is offering to purchase pursuant to Section 42A of The Bermuda Companies Act 1981, upon the terms and subject to the conditions set forth in this Purchase Offer Memorandum and Proxy Statement and in the related proxy, consent and letter of transmittal (the "Class B Offer to Purchase", and together with the Series A Offer to Purchase, the "Offers to Purchase"), any and all of the outstanding Class B Preference Shares, \$1,000 par value and \$100,000 liquidation preference (the "Class B Preference Shares", and together with the Series A Preference Shares, the "Preference Shares"), of RAM Re at a price per share (a) \$25,000.00 (the "Class B Total Consideration"), comprised of \$20,000.00 per share (the "Class B Purchase Price", and together with the Series A Purchase Price, the "Purchase Price") and \$5,000.00 (the "Class B Early Tender Premium", and together with the Series A Early Tender Premium, the "Early Tender Premium"), in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) on or before 5:00 p.m., New York City Time, on February 11, 2010, unless such date is extended (such time and date, as the same may be modified, the "Class B Early Tender Deadline" and together with the Series A Early Tender Deadline, the "Early Tender Deadlines") and accepted by RAM Re, or (b) \$20,000.00 per share, which is the Class B Purchase Price, in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) after the Class B Early Tender Deadline but no later than 11:59 p.m., New York City time, on February 26, 2010, unless extended or earlier terminated (such time and date, as the same may be modified, the "Class B Expiration Date," and together with the Series A Expiration Date, the "Expiration Dates"), and such shares are accepted by RAM Re.

References in this Purchase Offer Memorandum and Proxy Statement to "RAM", the "Company", "we", "us" and "our" refer collectively to RAM Holdings and RAM Re unless the context otherwise requires or indicates.

Concurrently with the Offers to Purchase, we are soliciting proxies and consents from the holders of Series A Preference Shares to amend the Certificate of Designations of the Series A Preference Shares (the "Series A Certificate of Designations") to modify the preferential terms of the Series A Preference Shares, including modifications to certain dividend and redemption rights, as described in this Purchase Offer Memorandum and Proxy Statement (the "Proposed Series A Amendments"), and from the holders of Class B Preference Shares to amend the Certificate of Designation, Preferences and Rights of the Class B Preference Shares (the "Class B Certificate of Designation", and together with the Series A Certification of Designations, the "Certificates of Designations") to modify the preferential terms of the Class B Preference Shares, including modifications to certain dividend, redemption and voting rights, as described in this Purchase Offer Memorandum and Proxy Statement (the "Proposed Class B Amendments", and together with Proposed Series A Amendments, the "Proposed Amendments"). The Proposed Series A Amendments will be presented at a special general meeting of holders of the Series A Preference Shares (the "Series A Special Meeting"), which is scheduled to be held at Canon's Court, 22 Victoria Street, Hamilton HM EX, Bermuda on February 11, 2010 at 6:00 p.m., New York City time and the Proposed Class B Amendments will be presented at a special general meeting of holders of the Class B Preference Shares (the "Class B Special Meeting", and together with the Series A Special Meeting, the "Special Meetings"), which is scheduled to be held at Canon's Court, 22 Victoria Street, Hamilton HM EX, Bermuda on February 11, 2010 at 6:30 p.m., New York City time.

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If we accept Preference Shares that are validly tendered and not subsequently validly withdrawn:

- for each tendered Series A Preference Share accepted for purchase by RAM Holdings, the holder will receive (a) the Series A Total Consideration, comprised of the Series A Purchase Price and the Series A Early Tender Premium, in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) on or before the Series A Early Tender Deadline, or (b) the Series A Purchase Price, in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) after the Series A Early Tender Deadline but no later than the Series A Expiration Date; and
- for each tendered Class B Preference Share accepted for purchase by RAM Re, the holder will receive (a) the Class B Total Consideration, comprised of the Class B Purchase Price and the Class B Early Tender Premium, in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) on or before the Class B Early Tender Deadline, or (b) the Class B Purchase Price, in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) after the Class B Early Tender Deadline but not later than the Class B Expiration Date.

The presence of two or more persons, representing in person or by proxy shares carrying more than 50% of the voting power of the issued and outstanding Series A Preference Shares as of January 28, 2010, the record date for the Series A Special Meeting, is necessary to constitute a quorum at the Series A Special Meeting, and the presence of two or more persons, representing in person or by proxy shares carrying more than 50% of the voting power of the issued and outstanding Class B Preference Shares as of January 28, 2010, the record date for the Class B Special Meeting, is necessary to constitute a quorum at the Class B Special Meeting. Assuming that a quorum is present at the Series A Special Meeting, the affirmative vote of the holders of a simple majority of the Series A Preference Shares voted at the Series A Special Meeting in person or by proxy will be required to approve the Proposed Series A Amendments and, assuming that a quorum is present at the Class B Special Meeting, the affirmative vote of the holders of a simple majority of the Class B Preference Shares voted at the Class B Special Meeting in person or by proxy will be required to approve the Proposed Class B Amendments. You may vote your Preference Shares and participate in the applicable Offer to Purchase by submitting an executed proxy, consent and letter of transmittal voting for and consenting to the applicable Proposed Amendments and validly tendering (without later validly withdrawing) your Preference Shares. You may also vote your Preference Shares without participating in the applicable Offer to Purchase by submitting an executed proxy, consent and letter of transmittal (without tendering shares) or attending the applicable Special Meeting in person. *If we do not receive the requisite approvals from the holders of Preference Shares, we reserve the right to terminate either or both Offers to Purchase and not purchase any tendered shares. See "The Offers to Purchase and the Proposed Amendments—Conditions of the Offers to Purchase".*

In addition, the Bye-Laws of RAM Holdings provide that the rights of the Series A Preference Shares may be changed with the consent in writing of the holders of 75% of the issued and outstanding Series A Preference Shares. If holders representing at least 75% of the outstanding Series A Preference Shares submit an executed proxy, consent and letter of transmittal voting in favor of and consenting to the Proposed Series A Amendments and validly tender (without later validly withdrawing) their Series A Preference Shares, then the Series A Special Meeting shall be cancelled and the Proposed Series A Amendments shall be promptly approved and adopted by way of a written consent in lieu of the Series A Special Meeting, subject only to the condition subsequent that the Series A Offer to Purchase is completed in accordance with its terms. Similarly, the Bye-Laws of RAM Re provide that the rights of the Class B Preference Shares may be changed with the consent in writing of the holders of 75% of the issued and outstanding Class B Preference Shares. If holders representing at least 75% of the outstanding Class B Preference Shares submit an executed proxy, consent and letter of transmittal voting in favor of and consenting to the Proposed Class B Amendments and validly tender (without later validly withdrawing) their Class B Preference Shares, then the Class B Special Meeting shall be cancelled and the Proposed Class B Amendments shall be promptly approved and adopted by way of a written consent in lieu of the Class B Special Meeting, subject only to the condition subsequent that the Class B Offer to Purchase is completed in accordance with its terms. You must vote in favor of and consent to the applicable Proposed Amendments in order to validly tender your Preference Shares in the applicable Offer to Purchase.

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The Series A Offer to Purchase will expire at 11:59 p.m., New York City time, on February 26, 2010, unless extended or earlier terminated by RAM Holdings. The Class B Offer to Purchase will expire at 11:59 p.m., New York City time, on February 26, 2010, unless extended or earlier terminated by RAM Re.

Important Notice Regarding the Availability of Purchase Offer Memorandum and Proxy Statement. The Purchase Offer Memorandum and Proxy Statement and the documents incorporated by reference herein are also available at www.ramre.com by clicking "Investor Information".

See "Risk Factors" beginning on page 18 for a discussion of issues that you should consider with respect to the Offers to Purchase, the Proposed Amendments and the Special Meetings.

The Offers to Purchase have not been approved or disapproved by the Securities and Exchange Commission (the "SEC"), any state securities commission, the Bermuda Monetary Authority, or the similar commission or governmental agency of any foreign jurisdiction, nor has the SEC, any state securities commission, or the similar commission or governmental agency of any foreign jurisdiction determined whether the information in this Purchase Offer Memorandum and Proxy Statement is truthful or complete. None of the SEC, any state securities commission or any similar commission or governmental agency of any foreign jurisdiction has passed upon the merits or fairness of the Offers to Purchase, or passed upon the adequacy or accuracy of the disclosure contained in this Purchase Offer Memorandum and Proxy Statement. Any representation to the contrary is a criminal offense.

This Purchase Offer Memorandum and Proxy Statement is first being mailed to holders of Preference Shares on or around January 29, 2010.

The Dealer Manager for the Offers to Purchase is:

Deutsche Bank Securities Inc.

The date of this Purchase Offer Memorandum and Proxy Statement is January 29, 2010.

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"Questions and Answers about the Offers to Purchase and the Proposed Amendments" and a "Summary" describing the principal terms and conditions of the Offers to Purchase and the Proposed Amendments follow. You should read this entire Purchase Offer Memorandum and Proxy Statement and the related proxy, consent and letter of transmittal carefully before deciding whether or not to tender your Series A Preference Shares and/or Class B Preference Shares, as applicable, and vote for and consent to the applicable Proposed Amendments. You may want to consult with your personal financial advisor or other legal or investment professional(s) regarding your individual circumstances.

As of January 28, 2010, there were 75,000 Series A Preference Shares outstanding, each of which has a liquidation preference of \$1,000 per share, and 500.01 Class B Preference Shares outstanding, each of which has a liquidation preference of \$100,000 per share. There is no established public trading market for the purchase or sale of the Preference Shares. We advise you to consult your own advisors as to the value of the Preference Shares.

At the Special Meetings, we have proposed that the holders of Preference Shares resolve to amend certain provisions and eliminate other provisions applicable to the Preference Shares as described in "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase." See Annex A and Annex B to this Purchase Offer Memorandum and Proxy Statement for the amended text of the affected provisions of the Certificates of Designations reflecting the Proposed Amendments. The presence of two or more persons, representing in person or by proxy shares carrying more than 50% of the voting power of the issued and outstanding Series A Preference Shares as of January 28, 2010, the record date for the Series A Special Meeting, is necessary to constitute a quorum at the Series A Special Meeting, and the presence of two or more persons, representing in person or by proxy shares carrying more than 50% of the voting power of the issued and outstanding Class B Preference Shares as of January 28, 2010, the record date for the Class B Special Meeting, is necessary to constitute a quorum at the Class B Special Meeting. Assuming that a quorum is present at the Series A Special Meeting, the affirmative vote of the holders of a simple majority of the Series A Preference Shares voted at the Series A Special Meeting in person or by proxy will be required to approve the Proposed Series A Amendments and, assuming that a quorum is present at the Class B Special Meeting, the affirmative vote of the holders of a simple majority of the Class B Preference Shares voted at the Class B Special Meeting in person or by proxy will be required to approve the Proposed Class B Amendments. You may vote your Preference Shares and participate in the applicable Offer to Purchase by submitting an executed proxy, consent and letter of transmittal voting for and consenting to the applicable Proposed Amendments and validly tendering (without later validly withdrawing) your Preference Shares. You may also vote your Preference Shares without participating in the applicable Offer to Purchase by submitting an executed proxy, consent and letter of transmittal (without tendering shares) or attending the applicable Special Meeting in person. *If we do not receive the requisite approvals from the holders of Preference Shares, we reserve the right to terminate either or both Offers to Purchase and not purchase any tendered shares. See "The Offers to Purchase and the Proposed Amendments—Conditions of the Offers to Purchase" which sets forth in full the conditions to the Offers to Purchase.*

At any time, each of the Board of Directors of RAM Holdings (the "RAM Holdings Board") and the Board of Directors of RAM Re (the "RAM Re Board", and together with the RAM Holdings Board, the "Boards") may determine that it will make less than all of the proposed modifications under the applicable Proposed Amendments, extend the applicable Early Tender Deadline or the applicable Expiration Date for the completion of the applicable Offer to Purchase, adjourn or postpone the meeting date of the applicable Special Meeting, change the terms of the applicable Offer to Purchase or undertake a combination of the foregoing.

Each of the RAM Holdings Board and the RAM Re Board has approved the applicable Offer to Purchase. However, none of the Boards, our officers or employees, the Dealer Manager, the Information Agent (as defined below), the Tender Agent (as defined below) or any of our financial advisors or any of their respective affiliates is making a recommendation to any holder of Preference Shares as to whether you should tender shares in the applicable Offer to Purchase and vote for and consent to the applicable Proposed Amendments, and none of them has authorized any person to make any such recommendation. You must make your own decision regarding the applicable Offer to Purchase and the applicable Proposed Amendments based upon your own assessment of the value of your Preference Shares, the effect of holding the Preference Shares if the applicable Proposed Amendments are approved, your liquidity needs, your investment objectives and any other factors you deem relevant.

In order to tender shares in the applicable Offer to Purchase, you must vote for and consent to and authorize each of Vernon M. Endo, Edward U. Gilpin and the Tender Agent (each, a "Proxy" and collectively the "Proxies") to vote for and consent to the applicable Proposed Amendments by executing a proxy, consent and letter of transmittal or requesting that your broker or nominee tender and vote and consent on your behalf. A proxy, consent and letter of transmittal may only be submitted on the terms set forth in the Purchase Offer Memorandum and Proxy Statement. See "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase."

Questions related to the terms of the Offers to Purchase and the Proposed Amendments and requests for assistance or for additional copies of this Purchase Offer Memorandum and Proxy Statement, the proxy, consent and letter of transmittal or any other documents may be directed to the Dealer Manager using its contact information set forth on the back cover of this Purchase Offer Memorandum and Proxy Statement or by telephone toll-free at (866) 627-0391, or the Information Agent using its contact information set forth on the back cover of this Purchase Offer Memorandum and Proxy Statement or by telephone toll-free at 1-800-347-4750. Beneficial owners may also contact their custodian for assistance concerning the Offers to Purchase and the Proposed Amendments.

You should rely only on the information contained or incorporated by reference, and included herewith, in this Purchase Offer Memorandum and Proxy Statement. Except for the Dealer Manager and the Information Agent, we have no arrangements for and have no understanding with any dealer, salesman or other person regarding the solicitation of tenders hereunder. None of us, the Dealer Manager, the Tender Agent or the Information Agent or any of our or their respective affiliates has authorized any other person to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the delivery of this Purchase Offer Memorandum and Proxy Statement nor any purchase made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of RAM Holdings or RAM Re since the respective dates as of which information is given in this Purchase Offer Memorandum and Proxy Statement. We are offering to purchase, and are seeking tenders of, the Preference Shares only in jurisdictions where the offers or tenders are permitted.

QUESTIONS AND ANSWERS ABOUT THE OFFERS TO PURCHASE AND THE SPECIAL MEETINGS

The following are some questions regarding the Offers to Purchase, the Proposed Amendments and the Special Meetings that you may have as a holder of the Preference Shares and the answers to those questions. We urge you to read carefully the entire Purchase Offer Memorandum and Proxy Statement, including the section entitled "Risk Factors", the related proxy, consent and letter of transmittal and the documents incorporated herein by reference. Additional important information is contained in the remainder of this Purchase Offer Memorandum and Proxy Statement.

What is the date, time and location of the Special Meetings?

We will hold the Series A Special Meeting at Canon's Court, 22 Victoria Street, Hamilton HM EX, Bermuda on February 11, 2010 at 6:00 p.m., New York City time. We will hold the Class B Special Meeting at Canon's Court, 22 Victoria Street, Hamilton HM EX, Bermuda on February 11, 2010 at 6:30 p.m., New York City time. If there are insufficient votes to approve the applicable Proposed Amendments and/or we determine to extend the applicable Offer to Purchase, we may adjourn or postpone the applicable Special Meeting to permit further solicitation of additional proxies. We may also cancel either or both of the Special Meetings if we determine to terminate either or both of the Offers to Purchase or if we obtain the requisite consents. Please see "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase".

What are the proposals to be voted on at the Special Meetings?

At the Series A Special Meeting, RAM Holdings has proposed that the holders of Series A Preference Shares resolve to approve the Proposed Series A Amendments. The Proposed Series A Amendments make various amendments to the Series A Certificate of Designations to eliminate certain preferential rights, including amendments:

(i) to eliminate the provisions prohibiting, unless full dividends for the latest completed dividend period on all Series A Preference Shares have been paid, the (a) payment of dividends on any class or series of the share capital of RAM Holdings that ranks junior to the Series A Preference Shares and (b) purchase or redemption of any such junior shares;

(ii) to eliminate the provisions requiring that, when full dividends are not paid on the Series A Preference Shares and any preference shares of RAM Holdings that rank on parity with the Series A Preference Shares, any dividends declared on the Series A Preference Shares and such parity shares be declared on a *pro rata* basis among such securities; and

(iii) to eliminate the provisions prohibiting, when, in connection with a mandatory redemption, RAM Holdings has failed to deposit sufficient funds for such redemption, the (a) redemption or acquisition of any preference shares of RAM Holdings that rank on parity with the Series A Preference Shares or discharge of redemption, sinking fund or other similar obligations in respect of such parity shares, and (b) making of distributions on any class or series of the share capital of RAM Holdings that ranks junior to the Series A Preference Shares, redemption or acquisition of such junior shares or discharge of redemption, sinking fund or other similar obligations in respect of such junior shares.

At the Class B Special Meeting, RAM Re has proposed that the holders of Class B Preference Shares resolve to approve the Proposed Class B Amendments. The Proposed Class B Amendments make various amendments to the Class B Certificate of Designation to eliminate certain preferential rights, including amendments:

(i) to eliminate the provisions prohibiting the payment of dividends or making of distributions on any class or series of the share capital of RAM Re that ranks junior to the Class B Preference Shares, or the purchase or other acquisition of any such junior shares, unless all accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period have been paid;

(ii) to eliminate the provisions prohibiting the payment of dividends on any preference shares of RAM Re that rank on parity with the Class B Preference Shares without paying a proportionate dividend for all classes of RAM Re's preference shares ranking on parity with the Class B Preference Shares;

(iii) to eliminate the provisions requiring that, when full dividends are not paid on the Class B Preference Shares and any preference shares of RAM Re that rank on parity with the Class B Preference Shares, any dividends declared on the Class B Preference Shares and such parity shares be declared on a *pro rata* basis among such securities;

(iv) to make future dividends non-cumulative under all circumstances;

(v) to permit the redemption of the Class B Preference Shares at any time and from time to time, to permit the partial redemption of any amount of the Class B Preference Shares and to eliminate the payment of any cumulated dividends in connection with such redemptions;

(vi) to eliminate the right of the Class B Preference Shares to consent to certain amendments to the Memorandum of Association or the Bye-Laws of RAM Re; and

(vii) to eliminate the right of holders of Class B Preference Shares to elect two directors to the RAM Re Board if dividends have not paid in full for 18 consecutive months.

In addition, holders of the Preference Shares are being asked to consider and vote upon any adjournment or postponement of the Special Meetings, including proposals to adjourn the Special Meetings with respect to proposals for which insufficient votes to approve were cast, and, with respect to such proposals, to permit further solicitation of additional proxies by the Boards.

Under what circumstances may the Special Meetings be adjourned, postponed or cancelled?

If there are insufficient votes to approve the applicable Proposed Amendments and/or we determine to extend the applicable Offer to Purchase, we may adjourn or postpone the applicable Special Meeting to permit further solicitation of additional proxies. We may also cancel either or both of the Special Meetings if we determine to terminate either or both of the Offers to Purchase or if we obtain the requisite consents as described below.

In addition, the Bye-Laws of RAM Holdings provide that the rights of the Series A Preference Shares may be changed with the consent in writing of the holders of 75% of the issued and outstanding Series A Preference Shares. If holders representing at least 75% of the outstanding Series A Preference Shares submit an executed proxy, consent and letter of transmittal voting in favor of and consenting to the Proposed Series A Amendments and validly tender (without later validly withdrawing) their Series A Preference Shares, then the Series A Special Meeting shall be cancelled and the Proposed Series A Amendments shall be promptly approved and adopted by way of a written consent in lieu of the Series A Special Meeting, subject only to the condition subsequent that the Series A Offer to Purchase is completed in accordance with its terms. Similarly, the Bye-Laws of RAM Re provide that the rights of the Class B Preference Shares may be changed with the consent in writing of the holders of 75% of the issued and outstanding Class B Preference Shares. If holders representing at least 75% of the outstanding Class B Preference Shares submit an executed proxy, consent and letter of transmittal voting in favor of and consenting to the Proposed Class B Amendments and validly tender (without later validly withdrawing) their Class B Preference Shares, then the Class B Special Meeting shall be cancelled and the Proposed Class B Amendments shall be promptly approved and adopted by way of a written consent in lieu of the Class B Special Meeting, subject only to the condition subsequent that the Class B Offer to Purchase is completed in accordance with its terms.

Who can vote at the Special Meetings or consent to the proposed amendments?

The record date for the Special Meetings is January 28, 2010. If you owned Series A Preference Shares or Class B Preference Shares at 5:00 p.m., New York City time, on January 28, 2010, you may vote at the applicable Special Meeting and consent to the applicable proposed amendments. As of the record date, 75,000 Series A

Preference Shares and 500.01 Class B Preference Shares were issued and outstanding. Series A Preference Shares are the only class of equity securities issued and outstanding and entitled to vote at the Series A Special Meeting, and Class B Preference Shares are the only class of equity securities issued and outstanding and entitled to vote at the Class B Special Meeting.

How many votes do I have?

In general, you have one vote for each Series A Preference Share and Class B Preference Share owned at the record date. However, the following exception may apply if you own Series A Preference Shares and common shares of RAM Holdings:

Under the Bye-Laws of RAM Holdings, if you are a U.S. shareholder (other than the PMI Purchaser (as described below)) who controls, directly, indirectly or constructively, as described in the applicable Bye-Laws, more than 9.9% of the aggregate issued and outstanding Series A Preference Shares and common shares of RAM Holdings, taken together, your total voting power will be reduced to 9.9% of the total voting power of such shares. The determination of control is made under the relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"). These provisions may attribute to you ownership of Series A Preference Shares and common shares of RAM Holdings held by another shareholder who has invested in the same partnership as you have, among other types of "constructive" ownership. In addition, the RAM Holdings Board may otherwise limit your voting rights if it believes it is necessary to do so to avoid adverse tax, legal or regulatory consequences.

If the voting power of any of RAM Holdings' shareholders is reduced under the Bye-Laws of RAM Holdings, this reduction may increase another shareholder's voting power to more than 9.9%. In this case, the Bye-Laws would repeatedly reduce the voting power of all affected shareholders until no shareholder, other than the PMI Purchaser, has voting power of more than 9.9%. If we believe you are a U.S. shareholder who may control more than 9.9% of the Series A Preference Shares and common shares of RAM Holdings, we may ask you to provide us with additional information so we can verify your ownership and determine whether your voting power must be reduced in accordance with the Bye-Laws of RAM Holdings. We may disregard the votes of any shareholder who fails to respond to a request for further information or who, in our judgment, submits incomplete or inaccurate information. In addition, because we may not know about your ownership, we request that you contact us promptly if you believe you may control more than 9.9% of the Series A Preference Shares and common shares of RAM Holdings. If you cast your vote in respect of the applicable Proposed Amendments by delivering a proxy, consent and letter of transmittal, we will consider such proxy, consent and letter of transmittal delivery confirmation that, to your knowledge, you do not control, and you are not acting on behalf of a shareholder who controls, more than 9.9% of the Series A Preference Shares and common shares of RAM Holdings.

The PMI Purchaser is a shareholder of RAM Holdings that owns approximately 33.81% of RAM Holdings' common shares. For additional details regarding the PMI Purchaser, see "Summary – Recent Developments – PMI Sale of Common Shares".

What are the quorum and vote requirements for the Special Meetings?

The presence of two or more persons, representing in person or by proxy shares carrying more than 50% of the voting power of the issued and outstanding Series A Preference Shares as of January 28, 2010, the record date for the Series A Special Meeting, is necessary to constitute a quorum at the Series A Special Meeting. Assuming that a quorum is present at the Series A Special Meeting, the affirmative vote of the holders of a simple majority of Series A Preference Shares voted at the Series A Special Meeting in person or by proxy will be required to approve the Proposed Series A Amendments.

The presence of two or more persons, representing in person or by proxy shares carrying more than 50% of the voting power of the issued and outstanding Class B Preference Shares as of January 28, 2010, the record date for the Class B Special Meeting, is necessary to constitute a quorum at the Class B Special Meeting. Assuming that a quorum is present at the Class B Special Meeting, the affirmative vote of the holders of a simple majority of Class B Preference Shares voted at the Class B Special Meeting in person or by proxy will be required to approve the Proposed Class B Amendments.

How do I vote?

If you are a registered shareholder, meaning that your name and shareholdings are registered in the applicable register of shareholders of RAM Holdings or RAM Re, you may exercise your vote by completing, signing and delivering the proxy, consent and letter of transmittal to D.F. King & Co., Inc., the Tender Agent, so that it is received before the applicable Special Meeting, or in person at the applicable Special Meeting. **However, in order to tender shares in the applicable Offer to Purchase, you must tender your Preference Shares and deliver a completed proxy, consent and letter of transmittal voting in favor of and consenting to the applicable Proposed Amendments and any other required documentation to the Tender Agent before the applicable Special Meeting (and, in order to receive the applicable Early Tender Premium, no later than the applicable Early Tender Deadline).**

When you exercise your vote by using the proxy, you are instructing another person to vote your Preference Shares for you at the applicable Special Meeting in the manner that you indicate. These persons, called proxies, are Vernon M. Endo, Edward U. Gilpin and the Tender Agent. If you have not provided voting instructions in the proxy, consent and letter of transmittal, your Preference Shares will be voted FOR each of the applicable proposals described in this Purchase Offer Memorandum and Proxy Statement and set forth on the proxy, consent and letter of transmittal, and in accordance with the proxy holder's discretion as to any other business as may properly come before the applicable Special Meeting.

If, like many shareholders, you are a beneficial shareholder and hold your Preference Shares in "street name," meaning that you hold your Preference Shares through a bank, broker or other institution, you must instruct that institution how to vote your Preference Shares. The institution will usually provide you with an appropriate voting instruction form when it sends you this Purchase Offer Memorandum and Proxy Statement.

Can I vote in person?

If you are a registered shareholder, you may vote your Preference Shares in person. In order to tender shares in the applicable Offer to Purchase, you must submit an executed proxy, consent and letter of transmittal and vote for and consent to and authorize each Proxy to vote for and consent to the applicable Proposed Amendments.

If you choose to vote your Preference Shares in person at the applicable Special Meeting, please bring the enclosed form of proxy and proof of identification.

How do I revoke my proxy and consent or change my vote?

If you are a registered shareholder and used the proxy and did not tender shares in the applicable Offer to Purchase, you can revoke your proxy or change your voting instructions in one of these ways:

- (1) By delivering another proxy dated after your prior proxy before the applicable Special Meeting to the Secretary of RAM Holdings or RAM Re, as applicable, at the address set forth in "Where You Can Find More Information";
- (2) By attending the applicable Special Meeting and voting in person; or
- (3) By delivering a written notice of revocation of your proxy before the applicable Special Meeting to the Secretary of RAM Holdings or RAM Re, as applicable, at the address set forth in "Where You Can Find More Information."

If you are a beneficial shareholder, you should contact the institution that holds your Preference Shares directly to change your voting instructions.

If you have previously tendered shares and voted for and consented to and authorized each Proxy to vote for and consent to the applicable Proposed Amendments and you wish to revoke your proxy and consent, you must also follow the procedures as set forth below in "The Offers to Purchase and the Proposed Amendments—

Withdrawal of Tenders and Revocation of Proxies and Consents" to withdraw your shares. **You may not withdraw your shares following the applicable Withdrawal Deadline (as defined herein).**

What would happen if I abstain from voting or do not vote?

If you are a registered shareholder and abstain from voting on the applicable Proposed Amendments, either in person or by proxy, your vote will not count as a vote cast, but the abstention will be represented at the applicable Special Meeting and will count toward establishing a quorum.

If you are a registered shareholder and you do not vote, your Preference Shares will not be represented at the applicable Special Meeting and will not affect the outcome of the applicable Proposed Amendments. If you are a registered shareholder and return a blank but signed proxy, your Preference Shares will be voted FOR the applicable Proposed Amendments and any adjournment or postponement of the applicable Special Meeting. This will generally also be the case for beneficial shareholders, as explained in more detail below.

What are the effect of broker non-votes?

Proxies relating to "street name" Preference Shares that are returned to us but marked by brokers as "not voted" will be treated as Preference Shares present for purposes of determining the presence of a quorum on all matters, but will not be treated as Preference Shares entitled to vote on the matter as to which authority to vote is withheld from the broker. If you do not give the broker voting instructions, under applicable self-regulatory organization rules, your broker may not vote your Preference Shares on "non-routine" proposals, such as the Proposed Amendments.

Who is offering to buy my Preference Shares?

RAM Holdings is offering to purchase any and all outstanding Series A Preference Shares and RAM Re is offering to purchase any and all outstanding Class B Preference Shares.

What is the purpose of the Offers to Purchase?

The global financial crisis that began in 2007 has had a substantial adverse impact on the financial guaranty industry generally and RAM in particular. Beginning in 2008, Standard & Poor's Ratings Services ("S&P") and Moody's Investors Service ("Moody's") began downgrading the financial strength ratings of RAM Re, which materially and adversely affected our ability to compete as a financial guaranty reinsurer, the terms of our reinsurance and our financial results. As a result of these adverse developments, we wrote only a modest amount of new financial guaranty reinsurance business in 2008 and did not write any new financial guaranty reinsurance business in 2009. In response to these developments, we began implementing a strategy to reduce the volatility of our insured portfolio and evaluate our business model, which included: (1) reducing our insured risk exposure through commutations of our insured portfolio, (2) evaluating and preserving our capital position, including pursuing opportunities to deleverage our capital structure by repurchasing our outstanding securities, and (3) reducing our expenses. In furtherance of our strategy, we are conducting the Offers to Purchase in order to reduce significantly or eliminate the outstanding Preference Shares, and thereby improve our financial flexibility and our capital structure. To the extent that we repurchase the Preference Shares in the Offers to Purchase, we will eliminate the obligation of the Boards to determine whether to declare any dividends in the future with respect to such applicable Preference Shares. We believe that the reduced dividend burden and capital structure resulting from the repurchase of Preference Shares will enable us to achieve greater financial flexibility.

What will I receive in the applicable Offer to Purchase if I tender my Preference Shares and they are accepted?

If we accept Preference Shares that are validly tendered and not subsequently validly withdrawn:

- for each tendered Series A Preference Share accepted for purchase by RAM Holdings, you will receive (a) the Series A Total Consideration, comprised of the Series A Purchase Price and the Series A Early

Tender Premium, in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) on or before the Series A Early Tender Deadline, or (b) the Series A Purchase Price, in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) after the Series A Early Tender Deadline but no later than the Series A Expiration Date; and

- for each tendered Class B Preference Share accepted for purchase by RAM Re, you will receive (a) the Class B Total Consideration, comprised of the Class B Purchase Price and the Class B Early Tender Premium, in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn), on or before the Class B Early Tender Deadline, or (b) the Class B Purchase Price, in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) after the Class B Early Tender Deadline but no later than the Class B Expiration Date.

When and how will I be paid for my tendered Preference Shares?

If all terms and conditions for completion of the applicable Offer to Purchase are satisfied or waived, we will pay for all Preference Shares that are validly tendered and not subsequently validly withdrawn and are accepted by us, including the applicable Purchase Price and the applicable Early Tender Premium, if applicable, promptly after the applicable Expiration Date of the applicable Offer to Purchase. We refer to the date on which such payment is made as the "Payment Date." We expect the Payment Date to be made approximately three business days after the applicable Expiration Date.

We will pay for your Preference Shares that are validly tendered and not subsequently validly withdrawn and are accepted by us by depositing the aggregate consideration with the Tender Agent, which will act as your agent for purposes of receiving payments from us and transmitting the payments to you. See "The Offers to Purchase and the Proposed Amendments—Tender of Preference Shares; Acceptance for Payment and Payment for Shares."

What are the conditions to the closing of the Offers to Purchase?

Each Offer to Purchase is conditioned upon the approval of the applicable Proposed Amendments and also on other conditions, including, among others, the absence of any court, regulatory and governmental action prohibiting, challenging or restricting the applicable Offer to Purchase, any action against RAM Holdings or RAM Re, as applicable, and any change that would materially and adversely affect RAM Holdings or RAM Re, as applicable. Furthermore, subject to any applicable law, we expressly reserve the right, in our sole discretion, to terminate either or both of the Offers to Purchase at any time prior to the applicable Expiration Date, subject to the terms and conditions herein.

See "The Offers to Purchase and the Proposed Amendments—Conditions of the Offers to Purchase" and "The Offers to Purchase and the Proposed Amendments—Extension, Termination and Amendment."

If the applicable Offer to Purchase is NOT successfully completed and the applicable Proposed Amendments are NOT approved, what will be the consequences to the shareholders?

If the applicable Offer to Purchase is not successfully completed and the applicable Proposed Amendments are not approved, the applicable Preference Shares will remain issued and outstanding and entitled to all of the preferential rights associated with such Preference Shares as further described in this Purchase Offer Memorandum and Proxy Statement under "Description of Preference Shares." However, given our current financial condition, we currently do not intend to pay future dividends on the Preference Shares if the Offers to Purchase are not successfully completed and the Proposed Amendments are not approved. If RAM Re does not pay dividends on the Class B Preference Shares for 18 consecutive months, the holders of Class B Preference Shares will be entitled to elect two directors to the RAM Re Board. RAM Re suspended dividends on the Class B Preference Shares following the June 30, 2009 dividend.

If I decide not to tender my Preference Shares and the Offers to Purchase are completed and the Proposed Amendments are approved, how will the completion of the Offers to Purchase and the approval of the Proposed Amendments affect my Preference Shares?

If you decide not to tender your Preference Shares and the Proposed Amendments take effect, the rights of your Preference Shares will be materially and adversely affected and the value of your Preference Shares may decline.

If we receive the requisite approvals from the holders of Preference Shares and the Proposed Amendments take effect, you will be subject to and bound by the Proposed Amendments, which, among other things, will allow us to declare and pay dividends on common shares of RAM Holdings or RAM Re or shares of any other class or series of the share capital of RAM Holdings or RAM Re, or redeem, repurchase or otherwise acquire shares of any class or series of the share capital of RAM Holdings or RAM Re, including common shares and any other series of preference shares, without paying or setting apart for payment any dividends on either the Series A Preference Shares or the Class B Preference Shares. Dividends on the Class B Preference Shares will be non-cumulative.

In addition, the Proposed Class B Amendments would eliminate in the Class B Certificate of Designation the right of holders of the Class B Preference Shares to elect two additional directors to the RAM Re Board upon RAM Re's failure to pay dividends for 18 consecutive months. However, the Bye-Laws of RAM Re contain a substantially similar provision that provides the holders of the Class B Preference Shares with the right to elect two additional directors to the RAM Re Board upon RAM Re's failure to pay dividends for 18 consecutive months. Accordingly, even if the Proposed Class B Amendments become effective, any remaining holders of Class B Preference Shares will continue to have such rights with respect to the RAM Re Board. In order to remove this provision from RAM Re's Bye-Laws, it would require (i) the approval of RAM Holdings as the sole common shareholder of RAM Re; (ii) the affirmative vote of the holders of a simple majority of the RAM Holdings' common shares voted at a general meeting of RAM Holdings (or the consent in writing of the holders of a majority of the issued and outstanding RAM Holdings' common shares); and (iii) the affirmative vote of the holders of a simple majority of any remaining holders of Class B Preference Shares voted at a general meeting of the holders of the Class B Preference Shares (or the consent in writing of the holders of 75% of the issued and outstanding Class B Preference Shares).

The Preference Shares are not listed on any exchange or quoted in any automated quotation system of a registered national securities association, and there is no established trading market for the purchase or sale of the Preference Shares. There is thus little liquidity for the Preference Shares except pursuant to the Offers to Purchase. If we complete the Offers to Purchase, the number of outstanding Preference Shares may decrease significantly, and consequently the liquidity for the Preference Shares may be further reduced.

See "Risk Factors—Risks Related to the Offers to Purchase and the Proposed Amendments," "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase" and "The Offers to Purchase and the Proposed Amendments—Effects of Tenders and Voting for and Consenting to the Proposed Amendments" for more details and [Annex A](#) and [Annex B](#) hereto for the complete text of the Proposed Amendments.

When will the Offers to Purchase expire?

The Series A Offer to Purchase is scheduled to expire at 11:59 p.m., New York City time, on February 26, 2010, and the Class B Offer to Purchase is currently scheduled to expire at 11:59 p.m., New York City time, on February 26, 2010. We may, however, extend either or both of the Offers to Purchase from time to time or terminate either or both of the Offers to Purchase, subject to the terms and conditions herein. See "The Offers to Purchase and the Proposed Amendments—Extension, Termination and Amendment."

Under what circumstances can the Offers to Purchase be extended?

We may extend either or both of the Offers to Purchase for any period of time at our sole discretion for any reason, subject to applicable laws. If there are insufficient votes to approve the applicable Proposed Amendments we may adjourn the applicable Special Meeting to permit further solicitation of additional proxies. If we materially

change either or both of the Offers to Purchase or information concerning either or both of the Offers to Purchase, we will extend such Offer to Purchase or Offers to Purchase to the extent required by applicable law. In the case of an increase or decrease of the consideration, we will extend the applicable Offer to Purchase if necessary, so that there are at least 10 business days between the notice of such change and the applicable Expiration Date. We cannot assure you that we will extend either Offer to Purchase or, if we do, of the length of any extension. In addition, we may extend either or both of the Early Tender Deadlines at our sole discretion for any reason, subject to applicable laws.

If a broker, dealer, commercial bank, trust company or other nominee holds your Preference Shares, it is likely that it has an earlier deadline for you to act to instruct it to accept the applicable Offer to Purchase on your behalf. We recommend that you contact the broker, dealer, commercial bank, trust company or other nominee to determine its deadline.

See "The Offers to Purchase and the Proposed Amendments—Extension, Termination and Amendment."

What happens to my tendered Preference Shares if the applicable Offer to Purchase is terminated?

If the applicable Offer to Purchase is terminated and you previously have tendered Preference Shares in uncertificated form, we will credit such Preference Shares back to an appropriate account (or, in the case of Preference Shares tendered in certificated form, we will return such certificates) as soon as practicable following the termination of such Offer to Purchase without expense to the tendering shareholder.

See "The Offers to Purchase and the Proposed Amendments—Tender of Preference Shares; Acceptance for Payment and Payment for Shares."

How will I be notified if the applicable Offer to Purchase is extended, amended or terminated?

If either or both of the Offers to Purchase are extended, amended or terminated, we will promptly notify The Depository Trust Company, which we refer to as "DTC," and make a public announcement by issuing a press release. In the case of an extension of the applicable Early Tender Deadline or the applicable Expiration Date, the announcement will be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled applicable Early Tender Deadline or applicable Expiration Date.

If we adjourn either Special Meeting in connection with an extension or amendment of the applicable Offer to Purchase to a specific date, place and time, we will announce such date, place and time at the applicable Special Meeting being adjourned or we will provide fresh notice of the date, place and time for the resumption of the adjourned meetings as required under our Bye-Laws.

See "The Offers to Purchase and the Proposed Amendments—Extension, Termination and Amendment."

Will I have to pay any fees or commissions for participating in the Offers to Purchase?

If you hold your Preference Shares through a broker, dealer or other nominee, and your broker, dealer or other nominee tenders the Preference Shares on your behalf, your broker, dealer or other nominee may charge you a fee for doing so. You should consult your broker, dealer or other nominee to determine whether any charges will apply.

See "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase " and "The Offers to Purchase and the Proposed Amendments—Expenses."

May I tender only a portion of the Preference Shares that I hold?

Yes. You may tender all or a portion of your Preference Shares in the applicable Offer to Purchase. However, you must vote in favor of and consent to all of the applicable Proposed Amendments affecting the

Preference Shares you tender if you wish to validly tender such Preference Shares. See "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase."

How do I tender my Preference Shares?

If you hold physical share certificates and are the record owner of your Preference Shares, you must deliver the certificates representing your Preference Shares, together with a completed proxy, consent and letter of transmittal voting in favor of and consenting to the applicable Proposed Amendments and any other documents required by the proxy, consent and letter of transmittal, to D.F. King & Co., Inc., the Tender Agent, before the applicable Special Meeting (and, in order to receive the applicable Early Tender Premium, no later than the applicable Early Tender Deadline).

If your Preference Shares are held in "street name" (*i.e.*, through a broker, dealer or other nominee), the Preference Shares can be tendered by your nominee through DTC upon your request. In order to tender Preference Shares validly in the applicable Offer to Purchase, you must vote in favor of and consent to the applicable Proposed Amendments by executing a proxy, consent and letter of transmittal or, if your Preference Shares are held in street name, request that your broker or nominee do so on your behalf.

See "The Offers to Purchase and the Proposed Amendments—Procedure for Tendering."

Do I have to vote for and consent to the applicable Proposed Amendments in order to tender my Preference Shares validly in the applicable Offer to Purchase?

Yes. You must vote for and consent to the applicable Proposed Amendments in order to tender your Preference Shares in the applicable Offer to Purchase. Your participation in the applicable Offer to Purchase is conditioned on your execution of a proxy, consent and letter of transmittal voting for and consenting to the applicable Proposed Amendments with respect to your series or class of Preference Shares and our completion of the applicable Offer to Purchase is conditioned, among other things, on obtaining approvals from the requisite number of holders of Preference Shares to the applicable Proposed Amendments.

See "The Offers to Purchase and the Proposed Amendments—Conditions of the Offers to Purchase" which sets forth in full the conditions to the Offers to Purchase.

May I vote for and consent to only some of the applicable Proposed Amendments in order to participate in the applicable Offer to Purchase?

No. You must vote in favor of and consent to all of the applicable Proposed Amendments affecting the Preference Shares you tender if you wish to validly tender such Preference Shares. If you choose not to participate in the applicable Offer to Purchase, you may vote for or against, or abstain from voting with respect to, the applicable Proposed Amendments.

See "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase."

When will the Proposed Amendments become effective?

If we receive the requisite approvals of holders of applicable Preference Shares to approve the applicable Proposed Amendments, whether at the applicable Special Meeting or by way of a written consent in lieu of the applicable Special Meeting, the applicable Proposed Amendments will promptly be approved and adopted at such time, subject only to the condition subsequent that the applicable Offer to Purchase is completed in accordance with its terms, and the applicable Proposed Amendments will become effective upon completion of the applicable Offer to Purchase. Each of the Boards reserves the right not to make one or more of the applicable Proposed Amendments, even if all Proposed Amendments are approved by holders of Preference Shares.

See "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase."

What must I do if I want to withdraw my Preference Shares from the applicable Offer to Purchase and revoke the related proxy and consent?

You may properly withdraw any Preference Shares that you validly tender, including any Preference Shares tendered before the applicable Early Tender Deadline, at any time prior to (i) in the case of the Series A Preference Shares, the earlier to occur (the "Series A Withdrawal Deadline") of (a) the approval and adoption of the Series A Proposed Amendments at the Series A Special Meeting and (b) the approval and adoption of the Proposed Series A Amendments by way of written consent in lieu of the Series A Special Meeting, and (ii) in the case of the Class B Preference Shares, the earlier to occur (the "Class B Withdrawal Deadline", and together with the Series A Withdrawal Deadline, the "Withdrawal Deadlines") of (a) the approval and adoption of the Class B Proposed Amendments at the Class B Special Meeting and (b) the approval and adoption of the Proposed Class B Amendments by way of written consent in lieu of the Class B Special Meeting, by following the procedures described in this Purchase Offer Memorandum and Proxy Statement. A withdrawal of tendered Preference Shares must be for all Preference Shares tendered by a holder. In addition, you may withdraw any Preference Shares that you tender that are not accepted for purchase by us 30 days after the applicable Expiration Date. See "The Offers to Purchase and the Proposed Amendments—Withdrawal of Tenders and Revocation of Proxies and Consents."

A proper withdrawal of tendered Preference Shares prior to the applicable Withdrawal Deadline will be a valid revocation of the related proxy and consent. You may not validly revoke a proxy and consent delivered in respect of tendered Preference Shares unless you validly withdraw the previously tendered shares.

Any Preference Shares tendered prior to the applicable Early Tender Deadline may be withdrawn after the applicable Early Tender Deadline and prior to the applicable Withdrawal Deadline; however, in connection with any such withdrawal, you will forfeit any applicable Early Tender Premium, even if the Preference Shares are later re-tendered.

If you have share certificates for your Preference Shares which are registered in your name, in order to withdraw your Preference Shares from the applicable Offer to Purchase, you must deliver a written notice of withdrawal to the Tender Agent at the appropriate address specified on the back cover of this Purchase Offer Memorandum and Proxy Statement prior to the applicable Withdrawal Deadline or, if your Preference Shares have not been previously accepted for purchase by us, 30 days after the applicable Expiration Date. Your notice of withdrawal must comply with the requirements set forth in this Purchase Offer Memorandum and Proxy Statement.

If you hold your Preference Shares in "street name" (*i.e.*, through a broker, dealer or other nominee) and you tendered your Preference Shares through DTC, a withdrawal of your Preference Shares will be effective if you and your nominee comply with the appropriate procedures of DTC's Automated Tender Offer Program (ATOP) system prior to the applicable Withdrawal Deadline or, if your Preference Shares have not been previously accepted for purchase by us, 30 days after the applicable Expiration Date. Any notice of withdrawal must identify the Preference Shares to be withdrawn, including, if held through DTC, the name and number of the account at DTC to be credited and otherwise comply with the procedures of DTC.

See "The Offers to Purchase and the Proposed Amendments—Withdrawal of Tenders and Revocation of Proxies and Consents."

What are the United States federal income tax consequences if I tender my Preference Shares?

Our purchase of the Preference Shares pursuant to the Offers to Purchase will constitute a taxable transaction for U.S. federal income tax purposes upon which gain or loss may be recognized. See "Material United States Federal Income Tax Consequences" for a more detailed discussion of the tax treatment of accepting the applicable Offer to Purchase. We urge you to consult with your own tax advisor as to the particular tax consequences to you of the applicable Offer to Purchase.

Will I have to pay any share transfer tax if I tender my Preference Shares?

If you are the registered holder and you instruct the Tender Agent and Information Agent to make the payment for the Preference Shares directly to you, then generally you will not bear any share transfer tax.

What is the accounting treatment for the Preference Shares?

Upon consummation of the purchase of the Preference Shares pursuant to the Offers to Purchase, the Preference Shares will be cancelled by RAM Holdings and RAM Re, as applicable.

Do holders have any statutory rights in connection with the applicable Proposed Amendments?

Pursuant to Section 47 of The Bermuda Companies Act 1981, the holders of not less than 10% in the aggregate of the issued shares of the class whose rights are being varied can apply to the Court in Bermuda to have the variation cancelled. Such application for cancellation must be made within 28 days after the date on which the relevant consent was given or the relevant resolution was passed. In the event that application is made to the Bermuda Court on this basis, the Proposed Series A Amendments or the Proposed Class B Amendments, as applicable, would not have effect unless and until they are confirmed by the Bermuda Court.

Whom do I call if I have any questions on how to tender or vote my Preference Shares or any other questions relating to the Purchase Offer Memorandum and Proxy Statement?

Questions related to the terms of the Offers to Purchase and the Proposed Amendments and requests for assistance, as well as for additional copies of this Purchase Offer Memorandum and Proxy Statement, the proxy, consent and letter of transmittal or any other documents, may be directed to the Dealer Manager using its contact information set forth on the back cover of this Purchase Offer Memorandum and Proxy Statement or by telephone toll-free at (866) 627-0391, or to the Information Agent using its contact information set forth on the back cover of this Purchase Offer Memorandum and Proxy Statement or by telephone toll-free at 1-800-347-4750.

Questions relating to the tender of physical share certificates and submitting the proxy, consent and letter of transmittal should be directed to the Tender Agent.

Where can I find more information about RAM Holdings and RAM Re?

For more information, see "Where You Can Find More Information."

SUMMARY

This Purchase Offer Memorandum and Proxy Statement, the related proxy, consent and letter of transmittal and the documents incorporated herein by reference each contain important information that should be read carefully before any decision is made with respect to the Offers to Purchase and the Proposed Amendments. The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Purchase Offer Memorandum and Proxy Statement and the related proxy, consent and letter of transmittal.

RAM Holdings Ltd. and RAM Reinsurance Company Ltd.

RAM Holdings Ltd. is a Bermuda-based holding company that provides, through its operating subsidiary, RAM Reinsurance Company Ltd., financial guaranty reinsurance for public finance and structured finance obligations that are insured by the primary monoline financial guaranty insurers. Both RAM Holdings and RAM Re were incorporated in Bermuda in January 1998 and all of our operations and business are located and transacted in Bermuda. As a holding company, RAM Holdings does not independently generate cash flows and is dependent on dividends from RAM Re to pay principal and interest on its debt, to pay dividends on preference shares, and to meet any other obligations.

RAM Holdings previously filed annual, quarterly and current reports, proxy statements and other information with the SEC. RAM Holdings delisted its common shares from the NASDAQ Stock Market (the "NASDAQ") and ceased filing public reports with the SEC on May 14, 2009 and, consequently, RAM Holdings has no further reporting obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). See "Where You Can Find More Information".

Recent Developments

Amendment to Replacement Capital Covenant

As described elsewhere in this Purchase Offer Memorandum and Proxy Statement, RAM Holdings' current business strategy includes using its excess capital to repurchase its outstanding securities. In furtherance of this strategy, on December 1, 2009, RAM Holdings entered into an amendment (the "Covenant Amendment") with a majority of the holders (the "Majority Holders") of RAM Holdings' 6.875% senior notes due 2024 (the "Senior Notes") to the Replacement Capital Covenant, dated as of December 14, 2006 (the "Replacement Capital Covenant"), which RAM Holdings had entered into in connection with the issuance of Series A Preference Shares. Pursuant to the Replacement Capital Covenant, which was initially for the benefit of the holders of Senior Notes, RAM Holdings had agreed to certain restrictions with respect to its ability to repurchase the Series A Preference Shares.

Pursuant to the terms of the Covenant Amendment, RAM Holdings may repurchase its outstanding Series A Preference Shares without limitation. In consideration, RAM Holdings agreed to pay the Majority Holders an upfront fee of \$1 million. In addition, RAM Holdings has agreed to pay on a graduated basis up to \$2 million in additional fees to the Majority Holders, which additional fees become payable upon RAM Holdings repurchasing in the aggregate 51% or more of the outstanding Series A Preference Shares and are calculated based upon the aggregate percentage of the shares repurchased.

2009 Annual General Meeting of Shareholders

RAM Holdings' 2009 Annual General Meeting of Shareholders was held on December 17, 2009. At the meeting, the shareholders approved several proposals, including a proposal to make various amendments to RAM Holdings' Bye-Laws, including to (i) reduce the required minimum number of directors from 11 to five and the maximum number of directors from 15 to 11; (ii) allow The PMI Group, Inc., PMI Mortgage Insurance Co. ("PMI Mortgage") or any successor entity (collectively, "PMI") to appoint a director to the RAM Holdings Board in the event that PMI cannot elect a director through cumulative voting due to a voting cutback, provided PMI owns at least 8.3% of the then outstanding common shares; (iii) enable PMI to fill vacancies relating to the directors PMI was able to elect through cumulative voting as well as any replacements of those directors; and (iv) enable the PMI

rights under the Bye-Laws to be assumed by any purchaser of a number of RAM Holdings shares held by PMI equal to at least the lesser of 5,270,034 or 20% of the then outstanding common shares, subject to limited exceptions.

In addition, the following persons were elected as members of the Boards: (i) Edward F. Bader; (ii) David L. Boyle; (iii) Steven J. Tynan; (iv) Conrad P. Voldstad; and (v) Lloyd A. Porter. Conrad P. Voldstad and Lloyd A. Porter subsequently resigned from the Boards on December 17, 2009 and January 4, 2010, respectively, and Joseph M. Donovan and Vernon M. Endo were appointed as directors to fill the vacancies resulting from such resignations on January 8, 2010.

PMI Sale of Common Shares

On December 24, 2009, PMI Mortgage sold all of its RAM Holdings common shares to an unrelated entity, which entity is affiliated with one of our directors (the "PMI Purchaser"). Prior to the sale, High Ridge Capital Partners Limited Partnership had also transferred all of its RAM Holdings common shares to the PMI Purchaser. As a result of these transfers, the PMI Purchaser owns approximately 33.81% of RAM Holdings' common shares and has assumed the rights specific to PMI Mortgage under RAM Holdings' Bye-Laws. In connection with the transfers, the PMI Purchaser agreed to waive any demand registration rights it has under the Amended and Restated Shareholders Agreement, dated May 2006, with respect to its RAM Holdings common shares until May 6, 2010.

Summary Description of the Offers to Purchase and the Proposed Amendments

The Offerors	RAM Holdings Ltd. and RAM Reinsurance Company Ltd.
The Preference Shares Subject to the Offers to Purchase	Any and all outstanding Series A Preference Shares of RAM Holdings and Class B Preference Shares of RAM Re.
The Offers to Purchase	We are offering to purchase each Series A Preference Share and Class B Preference Share validly tendered and not subsequently validly withdrawn prior to the applicable Withdrawal Deadline. See "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase."
Consideration	<p>If we accept Preference Shares that are validly tendered and not subsequently validly withdrawn:</p> <ul style="list-style-type: none">• for each tendered Series A Preference Share accepted for purchase by us, the holder will receive (a) the Series A Total Consideration, comprised of the Series A Purchase Price, in the amount of \$200.00, and the Series A Early Tender Premium, in the amount of \$50.00, in the case of Series A Preference Shares validly tendered (and not subsequently validly withdrawn) on or before the Series A Early Tender Deadline, or (b) the Series A Purchase Price, in the amount of \$200.00, in the case of Series A Preference Shares validly tendered (and not subsequently validly withdrawn) after the Series A Early Tender Deadline but no later than the Series A Expiration Date; and• for each tendered Class B Preference Share accepted for purchase by us, the holder will receive (a) the Class B Total Consideration, comprised of the Class B Purchase Price, in the amount of \$20,000.00, and the Class B Early Tender Premium, in the amount of \$5,000.00, in the case of Class B Preference Shares validly tendered (and not subsequently validly withdrawn) on or before the Class B Early Tender Deadline, or (b) the Class B Purchase Price, in the amount of \$20,000.00, in the case of Class B Preference Shares validly tendered (and not subsequently validly withdrawn) after the Class B Early Tender Deadline but no later than the

Class B Expiration Date.

Aggregate Consideration

Assuming all Preference Shares are validly tendered before the applicable Early Tender Deadline (and not later validly withdrawn before the applicable Withdrawal Deadline), we will pay an aggregate of approximately \$31.3 million for the repurchase of the Preference Shares. Assuming all Preference Shares are validly tendered after the applicable Early Tender Deadline (and not later validly withdrawn before the applicable Withdrawal Deadline) but no later than the applicable Expiration Date, we will pay an aggregate of approximately \$25.0 million for the repurchase of the Preference Shares.

The Proposed Amendments

In order to tender Preference Shares in the applicable Offer to Purchase, holders of Preference Shares are required to vote and consent (by executing a proxy, consent and letter of transmittal or requesting that their broker or nominee do so on their behalf) in favor of the applicable Proposed Amendments to modify the terms of the applicable Preference Shares as set forth in Annex A and Annex B. The following is a summary of the Proposed Amendments and is qualified in its entirety by reference to the amended text of the affected provisions of the Certificates of Designations, set forth in Annex A and Annex B.

The Proposed Series A Amendments, if approved by holders of the Series A Preference Shares, would make various amendments to the Series A Certificate of Designations to eliminate certain preferential rights, including the following amendments:

1. to eliminate the provisions prohibiting, unless full dividends for the latest completed dividend period on all Series A Preference Shares have been paid, the (a) payment of dividends on any class or series of the share capital of RAM Holdings that ranks junior to the Series A Preference Shares and (b) purchase or redemption of any such junior shares;
2. to eliminate the provisions requiring that, when full dividends are not paid on the Series A Preference Shares and any preference shares of RAM Holdings that rank on parity with the Series A Preference Shares, any dividends declared on the Series A Preference Shares and such parity shares be declared on a *pro rata* basis among such securities; and
3. to eliminate the provisions prohibiting, when, in connection with a mandatory redemption, RAM Holdings has failed to deposit sufficient funds for such redemption, the (a) redemption or acquisition of any preference shares of RAM Holdings that rank on parity with the Series A Preference Shares or discharge of redemption, sinking fund or other similar obligations in respect of such parity shares, and (b) making of distributions on any class or series of the share capital of RAM Holdings that ranks junior to the Series A Preference Shares, redemption or acquisition of such junior shares or discharge of redemption, sinking fund or other similar obligations in respect of such junior shares.

The Proposed Class B Amendments, if approved by holders of the Class B Preference Shares, would make various amendments to the Class B Certificate of Designation to eliminate certain preferential rights, including the following amendments:

1. to eliminate the provisions prohibiting the payment of dividends or making of distributions on any class or series of the share capital of RAM Re that ranks junior to the Class B Preference Shares, or the purchase or other acquisition of any such junior shares, unless all accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period have been paid;
2. to eliminate the provisions prohibiting the payment of dividends on any preference shares of RAM Re that rank on parity with the Class B Preference Shares without paying a proportionate dividend for all classes of RAM Re's preference shares ranking on parity with the Class B Preference Shares;
3. to eliminate the provisions requiring that, when full dividends are not paid on the Class B Preference Shares and any preference shares of RAM Re that rank on parity with the Class B Preference Shares, any dividends declared on the Class B Preference Shares and such parity shares be declared on a *pro rata* basis among such securities;
4. to make future dividends non-cumulative under all circumstances;
5. to permit the redemption of the Class B Preference Shares at any time and from time to time, permit the partial redemption of any amount of the Class B Preference Shares and eliminate the payment of any cumulated dividends in connection with such redemptions;
6. to eliminate the right of the Class B Preference Shares to consent to certain amendments to the Memorandum of Association or the Bye-Laws of RAM Re; and
7. to eliminate the right of holders of Class B Preference Shares to elect two directors to the RAM Re Board if dividends have not paid in full for 18 consecutive months.

The elimination of the restrictions with respect to dividends described above would allow us to declare and pay dividends on common shares of RAM Holdings or RAM Re or shares of any other class or series of the share capital of RAM Holdings or RAM Re, or redeem, repurchase or otherwise acquire shares of any class or series of the share capital of RAM Holdings or RAM Re, including common shares and any other series of preference shares, without paying or setting apart for payment any dividends on either the Series A Preference Shares or the Class B Preference Shares.

If we receive the requisite approvals from the holders of applicable Preference Shares to approve the applicable Proposed Amendments, whether at the applicable Special Meeting or by way of a written consent in lieu of such Special Meeting, such Proposed Amendments will promptly be approved and adopted at such time, subject only to the condition subsequent that the applicable Offer to Purchase is completed in accordance with its terms, and the applicable Proposed Amendments will become effective upon completion of the applicable Offer to Purchase.

For additional information regarding the Proposed Amendments, see "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase" and "The Offers to Purchase and the Proposed Amendments—

Effects of Tenders and Voting for and Consenting to the Proposed Amendments." We urge you to review the amended text of the affected provisions of the Certificates of Designations, which are attached to this Purchase Offer Memorandum and Proxy Statement as Annex A and Annex B.

Early Tender Deadline

The Series A Early Tender Deadline will be 5:00 p.m., New York City time, on February 11, 2010, unless extended by us. The Class B Early Tender Deadline will be 5:00 p.m., New York City time, on February 11, 2010, unless extended by us.

Expiration of the Offers to Purchase

The Series A Offer to Purchase will expire at 11:59 p.m., New York City time, on February 26, 2010, unless extended or earlier terminated by us. The Class B Offer to Purchase will expire at 11:59 p.m., New York City time, on February 26, 2010, unless extended or earlier terminated by us.

Conditions to Completion of the Offers to Purchase

The completion of the Offers to Purchase is subject to the closing conditions described in "The Offers to Purchase and the Proposed Amendments—Conditions of the Offers to Purchase."

Withdrawal of Tenders and Revocation of Proxies and Consents

You may withdraw previously tendered Preference Shares at any time prior to the applicable Withdrawal Deadline (the earlier to occur of (i) the approval and adoption of the applicable Proposed Amendments at the applicable Special Meeting and (ii) the approval and adoption of the applicable Proposed Amendments by way of written consent in lieu of the applicable Special Meeting). In addition, you may withdraw any Preference Shares that you tender that are not accepted by us for purchase after 30 days after the applicable Expiration Date. Withdrawal of your tender prior to the applicable Withdrawal Deadline will also revoke your proxy and consent. Any Preference Shares tendered prior to the applicable Early Tender Deadline may be withdrawn after the applicable Early Tender Deadline and prior to the applicable Withdrawal Deadline; however, in connection with any such withdrawal, you will forfeit the applicable Early Tender Premium even if the Preference Shares are later re-tendered.

See "The Offers to Purchase and the Proposed Amendments—Withdrawal of Tenders and Revocation of Proxies and Consents."

Material United States Federal Income Tax Considerations

See "Material United States Federal Income Tax Considerations."

Risk Factors

You should consider carefully all of the information set forth in this Purchase Offer Memorandum and Proxy Statement; in particular, you should evaluate the specific factors set forth under "Risk Factors" before deciding whether to participate in the Offers to Purchase.

Dealer Manager

Deutsche Bank Securities Inc.

Information Agent

D.F. King & Co., Inc.

Tender Agent

D.F. King & Co., Inc.

Additional Documentation; Further Information; Assistance

Any requests for assistance concerning the Offers to Purchase, the Proposed Amendments and the Special Meetings and requests for additional copies of this Purchase Offer Memorandum and Proxy Statement and the proxy, consent and letter of transmittal may be directed to the Information Agent at

the address and telephone numbers set forth on the back cover of this Purchase Offer Memorandum and Proxy Statement or by telephone toll-free at 1-800-347-4750. Beneficial owners may also contact their broker, dealer or other nominee. Any questions relating to the tender of physical share certificates and submitting a proxy, consent and letter of transmittal should be directed to the Tender Agent.

RISK FACTORS

You should carefully consider the risks and uncertainties described throughout this Purchase Offer Memorandum and Proxy Statement, including those described below, and the risk factors set forth in RAM Holdings' Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated herein by reference, before you decide whether to tender your Preference Shares and vote for and consent to the applicable Proposed Amendments. For additional information, please see "Where You Can Find More Information."

Risks Related to the Offers to Purchase and the Proposed Amendments

The Proposed Amendments will eliminate certain significant rights of the holders of Preference Shares.

If we complete the Offers to Purchase and obtain the requisite approvals from holders of Preference Shares, and the Proposed Amendments become effective, certain significant rights of holders of Preference Shares that are currently set forth in the Certificates of Designations will be eliminated. The rights of holders of any Preference Shares that are not repurchased will be materially and adversely affected by the Proposed Amendments. See "The Offers to Purchase and the Proposed Amendments—Terms of the Offers to Purchase " and "The Offers to Purchase and the Proposed Amendments—Effects of the Tenders and Voting for and Consenting to the Proposed Amendments" for a description of the Proposed Amendments and [Annex A](#) and [Annex B](#) for the complete text of the Proposed Amendments.

For example, under the current terms of the Class B Certificate of Designation, dividends on the Class B Preference Shares are generally not cumulative. However, Class B Preference Share dividends are cumulative during the period of time (a) beginning on the first day of any dividend period in which dividends on RAM Re's common shares have been paid while all accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period have not been declared and paid and (b) ending on the date that all accumulated and unpaid dividends of the Class B Preference Shares have been declared and paid. This provision means that, if a dividend is not paid during any time when dividends are cumulative, it will accrue and become payable in the future, either upon the redemption of the Class B Preference Share, or upon the liquidation or dissolution of RAM Re. If we complete the Class B Offer to Purchase and receive the requisite approvals from holders of the Class B Preference Shares, and the Proposed Class B Amendments become effective, future dividends, if any, on the Class B Preference Shares will be non-cumulative under all circumstances, which means that, if a dividend is not declared on the Class B Preference Shares, it will not accrue and holders of the Class B Preference Shares will not be entitled to receive that dividend at any time in the future.

In addition, the Proposed Amendments would allow us to declare and pay dividends on common shares of RAM Holdings or RAM Re or shares of any other class or series of the share capital of RAM Holdings or RAM Re, or redeem, repurchase or otherwise acquire shares of any class or series of the share capital of RAM Holdings or RAM Re, including common shares and any other series of preference shares, without paying or setting apart for payment any dividends on either the Series A Preference Shares or the Class B Preference Shares.

We have not obtained a third-party determination that the Offers to Purchase and the Proposed Amendments are fair to holders of the Preference Shares. Neither we, the Dealer Manager, the Information Agent, the Tender Agent nor any of our or their respective affiliates is making a recommendation as to whether holders of the Preference Shares should tender their shares in the Offers to Purchase and approve the Proposed Amendments.

Neither we, the Dealer Manager, the Information Agent, the Tender Agent nor any of our or their respective affiliates is making a recommendation as to whether holders of the Preference Shares should tender their shares in the applicable Offer to Purchase and approve the applicable Proposed Amendments. We have not retained, and do not intend to retain, any unaffiliated representative to act on behalf of the holders of Preference Shares for purposes of negotiating the Offers to Purchase or the Proposed Amendments or preparing a report concerning the fairness of the Offers to Purchase and the Proposed Amendments. You must make your own independent decision regarding your participation in the applicable Offer to Purchase and at the applicable Special Meeting.

The applicable Total Consideration offered per share in the applicable Offer to Purchase is lower than the liquidation preference per share of the applicable Preference Shares.

The applicable Total Consideration being offered per Preference Share in the applicable Offer to Purchase is lower than the liquidation preference per the applicable Preference Share. The Series A Preference Shares have a liquidation preference of \$1,000 per share and the applicable Class B Preference Shares have a liquidation preference of \$100,000 per share. Holders of the Series A Preference Shares are being offered \$250.00 per share if they tender on or before the Series A Early Tender Deadline and \$200.00 per share if they tender after the Series A Early Tender Deadline but no later than the Series A Expiration Date in the Series A Offer to Purchase. Holders of the Class B Preference Shares are being offered \$25,000.00 per share if they tender on or before the Class B Early Tender Deadline and \$20,000.00 per share if they tender after the Class B Early Tender Deadline but no later than the Class B Expiration Date in the Class B Offer to Purchase. As a result, if you tender your Preference Shares and we complete the applicable Offer to Purchase, you may receive less than you would receive in connection with a subsequent liquidation, dissolution or winding-up of the affairs of RAM Holdings or RAM Re, as applicable.

If the Offers to Purchase are successful, there may be less liquidity for any remaining Preference Shares that were not tendered.

The Preference Shares are not listed on any exchange or quoted in any automated quotation system of a registered national securities association, and there is no established trading market for the purchase or sale of the Preference Shares. There is thus little liquidity for the Preference Shares except pursuant to the terms of the Offers to Purchase. If you decide not to tender your Preference Shares and we complete the Offers to Purchase, it will significantly reduce the number of outstanding Preference Shares and further reduce the liquidity.

We or our affiliates may acquire Preference Shares in alternate transactions, whether or not the Offers to Purchase are consummated.

Whether or not the Offers to Purchase are consummated, subject to the applicable covenant restrictions contained in our debt instruments, the terms of the Certificates of Designations and applicable law, we or our affiliates may from time to time after the Offers to Purchase are consummated or terminated acquire the Preference Shares other than pursuant to the Offers to Purchase, through privately negotiated transactions, exchange offers, exercise of optional redemption rights, offer to purchase or otherwise, upon such terms and at such prices as we may determine, which may be more or less than the amount to be paid pursuant to the Offers to Purchase and could be paid in cash or other consideration not provided for in the Offers to Purchase.

STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Statements included or incorporated by reference in this Purchase Offer Memorandum and Proxy Statement which are not historical or current facts are "forward-looking" statements. The words "believe," "anticipate," "project," "plan," "expect," "intend," "will likely result," "preliminary" or "will continue" and similar expressions identify forward looking statements.

These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical earnings and those presently anticipated or projected. Readers should not place undue reliance on any such forward-looking statements, which speak only as of their respective dates. The following are some of the factors that could cause actual results to differ materially from estimates contained in or underlying the forward-looking statements:

- the timing of claims payments being faster than anticipated by us;
- greater frequency or severity of claims and loss activity than our underwriting, reserving or investment practices anticipate based on historical experience or industry data;
- developments in the world's financial and capital markets which adversely affect the performance of our investments and our access to such markets;
- developments in the world's financial and capital markets which adversely affect the expected losses on our insured portfolio;
- developments in the world's financial and capital markets which affect the derivative liability resulting from mark to market losses on our GAAP financial statements;
- changes in domestic or foreign regulations or tax laws applicable to us;
- loss of key personnel;
- the effects of mergers, acquisitions, amalgamations and divestitures;
- changes in accounting policies or practices or the application thereof;
- legislative or regulatory developments;
- changes in general economic conditions, including inflation, interest rates, foreign currency exchange rates and other factors; and
- the effects of business disruption or economic contraction due to war, terrorism or other hostilities.

For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in RAM Holdings' Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference herein (see "Where You Can Find More Information"), and the additional risk factors set forth in this Purchase Offer Memorandum and Proxy Statement. Readers are urged to consider the factors set forth above carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. We cannot assure you that projected results or events will be achieved. The forward-looking statements included in this Purchase Offer Memorandum and Proxy Statement are made only as of the date hereof, and we undertake no obligation to publicly correct or update these forward-looking statements to reflect new information, future events or otherwise.

FINANCIAL INFORMATION

We incorporate by reference the audited financial statements and notes thereto in Item 8 of RAM Holdings' Annual Report on Form 10-K for the year ended December 31, 2008, the unaudited financial statements and notes thereto in RAM Holdings' Nine-Month Report dated September 30, 2009, the unaudited financial statements and notes thereto in RAM Holdings' Six-Month Report dated June 30, 2009, and RAM Holdings' unaudited financial statements for the quarter ended March 31, 2009 and notes thereto. See "Where You Can Find More Information."

We currently do not expect to receive the information from our ceding companies necessary to prepare our audited financial statements for the year ended December 31, 2009 until the middle of March 2010, at the earliest, and do not expect that such audited financial statements will be completed until the middle of April 2010, at the earliest.

BACKGROUND INFORMATION

The global financial crisis that began in 2007 has had a substantial adverse impact on the financial guaranty industry generally and RAM in particular. Beginning in 2008, S&P and Moody's began downgrading the financial strength ratings of RAM Re, which materially and adversely affected our ability to compete as a financial guaranty reinsurer, the terms of our reinsurance and our financial results. As a result of these adverse developments, we wrote only a modest amount of new financial guaranty reinsurance business in 2008 and did not write any new financial guaranty reinsurance business in 2009. In response to these developments, we began implementing a strategy to reduce the volatility of our insured portfolio and evaluate our business model, which included: (1) reducing our insured risk exposure through commutations of our insured portfolio, (2) evaluating and preserving our capital position, including pursuing opportunities to deleverage our capital structure by repurchasing our outstanding securities, and (3) reducing our expenses. In particular, we have taken the following actions:

- We commuted our entire insured portfolio assumed from Syncora Guaranty Re Ltd., MBIA Insurance Corporation and Ambac Assurance Corporation, effective July 25, 2008, November 30, 2008 and April 7, 2009, respectively;
- We requested the withdrawal of our financial strength ratings with Moody's and S&P, effective as of May 2009 and September 2009, respectively;
- On May 12, 2009, the RAM Holdings Board suspended the dividend on the Series A Preference Shares and, following the June 30, 2009 dividend, the RAM Re Board suspended the dividend on the Class B Preference Shares;
- We caused our common shares to be delisted from trading on NASDAQ, de-registered our securities under the Exchange Act and suspended our obligation to file reports under the Exchange Act with the SEC on May 14, 2009;
- During the period from May 19, 2009 through June 5, 2009, we purchased 0.93 million of RAM Holdings common shares for \$0.29 million;
- On April 24, 2009, we purchased \$5.0 million of the \$40 million Senior Notes due 2024 for \$1.6 million;
- On December 1, 2009, we entered into the Covenant Amendment with the Majority Holders and
- We reduced the size of each Board to five directors on December 17, 2009.

In furtherance of our strategy, we are conducting the Offers to Purchase in order to reduce significantly or eliminate the outstanding Preference Shares, and thereby improve our financial flexibility and our capital structure. To the extent that we repurchase the Preference Shares in the Offers to Purchase, we will eliminate the obligation of the Boards to determine whether to declare any dividends in the future with respect to such applicable Preference

Shares. We believe that the reduced dividend burden and capital structure resulting from the repurchase of Preference Shares will enable us to achieve greater financial flexibility.

We have not undertaken a valuation with respect to the applicable Purchase Price or the applicable Early Tender Premium for the Preference Shares. The Boards have made no determination that the applicable Purchase Price or the applicable Early Tender Premium represents a fair valuation of the Preference Shares. We did not retain any independent representative or consultant to render a fairness opinion or to provide any analysis of fairness in connection with the Boards' approval of the Offers to Purchase or the Proposed Amendments. We cannot assure you that if you tender your Preference Shares you will receive the same or greater value than if you choose to keep them or sell them in an alternative transaction.

Although our officers, directors and employees are authorized to solicit tenders and answer inquiries from holders of our Preference Shares, none of the Boards, our officers or employees, the Dealer Manager, the Information Agent, the Tender Agent or any of our financial advisors or any of their respective affiliates is making a recommendation to any holder of the Preference Shares as to whether you should tender shares in the applicable Offer to Purchase and vote for and consent to the applicable Proposed Amendments, and none of them has authorized any person to make any such recommendation. You must make your own decision regarding the applicable Offer to Purchase and the Proposed Amendments based upon your own assessment of the value of your Preference Shares, the effect of holding the Preference Shares if the Proposed Amendments are approved, your liquidity needs, your investment objectives and any other factors you deem relevant.

For a discussion of the risks associated with not tendering in the Offers to Purchase and of the risks associated with a continuing investment in RAM Holdings and RAM Re, see "Risk Factors" and "Questions and Answers About the Offers to Purchase and the Special Meetings."

THE OFFERS TO PURCHASE AND THE PROPOSED AMENDMENTS

Terms of the Offers to Purchase

In order for Preference Shares to be tendered validly in the applicable Offer to Purchase, the holder of such Preference Shares must vote for and consent to all of the applicable Proposed Amendments affecting such Preference Shares.

If we accept Preference Shares that are validly tendered and not subsequently validly withdrawn:

- for each tendered Series A Preference Share accepted for purchase by RAM Holdings, the holder will receive (a) the Series A Total Consideration, comprised of the Series A Purchase Price and the Series A Early Tender Premium, in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) on or before the Series A Early Tender Deadline, or (b) the Series A Purchase Price, in the case of Series A Preference Shares tendered (and not subsequently validly withdrawn) after the Series A Early Tender Deadline but no later than the Series A Expiration Date; and
- for each tendered Class B Preference Share accepted for purchase by RAM Re, the holder will receive (a) the Class B Total Consideration, comprised of the Class B Purchase Price and the Class B Early Tender Premium, in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) on or before the Class B Early Tender Deadline, or (b) the Class B Purchase Price, in the case of Class B Preference Shares tendered (and not subsequently validly withdrawn) after the Class B Early Tender Deadline but no later than the Class B Expiration Date.

We will not pay any commission or other remuneration to any broker, dealer, salesman or other person (other than fees to the Dealer Manager, the Information Agent or the Tender Agent) for soliciting tenders of the Preference Shares. Our officers, directors and employees may solicit tenders from holders of our Preference Shares and will answer inquiries concerning the Purchase Offer Memorandum and Proxy Statement, but they will not receive additional compensation for soliciting tenders or answering any such inquiries.

You should rely only on the information contained in this Purchase Offer Memorandum and Proxy Statement or incorporated herein by reference. We have no arrangements for and have no understanding with any dealer, salesman or other person (other than the Dealer Manager, the Information Agent or the Tender Agent) regarding the solicitation of tenders hereunder. None of us, the Dealer Manager, the Tender Agent or the Information Agent or any of our or their respective affiliates has authorized any other person to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the delivery of this Purchase Offer Memorandum and Proxy Statement nor any purchase made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of RAM Holdings or RAM Re since the respective dates as of which information is given in this Purchase Offer Memorandum and Proxy Statement. We are offering to purchase, and are seeking tenders of, the Preference Shares only in jurisdictions where the offers or tenders are permitted.

The Proposed Amendments, if approved by shareholders, would amend the Certificates of Designations as set forth in [Annex A](#) and [Annex B](#). For additional information regarding the approval of the Proposed Amendments, see "The Offers to Purchase and the Proposed Amendments—Effects of Tenders and Voting for and Consenting to the Proposed Amendments." The following discussion of the changes to the Certificates of Designations and the discussion contained in this section generally are summaries of the Proposed Amendments and are qualified in their entirety by reference to the amended text of the affected provisions of the Certificates of Designations as set forth in [Annex A](#) and [Annex B](#).

The Proposed Series A Amendments, if approved by holders of the Series A Preference Shares, would make various amendments to the Series A Certificate of Designations to eliminate certain preferential rights, including the following amendments:

1. to eliminate the provisions prohibiting, unless full dividends for the latest completed dividend period on all Series A Preference Shares have been paid, the (a) payment of dividends on any class or series of the share capital of RAM Holdings that ranks junior to the Series A Preference Shares and (b) purchase or redemption of any such junior shares (Section 4(b));
2. to eliminate the provisions requiring that, when full dividends are not paid on the Series A Preference Shares and any preference shares of RAM Holdings that rank on parity with the Series A Preference Shares, any dividends declared on the Series A Preference Shares and such parity shares be declared on a *pro rata* basis among such securities (Section 4(b)); and
3. to eliminate the provisions prohibiting, when, in connection with a mandatory redemption, RAM Holdings has failed to deposit sufficient funds for such redemption, the (a) redemption or acquisition of any preference shares of RAM Holdings that rank on parity with the Series A Preference Shares or discharge of redemption, sinking fund or other similar obligations in respect of such parity shares, and (b) making of distributions on any class or series of the share capital of RAM Holdings that ranks junior to the Series A Preference Shares, redemption or acquisition of such junior shares or discharge of redemption, sinking fund or other similar obligations in respect of such junior shares (Section 7(f)).

The Proposed Class B Amendments, if approved by holders of the Class B Preference Shares, would make various amendments to the Class B Certificate of Designation to eliminate certain preferential rights, including the following amendments:

1. to eliminate the provisions prohibiting the payment of dividends or making of distributions on any class or series of the share capital of RAM Re that ranks junior to the Class B Preference Shares, or the purchase or other acquisition of any such junior shares, unless all accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period have been paid (Section 3(a));
2. to eliminate the provisions prohibiting the payment of dividends on any preference shares of RAM Re that rank on parity with the Class B Preference Shares without paying a proportionate dividend for all classes of RAM Re's preference shares ranking on parity with the Class B Preference Shares (Section 3(a)(i));
3. to eliminate the provisions requiring that, when full dividends are not paid on the Class B Preference Shares and any preference shares of RAM Re that rank on parity with the Class B Preference Shares, any dividends declared on the Class B Preference Shares and such parity shares be declared on a *pro rata* basis among such securities (Section 3(a)(ii));
4. to make future dividends non-cumulative under all circumstances (Section 3(a)(iv));
5. to permit the redemption of the Class B Preference Shares at any time and from time to time, permit the partial redemption of any amount of the Class B Preference Shares and eliminate the payment of any cumulated dividends in connection with such redemptions (Section 4(a));
6. to eliminate the right of the Class B Preference Shares to consent to certain amendments to the Memorandum of Association or the Bye-Laws of RAM Re (Section 6(b)); and
7. to eliminate the right of holders of Class B Preference Shares to elect two directors to the RAM Re Board if dividends have not paid in full for 18 consecutive months (Section 6(c)).

The elimination of the restrictions with respect to dividends described above would allow us to declare and pay dividends on common shares of RAM Holdings or RAM Re or shares of any other class or series of the share capital of RAM Holdings or RAM Re, or redeem, repurchase or otherwise acquire shares of any class or series of the share capital of RAM Holdings or RAM Re, including common shares and any other series of preference shares, without paying or setting apart for payment any dividends on either the Series A Preference Shares of the Class B Preference Shares.

In addition, as described above, the Proposed Class B Amendments would eliminate in the Class B Certificate of Designation the right of holders of the Class B Preference Shares to elect directors upon RAM Re's failure to pay dividends. However, the Bye-Laws of RAM Re contain a substantially similar provision that provides the holders of the Class B Preference Shares with the right to elect two additional directors to the RAM Re Board upon RAM Re's failure to pay dividends for 18 consecutive months. Accordingly, even if the Proposed Class B Amendments become effective, any remaining holders of Class B Preference Shares will continue to have such rights with respect to the RAM Re Board. In order to remove this provision from RAM Re's Bye-Laws, it would require (i) the approval of RAM Holdings as the sole common shareholder of RAM Re; (ii) the affirmative vote of the holders of a simple majority of the RAM Holdings' common shares voted at a general meeting of RAM Holdings (or the consent in writing of the holders of a majority of the issued and outstanding RAM Holdings' common shares); and (iii) the affirmative vote of the holders of a simple majority of any remaining holders of Class B Preference Shares voted at a general meeting of the holders of the Class B Preference Shares (or the consent in writing of the holders of 75% of the issued and outstanding Class B Preference Shares).

At any time, each of the Boards may determine that it will make less than all of the proposed modifications under the applicable Proposed Amendments, extend the applicable Early Tender Deadline or the applicable Expiration Date for the completion of the applicable Offer to Purchase, adjourn or postpone the meeting date of the applicable Special Meeting, change the terms of the applicable Offer to Purchase or undertake a combination of the foregoing.

For more complete information, we urge you to review the proposed amended text of the affected provisions of the Certificates of Designations, which are attached to this Purchase Offer Memorandum and Proxy Statement as Annex A and Annex B.

In order to participate in the applicable Offer to Purchase, holders of record must submit an executed proxy, consent and letter of transmittal voting in favor of and consenting to the applicable Proposed Amendments and validly tender (without subsequently validly withdrawing) no later than the applicable Expiration Date their Preference Shares. Holders who hold their Preference Shares in street name (*i.e.*, through a broker, dealer or other nominee) should instruct their broker, dealer or other nominee to tender the Preference Shares and vote for and consent to the applicable Proposed Amendments on such holders' behalf. Holders of Preference Shares may not tender shares in the applicable Offer to Purchase without voting for and consenting to the applicable Proposed Amendments.

Owners holding certificated Preference Shares who tender their shares directly to the Tender Agent will not have to pay any fees or commissions. Holders who tender their Preference Shares through a broker, dealer or other nominee may be charged a fee by their broker, dealer or other nominee for doing so. Such holders should consult their broker, dealer or other nominee to determine whether any charges will apply.

If the applicable Offer to Purchase is not earlier extended, amended or terminated and if all conditions to the applicable Offer to Purchase have either been satisfied or waived (including the approval by holders of applicable Preference Shares of the applicable Proposed Amendments), promptly after the Expiration Date of the applicable Offer to Purchase, we will accept for purchase all shares validly tendered and not subsequently validly withdrawn by notifying DTC and the Tender Agent of our acceptance. If approved and adopted, the applicable Proposed Amendments will become effective upon completion of the applicable Offer to Purchase. We will then issue a press release announcing the effectiveness of the applicable Proposed Amendments and the completion of our purchase of the Preference Shares.

The applicable Expiration Date means 11:59 p.m., New York City time, on February 26, 2010, unless we extend or earlier terminate the period of time for which the applicable Offer to Purchase is open, in which case the

applicable Expiration Date means the latest time and date on which the applicable Offer to Purchase, as so extended, expires unless earlier terminated by us.

If the applicable Offer to Purchase expires or terminates without any Preference Shares validly tendered and not subsequently validly withdrawn being accepted for purchase by us following the expiration or termination of the applicable Offer to Purchase, you will continue to hold your Preference Shares.

Each of the RAM Holdings Board and RAM Re Board has authorized and approved the applicable Offer to Purchase and the applicable Proposed Amendments. None of the Boards, our officers or employees, the Dealer Manager, the Information Agent, the Tender Agent or any of our financial advisors or any of our or their respective affiliates is making a recommendation to any holder of Preference Shares as to whether you should tender shares in the applicable Offer to Purchase and vote for and consent to the applicable Proposed Amendments, and none of them has authorized any person to make such recommendation. You must make your own decision regarding the applicable Offer to Purchase and the Proposed Amendments based upon your own assessment of the value of your Preference Shares, the effect of holding the Preference Shares if the Proposed Amendments are approved, your liquidity needs, your investment objectives and any other factors you deem relevant.

Conditions of the Offers to Purchase

Notwithstanding any other provision of the applicable Offer to Purchase, we will not be required to accept for payment, purchase or pay for any Preference Shares tendered, and may terminate or amend the applicable Offer to Purchase or may postpone the acceptance for payment of, or the purchase of and the payment for Preference Shares tendered, subject to applicable law, if, at any time on or after the date hereof and before the applicable Expiration Date, any of the following events shall have occurred (or shall have been reasonably determined by us to have occurred):

- there shall have been threatened, instituted or pending any action or proceeding by any government or governmental, regulatory or administrative agency, authority or tribunal or any other person, domestic or foreign, before any court, authority, agency or tribunal that directly or indirectly (a) challenges the making of the applicable Offer to Purchase, the acquisition of some or all of the Preference Shares under the applicable Offer to Purchase or otherwise relates in any manner to the applicable Offer to Purchase or (b) in our reasonable judgment would or might, directly or indirectly, materially and adversely affect our business, condition (financial or otherwise), assets, income, operations or prospects, taken as a whole, or otherwise materially impair in any way the contemplated future conduct of our business or materially impair the contemplated benefits of the applicable Offer to Purchase to us;
- there shall have been any action threatened, instituted, pending or taken, or approval withheld, or any statute, rule, regulation, judgment, order or injunction threatened, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the applicable Offer to Purchase or us, by any court or any authority, agency or tribunal that, in our reasonable judgment, would or might, directly or indirectly:
 - (a) make the acceptance for payment of, or payment for, some or all of the Preference Shares illegal or otherwise restrict or prohibit completion of the applicable Offer to Purchase;
 - (b) delay or restrict our ability, or render us unable, to accept for payment or pay for some or all of the Preference Shares;
 - (c) materially impair the contemplated benefits of the applicable Offer to Purchase to us; or
 - (d) materially and adversely affect our business, condition (financial or otherwise), assets, income, operations or prospects, taken as a whole, or otherwise materially impair in any way the contemplated future conduct of our business or materially impair the contemplated benefits of the applicable Offer to Purchase to us; or

- any change or changes have occurred or are threatened that, in our reasonable judgment, would or might, directly or indirectly, materially and adversely affect us or the contemplated benefits of the applicable Offer to Purchase to us;
- as to the Series A Offer to Purchase, the Proposed Series A Amendments shall not have been approved; or
- as to the Class B Offer to Purchase, the Proposed Class B Amendments shall not have been approved.

The foregoing conditions are for our sole benefit and we may waive these conditions, in whole or in part, at any time and from time to time, before the applicable Expiration Date, in our sole discretion. Our failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of any of these rights, and each of these rights shall be deemed an ongoing right that may be asserted at any time and from time to time. Any determination or judgment by us concerning the events described above will be final and binding on all parties.

Furthermore, subject to applicable law, we expressly reserve the right, in our sole discretion, to terminate either or both of the Offers to Purchase at any time prior to the applicable Expiration Date, subject to the terms and conditions herein. If we terminate either or both of the Offers to Purchase, all Preference Shares theretofore tendered pursuant to the applicable Offer to Purchase and not accepted for payment will be returned promptly to the tendering holders thereof.

Extension, Termination and Amendment

We expressly reserve the right, at any time and from time to time, to extend the applicable Early Tender Deadline and to extend the applicable Expiration Date. We will extend the applicable Early Tender Deadline or the applicable Expiration Date of either Offer to Purchase if required by applicable law or regulation.

During any such extension, all Preference Shares previously tendered and not subsequently validly withdrawn, and all related proxies and consents previously delivered and not properly revoked, will remain subject to the applicable Offer to Purchase, respectively, and subject to your right to withdraw your Preference Shares and revoke the related proxy and consent in accordance with the terms of the applicable Offer to Purchase.

Subject to applicable law, we reserve the right, at any time or from time to time, to:

- amend or make changes to the terms of either Offer to Purchase, including the conditions to such Offer to Purchase;
- delay our acceptance for purchase or our purchase of any Preference Shares pursuant to either Offer to Purchase, regardless of whether we previously accepted such Preference Shares for purchase, or to terminate such Offer to Purchase and not accept for purchase or purchase any Preference Shares not previously accepted for purchase or purchased, upon the determination that any of the conditions of such Offer to Purchase have not been satisfied, as determined by us; and
- waive any condition.

We will follow any extension, termination, amendment or delay of either Offer to Purchase, as promptly as practicable, with a public announcement. In the case of an extension of the applicable Early Tender Deadline or the applicable Expiration Date of the applicable Offer to Purchase, any such announcement will be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled applicable Early Tender Deadline or applicable Expiration Date. If we amend either Offer to Purchase in a manner we determine to constitute a material change, we will promptly disclose the amendment as required by law and, depending on the significance of the amendment and the manner of disclosure to the registered holders, we will extend such Offer to Purchase as required by law if such Offer to Purchase would otherwise expire during that period.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of either Offer to Purchase, we will have no obligation to publish, advertise or otherwise communicate any public announcement, other than by making a timely release to an appropriate news agency.

If we make a material change in the terms of either Offer to Purchase or the information concerning such Offer to Purchase, or if we waive a material condition of such Offer to Purchase, we will extend such Offer to Purchase to the extent required by applicable law. If, prior to the applicable Expiration Date, we decrease the percentage of the applicable Preference Shares being sought or increase or decrease the consideration, or change the type of consideration, offered to holders of the applicable Preference Shares, such modification will be applicable to all holders of the same series of the Preference Shares whose Preference Shares are accepted for purchase pursuant to the applicable Offer to Purchase and if, at the time notice of any such modification is first published, sent or given to holders of the applicable Preference Shares, the applicable Offer to Purchase is scheduled to expire at any time earlier than the 10th business day from and including the date that such notice is first so published, sent or given, the applicable Offer to Purchase will be extended until the expiration of such 10 business day period. In such case, if we deem appropriate, we may extend the applicable Early Tender Deadline, and, if required by law, we will extend the applicable Early Tender Deadline.

If we determine to extend, amend or delay the applicable Offer to Purchase, we may adjourn the applicable Special Meeting, including to permit further solicitation of additional proxies. If we adjourn the applicable Special Meeting in connection with an extension or amendment of the applicable Offer to Purchase to a specific date, place and time, we will announce such date, place and time at the applicable Special Meeting being adjourned. If we do not make such an announcement in connection with such an adjournment, we will provide fresh notice of the date, place and time for the resumption of the adjourned meeting as required under our Bye-Laws. We may also cancel either or both of the Special Meetings if we determine to terminate either or both of the Offers to Purchase.

Tender of Preference Shares; Acceptance for Payment and Payment for Shares

Upon the terms and subject to the conditions of the applicable Offer to Purchase (including, if the applicable Offer to Purchase is extended or amended, the terms and conditions of any such extension or amendment), we will purchase, as promptly as practicable after the applicable Expiration Date, by accepting for payment, and will pay for, the Preference Shares validly tendered and not properly withdrawn, including any Early Tender Premium, if applicable, promptly after the applicable Expiration Date. We currently expect the Payment Date to be made approximately three business days after the applicable Expiration Date. In addition, subject to applicable law, we expressly reserve the right to delay acceptance of, or the purchase of, any Preference Shares in order to comply with any applicable law.

For purposes of each of the Offers to Purchase, we will be deemed to have accepted for payment (and thereby purchased) the Preference Shares validly tendered and not subsequently validly withdrawn, if and when we notify the Tender Agent of our acceptance for payment of the tenders of shares pursuant to the applicable Offer to Purchase. Upon the terms and subject to the conditions of the applicable Offer to Purchase, payment for Preference Shares accepted pursuant to the applicable Offer to Purchase will be made by deposit of the applicable Purchase Price and any Early Tender Premium, if applicable, therefor with the Tender Agent, which will act as agent for tendering shareholders for the purpose of receiving payments from us and transmitting payments to such tendering shareholders whose shares have been accepted for payment.

Under no circumstances will we pay interest on the applicable Purchase Price or applicable Early Tender Premium, regardless of any delay in making such payment or extension of the applicable Expiration Date.

If, prior to the applicable Early Tender Deadline, we increase the applicable Early Tender Premium to be paid per share pursuant to the applicable Offer to Purchase, we will pay such increased Early Tender Premium for all such shares tendered prior to the applicable Early Tender Deadline (and not later withdrawn) and purchased pursuant to the applicable Offer to Purchase, whether or not such shares were tendered prior to such increase in the Early Tender Premium. If, prior to the applicable Expiration Date, we increase the applicable Purchase Price to be paid per share pursuant to the applicable Offer to Purchase, we will pay such increased Purchase Price for all such

shares purchased pursuant to the applicable Offer to Purchase, whether or not such shares were tendered prior to such increase in the Purchase Price.

In addition, if certain events occur, we may not be obligated to purchase shares pursuant to the Offers to Purchase. See "The Offers to Purchase and the Proposed Amendments—Conditions of the Offers to Purchase."

In all cases, delivery of the applicable Purchase Price and any Early Tender Premium, if applicable, for the Preference Shares accepted for purchase pursuant to the Offers to Purchase will be made only after timely receipt by the Tender Agent of

- (i) the share certificates or confirmation of a book-entry transfer of the Preference Shares into the Tender Agent's account at DTC (the book-entry transfer facility) (a "Book-Entry Confirmation") pursuant to the procedures set forth in "The Offers to Purchase and the Proposed Amendments—Procedure for Tendering";
- (ii) the related proxy, consent and letter of transmittal (or a manually signed photocopy), properly completed and duly executed, with any required signature guarantees; and
- (iii) any other documents required by the related proxy, consent and letter of transmittal.

If we do not accept any tendered Preference Shares for purchase pursuant to the terms and conditions of the applicable Offer to Purchase for any reason, we will return certificates for such Preference Shares without expense to the tendering shareholder (or, in the case of Preference Shares tendered through DTC, pursuant to the procedures set forth below under "—Procedure for Tendering," those Preference Shares will be credited to an account maintained within DTC) as soon as practicable following expiration or termination of the applicable Offer to Purchase. All Preference Shares that are validly tendered and accepted for purchase by us in the Offers to Purchase will become authorized but unissued shares.

Any tendering shareholder or other payee who fails to complete fully, sign and return to the Tender Agent the substitute Form W-9 included with the related proxy, consent and letter of transmittal or Form W-8BEN obtained from the Tender Agent may be subject to required backup withholding on the gross proceeds paid to that shareholder or other payee pursuant to our offer.

Procedure for Tendering

Valid Tenders of the Preference Shares. In order for a shareholder to validly tender the Preference Shares pursuant to the applicable Offer to Purchase, the related proxy, consent and letter of transmittal (or a manually signed photocopy), properly completed and duly executed, together with any required signature guarantees, and any other documents required by the related proxy, consent and letter of transmittal must be received by the Tender Agent at the address set forth on the back cover of this Purchase Offer Memorandum and Proxy Statement and either (a) the share certificates evidencing tendered Preference Shares must be received by the Tender Agent at this address or (b) the Preference Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Tender Agent, in each case no later than the applicable Expiration Date (and, in order to receive the applicable Early Tender Premium, no later than the applicable Early Tender Deadline). The holder may change its vote and consent prior to the applicable Withdrawal Deadline by submitting to the Tender Agent a properly completed and signed revised proxy, consent and letter of transmittal. However, in order to tender shares in the applicable Offer to Purchase, the holder must vote for and consent to and authorize each Proxy to vote for and consent to the Proposed Amendments.

Book-Entry Transfer. The Tender Agent will establish an account with respect to the Series A Preference Shares and Class B Preference Shares, respectively, at DTC, the book-entry transfer facility, for purposes of the Offers to Purchase within two business days after the date of this Purchase Offer Memorandum and Proxy Statement. If a holder's Preference Shares are held through a bank, broker or other nominee, the holder should instruct its bank, broker or other nominee to vote in favor of and consent to the applicable Proposed Amendments on its behalf when they tender shares through DTC. The holder may change its vote and consent prior to the applicable

Withdrawal Deadline by causing a new Agent's Message with revised election information to be transmitted through DTC and a properly completed and signed revised proxy, consent and letter of transmittal to the Tender Agent. However, in order to tender shares in the applicable Offer to Purchase, the holder must vote for and consent to and authorize each Proxy to vote for and consent to the applicable Proposed Amendments. Any financial institution that is a participant in the system of DTC may make a book-entry delivery of the Preference Shares by causing DTC to transfer those Preference Shares into the Tender Agent's account at DTC in accordance with DTC's procedures for transfer. **If you tender Series A Preference Shares or Class B Preference Shares through DTC's procedures for transfer, you must still deliver the proxy, consent and letter of transmittal. Although delivery of Preference Shares may be effected through book-entry transfer at DTC, the related proxy, consent and letter of transmittal (or a manually signed photocopy), properly completed and duly executed, together with any required signature guarantees, and any other required document, must also be transmitted to, and received by, the Tender Agent at its address set forth on the back cover of the Purchase Offer Memorandum and Proxy Statement no later than the applicable Expiration Date (and, in order to receive the applicable Early Tender Premium, no later than the applicable Early Tender Deadline). Delivery of an Agent's Message to the Tender Agent does not constitute delivery of the proxy, consent and letter of transmittal to the Tender Agent, and delivery of the proxy, consent and letter of transmittal or any other required document to DTC does not constitute delivery of such document to the Tender Agent.**

The term "Agent's Message" means a message, transmitted by DTC to and received by the Tender Agent, which forms a part of a Book-Entry Confirmation.

If you own your shares through a broker, dealer or other nominee, and your broker, dealer or other nominee tenders the Preference Shares on your behalf, such institution may charge you a fee for doing so. You should consult your broker, dealer or nominee to determine whether any charges will apply. If you are the record owner of certificated Preference Shares and you tender your certificated shares directly to the Tender Agent, you will not be obligated to pay any charges or expenses of the Tender Agent or any brokerage commissions. Transfer taxes on the purchase of the Preference Shares pursuant to the Offers to Purchase, if any, will be paid by us.

Signature Guarantees and Stock Powers. No signature guarantee is required on the related proxy, consent and letter of transmittal (i) if the related proxy, consent and letter of transmittal are signed by the registered holder(s) (which term, for purposes of this section, includes any participant in DTC's system whose name appears on a security position listing as the owner of the Preference Shares) of the Preference Shares tendered, unless the holder has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the related proxy, consent and letter of transmittal or (ii) if the Preference Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program or any other "eligible guarantor institution," as that term is defined in Rule 17Ad-15 under the Exchange Act (each an "Eligible Institution"). In all other cases, all signatures on the related proxy, consent and letter of transmittal must be guaranteed by an Eligible Institution. See the instructions to the related proxy, consent and letter of transmittal. If a share certificate is registered in the name of a person or persons other than the signer of the proxy, consent and letter of transmittal, or if payment is to be made or delivered to, or a share certificate not accepted for purchase or not tendered is to be issued in, the name(s) of a person other than the registered holder(s), then the share certificate must be endorsed or accompanied by appropriate duly executed stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the share certificate, with the signature(s) on the share certificate or stock powers guaranteed by an Eligible Institution as provided in the related proxy, consent and letter of transmittal. See the instructions to the related proxy, consent and letter of transmittal.

Notwithstanding any other provision of this Purchase Offer Memorandum and Proxy Statement, purchase of the Preference Shares accepted pursuant to the Offers to Purchase will in all cases only be made after timely receipt by the Tender Agent of (i) certificates evidencing the Preference Shares or a Book-Entry Confirmation of a book-entry transfer of the Preference Shares into the Tender Agent's account at DTC pursuant to the procedures set forth in this section; (ii) the related proxy, consent and letter of transmittal (or a manually signed photocopy), properly completed and duly executed, with any required signature guarantees; and (iii) any other documents required by the related proxy, consent and letter of transmittal.

***Guaranteed Delivery Procedures.* There are no guaranteed delivery provisions applicable to the Offers to Purchase. You must tender your Preference Shares in accordance with the procedures set forth above.**

The method of delivery of share certificates, the proxy, consent and letter of transmittal and all other required documents, including delivery through DTC, are at the option and risk of the tendering shareholder, and the delivery will be deemed made only when actually received by the Tender Agent (including, in the case of a book-entry transfer, receipt of a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Effects of Tenders and Voting for and Consenting to the Proposed Amendments

By tendering your shares and delivering your proxy and consent as set forth above, you irrevocably appoint each Proxy and its designees as your attorneys-in-fact and proxies, each with full power of substitution, to the full extent of your rights with respect to your Preference Shares tendered and accepted for purchase by us. Such appointment will be automatically revoked if we do not accept for purchase the Preference Shares that you have tendered. The Preference Shares tendered pursuant to the applicable Offer to Purchase may be withdrawn at any time prior to the applicable Withdrawal Deadline, and, as a result, the corresponding proxy and consent may be revoked to the extent the withdrawal occurs prior to the applicable Withdrawal Deadline, and, unless theretofore accepted for purchase and not returned as provided for herein, the Preference Shares tendered pursuant to the applicable Offer to Purchase may also be withdrawn 30 days after the applicable Expiration Date, subject to the withdrawal rights and procedures set forth below. Upon the effectiveness of such appointment, all prior proxies or consents given by you will be revoked, and no subsequent proxies or consents may be given (and, if given, will not be deemed effective) unless the tendered Preference Shares are validly withdrawn and the related proxy and consent revoked. Each Proxy will, with respect to the Preference Shares for which the appointment is effective, be empowered to vote for and consent to the applicable Proposed Amendments with respect to your Preference Shares tendered in the applicable Offer to Purchase at the applicable Special Meeting. If the applicable Special Meeting is adjourned indefinitely or cancelled (and the applicable Proposed Amendments are not approved and adopted by way of written consent in lieu of the applicable Special Meeting), the applicable Proposed Amendments will not become effective and will have no effect on the applicable Preference Shares.

We will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance for purchase of any tender of the Preference Shares and grant of proxies and consents in the Offers to Purchase, in our sole discretion, and our determination shall be final and binding. We reserve the absolute right to reject any and all tenders of the Preference Shares and grants of proxies and consents in the Offers to Purchase determined by us not to be in proper form or the acceptance for purchase or purchase of which may, in our opinion, be unlawful. Subject to applicable law, we also reserve the right to waive, in our reasonable judgment, any of the conditions of either Offer to Purchase and the absolute right to waive any defect or irregularity in the tender of any Preference Shares or the grant of proxies and consents in the Offers to Purchase. No tender of Preference Shares or grant of proxies and consents in the Offers to Purchase will be deemed to have been made until all defects and irregularities in the tender of such shares or the grant of proxies and consents in the Offers to Purchase have been cured or waived. Neither we, the Tender Agent, the Information Agent nor any other person will be under any duty to give notification of any defects or irregularities in the tender of any Preference Shares or the grant of proxies and consents in the Offers to Purchase or will incur any liability for failure to give any such notification. Our interpretation of the terms and conditions of the Offers to Purchase (including the related proxy, consent and letter of transmittal) will be final and binding.

The tender of the Preference Shares and the grant of proxies and consents, pursuant to any of the procedures described above, will constitute a binding agreement between you and us upon the terms and subject to the conditions of the applicable Offer to Purchase.

The presence of two or more persons, representing in person or by proxy shares carrying more than 50% of the voting power of the issued and outstanding Series A Preference Shares as of January 28, 2010, the record date for the Series A Special Meeting, is necessary to constitute a quorum at the Series A Special Meeting, and the presence of two or more persons, representing in person or by proxy shares carrying more than 50% of the voting

power of the issued and outstanding Class B Preference Shares as of January 28, 2010, the record date for the Class B Special Meeting, is necessary to constitute a quorum at the Class B Special Meeting. Assuming that a quorum is present at the Series A Special Meeting, the affirmative vote of the holders of a simple majority of the Series A Preference Shares voted at the Series A Special Meeting in person or by proxy will be required to approve the Proposed Series A Amendments and, assuming that a quorum is present at the Class B Special Meeting, the affirmative vote of the holders of a simple majority of the Class B Preference Shares voted at the Class B Special Meeting in person or by proxy will be required to approve the Proposed Class B Amendments.

In addition, the Bye-Laws of RAM Holdings provide that the rights of the Series A Preference Shares may be changed with the consent in writing of the holders of 75% of the issued and outstanding Series A Preference Shares. If holders representing at least 75% of the outstanding Series A Preference Shares submit an executed proxy, consent and letter of transmittal voting in favor of and consent to the Proposed Series A Amendments and validly tender (without later withdrawing) their Series A Preference Shares, then the Series A Special Meeting shall be cancelled and the Proposed Series A Amendments shall be promptly approved and adopted by way of a written consent in lieu of the Series A Special Meeting, subject only to the condition subsequent that the Series A Offer to Purchase is completed in accordance with its terms. Similarly, the Bye-Laws of RAM Re provide that the rights of the Class B Preference Shares may be changed with the consent in writing of the holders of 75 % of the issued and outstanding Class B Preference Shares. If holders representing at least 75% of the outstanding Class B Preference Shares submit an executed proxy, consent and letter of transmittal voting in favor of and consenting to the Proposed Class B Amendments and validly tender (without later withdrawing) their Class B Preference Shares, then the Class B Special Meeting shall be cancelled and the Proposed Class B Amendments shall be promptly approved and adopted by way of a written consent in lieu of the Class B Special Meeting, subject only to the condition subsequent that the Class B Offer to Purchase is completed in accordance with its terms.

If we receive the requisite approvals from the holders of the applicable Preference Shares to approve the applicable Proposed Amendments, whether at the applicable Special Meeting or by way of a written consent in lieu of the applicable Special Meeting, the applicable Proposed Amendments shall be promptly approved and adopted at such time, subject only to the condition subsequent that the applicable Offer to Purchase is completed in accordance with its terms, and the applicable Proposed Amendments will become effective upon completion of the applicable Offer to Purchase.

Only holders of Preference Shares who do not tender their shares in the applicable Offer to Purchase will remain holders of such Preference Shares after the applicable Proposed Amendments become effective. Each of the Boards may determine to make less than all of the proposed modifications described herein to the terms of the Series A Preference Shares or the Class B Preference Shares, so the Proposed Amendments, when they take effect, may not have all of the effects described in this Purchase Offer Memorandum and Proxy Statement. We urge you to review the amended text of the affected provisions of the Certificates of Designations, which are attached to this Purchase Offer Memorandum and Proxy Statement as Annex A and Annex B.

Withdrawal of Tenders and Revocation of Proxies and Consents

You may validly withdraw the Preference Shares that you tender, including any Preference Shares tendered before the applicable Early Tender Deadline, at any time prior to the applicable Withdrawal Deadline. In addition, if not previously returned, you may withdraw any Preference Shares that you tender that are not accepted by us for purchase 30 days after the applicable Expiration Date.

A valid withdrawal of tendered Preference Shares prior to the applicable Withdrawal Deadline will be deemed a valid revocation of the related proxy and consent and authorization of each Proxy to vote and consent on your behalf to the applicable Proposed Amendments. A holder may not validly revoke a proxy and consent delivered in respect of tendered Preference Shares unless such holder validly withdraws the previously tendered shares. A withdrawal of tendered Preference Shares must be for all Preference Shares tendered by a holder.

Any Preference Shares tendered prior to the applicable Early Tender Deadline may be withdrawn after the applicable Early Tender Deadline and prior to the applicable Withdrawal Deadline; however, in connection with any such withdrawal, a holder will forfeit any applicable Early Tender Premium, even if the Preference Shares are later re-tendered.

For a withdrawal to be effective, you must deliver a written notice of withdrawal to the Tender Agent at the appropriate address specified on the back cover of this Purchase Offer Memorandum and Proxy Statement prior to the applicable Withdrawal Deadline or, if your shares are not previously accepted by us for purchase, 30 days after the applicable Expiration Date. Any notice of withdrawal must identify the beneficial owner of the Preference Shares to be withdrawn, including the name of the beneficial owner of the Preference Shares, the name of the person who tendered the Preference Shares, if different, and the number of Preference Shares to be withdrawn. Your notice of withdrawal must comply with the requirements set forth in this Purchase Offer Memorandum and Proxy Statement. If you tendered Preference Shares pursuant to the procedures for a book-entry transfer, a withdrawal of Preference Shares will only be effective if you comply with the appropriate DTC procedures prior to the applicable Withdrawal Deadline and revocation of the related proxy and consent will only be effective if you comply with the appropriate DTC procedures prior to the applicable Withdrawal Deadline or, if your shares are not previously accepted by us for purchase, 30 days after the applicable Expiration Date.

If we extend the applicable Offer to Purchase, are delayed in our acceptance of the Preference Shares for purchase or are unable to accept the Preference Shares pursuant to the applicable Offer to Purchase for any reason, then, without prejudice to our rights under the applicable Offer to Purchase, the Tender Agent may retain tendered Preference Shares, and those Preference Shares may not be withdrawn, nor the related proxies and consents revoked, except as otherwise provided in this Purchase Offer Memorandum and Proxy Statement, subject to provisions under the Exchange Act that provide that an issuer making a tender offer shall either pay the consideration offered or return tendered securities promptly after the termination or withdrawal of the tender offer.

All questions as to the validity, form and eligibility, including time or receipt, of notices of withdrawal will be determined by us. Our determination will be final and binding on all parties. Any Preference Shares validly withdrawn will be deemed not to have been validly tendered for purposes of the applicable Offer to Purchase, and no consideration will be given, unless the Preference Shares so withdrawn are validly re-tendered and not subsequently validly withdrawn. Validly withdrawn Preference Shares may be re-tendered by following the procedures described above under "—Procedure for Tendering" no later than the applicable Expiration Date (and, in order to receive the applicable Early Tender Premium, no later than the applicable Early Tender Deadline).

Neither we, the Dealer Manager, the Tender Agent, the Information Agent nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or will incur any liability for failure to give any such notification. Any Preference Shares subsequently validly withdrawn will be deemed not to have been validly tendered for purposes of the Offers to Purchase.

Preference Share Ownership

We are not aware of any of our directors or executive officers that own any Preference Shares. Furthermore, neither we, nor any of our associates, nor, to our knowledge, any of our directors or executive officers, have effected any transactions in the Preference Shares during the 60 days before the date of the Offers to Purchase.

Other than as described herein, neither we nor any person controlling us nor, to our knowledge, any of our directors or executive officers, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to any of the Preference Shares, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations.

Source and Amount of Funds

Neither Offer to Purchase is conditioned upon our receipt of financing. Assuming all Preference Shares are validly tendered (and not subsequently validly withdrawn) before the applicable Early Tender Deadline, we will pay an aggregate of approximately \$31.3 million for the repurchase of the Preference Shares. Assuming all Preference Shares are validly tendered (and not subsequently validly withdrawn) after the applicable Early Tender Deadline but no later than the applicable Expiration Date, we will pay an aggregate of approximately \$25.0 million for the repurchase of the Preference Shares. We will have sufficient cash and cash equivalents to repurchase all validly

tendered (and not withdrawn) shares pursuant to the Offers to Purchase and to pay the amounts owed to the Majority Holders pursuant to the Covenant Amendment.

Liquidity

The Preference Shares are not listed on any exchange or quoted in any automated quotation system of a registered national securities association, and there is no established trading market for the purchase or sale of the Preference Shares. Following the completion of the Offers to Purchase and the approval of the Proposed Amendments, the liquidity of any remaining untendered Preference Shares and the rights of the holders of those shares may be adversely affected.

Certain Legal and Regulatory Matters

Except as set forth in this Purchase Offer Memorandum and Proxy Statement, we are not aware of any material filing, approval or other action by or with any governmental authority or administrative or regulatory agency that would be required for our acquisition or ownership of Preference Shares. We intend to make all required filings, to the extent any are required.

Subsequent Repurchases of Preference Shares

Whether or not the Offers to Purchase are consummated, subject to the applicable covenant restrictions contained in our debt instruments, the terms of the Certificates of Designations and applicable law, we or our affiliates may from time to time acquire the Preference Shares, other than pursuant to the Offers to Purchase, through privately negotiated transactions, exchange offers, exercise of optional redemption rights, offer to purchase or otherwise, upon such terms and at such prices as we may determine, which may be more or less than the amount to be paid pursuant to the Offers to Purchase and could be paid in cash or other consideration not provided for in the Offers to Purchase.

Dealer Manager

We have retained Deutsche Bank Securities Inc. as the Dealer Manager. We will pay reasonable and customary compensation for its services in connection with the Offers to Purchase and the Proposed Amendments, reimburse it for its reasonable out-of-pocket expenses and indemnify it against certain liabilities and expenses in connection with the Offers to Purchase and the Proposed Amendments.

Tender Agent

We have retained D.F. King & Co., Inc. as Tender Agent. We will pay D.F. King & Co., Inc. reasonable and customary compensation for its services in connection with the Offers to Purchase and the Proposed Amendments, reimburse it for its reasonable out-of-pocket expenses and indemnify it against certain liabilities and expenses in connection with the Offers to Purchase and the Proposed Amendments.

Information Agent

D.F. King & Co., Inc. is serving as Information Agent in connection with the Offers to Purchase and the Proposed Amendments. The Information Agent will assist with the mailing of this Purchase Offer Memorandum and Proxy Statement and related materials to holders of Preference Shares, respond to inquiries of and provide information to holders of Preference Shares in connection with the Offers to Purchase and the Proposed Amendments, and provide other similar advisory services as we may request from time to time. Questions regarding the terms of the Offers to Purchase and the Proposed Amendments, and requests for assistance or for additional copies of this Purchase Offer Memorandum and Proxy Statement and any other required documents, should be directed to the Information Agent at the address and telephone numbers set forth on the back cover of this Purchase Offer Memorandum and Proxy Statement. The Information Agent will receive reasonable and customary compensation for its services and will also be reimbursed for certain out of pocket expenses and indemnified against certain liabilities.

Expenses

We expect to incur reasonable and customary fees and expenses in connection with the Offers to Purchase and the Proposed Amendments. We also will pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this Purchase Offer Memorandum and Proxy Statement, the proxy, consent and letter of transmittal and related documents to the beneficial owners of shares and in handling or forwarding tenders of shares by their customers.

In connection with the Offers to Purchase and the Proposed Amendments, our directors, officers and employees may solicit tenders of shares by use of the mails, personally or by telephone, facsimile, telegram, electronic communication or other similar methods. These directors, officers and employees will not be specifically compensated for these services.

No brokerage commissions will be payable by tendering holders of shares to us, the Information Agent or the Tender Agent. Shareholders who tender their shares through a broker, dealer, commercial bank, trust company or other nominee should contact such institution as to whether it charges any service fees.

DESCRIPTION OF PREFERENCE SHARES

The following is a summary description of the Preference Shares reflecting the terms of such shares prior to and after the adoption of the Proposed Amendments (assuming the Proposed Amendments are adopted in full) and is qualified in its entirety by reference to the Certificates of Designations and the Proposed Amendments. You should see Annex A and Annex B to this Purchase Offer Memorandum and Proxy Statement for the amended text of the affected provisions of the Certificates of Designations reflecting the Proposed Amendments. Capitalized terms not defined otherwise herein shall have the meaning in the Series A Certificate of Designations or the Class B Certificate of Designation, as applicable.

Series A Preference Shares

General

The authorized share capital of RAM Holdings includes 10,000,000 preference shares, par value \$0.10 per share. There are 75,000 Series A Preference Shares issued and outstanding as of the date of this Purchase Offer Memorandum and Proxy Statement. RAM Holdings may from time to time, without notice to or the consent of holders of the Series A Preference Shares, issue additional Series A Preference Shares.

RAM Holdings is generally able to pay dividends and distributions upon liquidation, dissolution or winding-up only out of lawfully available funds for such payment (*i.e.*, after satisfaction of all indebtedness and other non-equity claims). Holders of the Series A Preference Shares do not have preemptive or subscription rights to acquire more of the share capital of RAM Holdings.

The Series A Preference Shares are not convertible into, or exchangeable for, any other class or series of share capital or other securities of RAM Holdings. The Series A Preference Shares are not subject to any sinking fund, retirement fund, purchase fund or other similar provisions.

Ranking

The Series A Preference Shares rank senior to RAM Holdings' Junior Shares (as defined in the Series A Certificate of Designations) and equally with each other series of preference shares that RAM Holdings may issue with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding-up of the affairs of RAM Holdings. At present, RAM Holdings has not issued shares that are senior to or in parity with the Series A Preference Shares with respect to payment of dividends and distribution of assets in liquidation, dissolution or winding up of the affairs of RAM Holdings, and it has not issued shares that are junior to the Series A Preference Shares with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding-up of the affairs of RAM Holdings other than RAM Holdings' common shares. Subject to certain limitations contained in RAM Holdings' Bye-Laws and any limitations prescribed by applicable law, the RAM Holdings Board may from time to time create and issue preference shares of other series and fix their relative rights, preferences and limitations. However, the Series A Certificate of Designations provides that, for so long as the Series A Preference Shares are issued and outstanding, RAM Holdings will not issue any share capital that will rank senior to the Series A Preference Shares as to dividends and/or distributions upon the liquidation, dissolution or winding-up of the affairs of RAM Holdings without the affirmative vote or consent of the holders of at least 66 2/3% of the outstanding Series A Preference Shares.

Dividends

Dividends on the Series A Preference Shares are not mandatory. Dividends on the Series A Preference Shares are payable on a non-cumulative basis, only when, as and if declared by the RAM Holdings Board (or a duly authorized committee of the board) out of lawfully available funds for the payment of dividends under Bermuda law, semi-annually on the 15th day of June and December of each year, beginning on June 15, 2007 and ending on December 15, 2016. These dividends accrue with respect to a particular semi-annual dividend period, on the liquidation preference amount of \$1,000 per share, at an annual rate of 7.5%. After December 15, 2016, if the Series A Preference Shares have not been redeemed or repurchased, dividends on the Series A Preference Shares are

payable on a non-cumulative basis, only when, as and if declared by the RAM Holdings Board (or a duly authorized committee of the board) out of lawfully available funds for the payment of dividends under Bermuda law, quarterly on the 15th day of March, June, September and December of each year, beginning on March 15, 2017. These dividends accrue with respect to a particular quarterly dividend period, on the liquidation preference amount of \$1,000 per share, at an annual rate equal to Three-Month LIBOR (as defined in the Series A Certificate of Designations) plus 3.557%. The applicable dividend rate for each quarterly dividend period is set on the first day of such quarterly dividend period, and is set for the first quarterly dividend period on March 15, 2017. The applicable dividend rate for each quarterly dividend period is determined on the LIBOR Determination Date (as defined in the Series A Certificate of Designations) with respect to such quarterly dividend period. In the event that RAM Holdings issues additional Series A Preference Shares after the original issue date, dividends on such additional shares may accrue from the original issue date or any other date RAM Holdings specifies at the time such additional shares are issued.

Dividends, if so declared, are payable to holders of record of the Series A Preference Shares as they appear in RAM Holdings' register of members on the applicable record date, which is the 15th calendar day before that dividend payment date or such other record date fixed by the RAM Holdings Board (or a duly authorized committee of the board) that is not more than 60 nor less than 10 days prior to such dividend payment date (each, a "dividend record date"). These dividend record dates apply regardless of whether a particular dividend record date is a Business Day (as defined in the Series A Certificate of Designations).

A dividend period is the period from and including a dividend payment date to but excluding the next dividend payment date. Dividends payable on the Series A Preference Shares in respect of any dividend period commencing prior to the December 15, 2016 dividend payment date are computed on the basis of a 360-day year consisting of twelve 30-day months. The dividend payment for any dividend period commencing prior to the December 15, 2016 dividend payment date that is shorter than six months is computed based on 30-day months and, for periods of less than a month, the actual number of days elapsed in such period, over a 360-day year. If any date on which dividends would otherwise be payable on or prior to December 15, 2016 is not a Business Day, then the dividend payment date will be the next succeeding Business Day with the same force and effect as if made on the original dividend payment date, and no additional dividends shall accrue on the amount so payable from such date to such next succeeding Business Day. If any date on which dividends would otherwise be payable after December 15, 2016 is not a Business Day, then the dividend payment date will be the next succeeding Business Day, unless the payment date would fall in the next calendar month, in which case the dividend payment date will be made on the next Business Day immediately before the scheduled payment date. Dividends payable on the Series A Preference Shares in respect of any dividend period commencing on or after the December 15, 2016 dividend payment date are computed based on the actual number of days elapsed over a 360-day year.

Dividends on the Series A Preference Shares are not cumulative. Accordingly, if the RAM Holdings Board (or a duly authorized committee of the board) does not declare a dividend on the Series A Preference Shares payable in respect of any dividend period before the related dividend payment date, such dividend does not accrue and is not payable and RAM Holdings has no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends are declared for any future dividend period on the Series A Preference Shares or any other preference shares RAM Holdings may issue in the future for any future dividend period.

Currently, so long as any Series A Preference Shares remain issued and outstanding for any dividend period, unless the full dividends for the latest completed dividend period on all issued and outstanding Series A Preference Shares and Parity Shares (as defined in the Series A Certificate of Designations) have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside):

- no dividend shall be paid or declared on RAM Holdings' common shares or any other Junior Shares (other than a dividend payable solely in Junior Shares); and
- no common shares or other Junior Shares shall be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) as a result of a reclassification of Junior Shares for or into other Junior Shares, or the exchange or conversion of one Junior Share for or into another Junior Share, (ii) through the use of the proceeds of a substantially contemporaneous

sale of Junior Shares, (iii) as permitted by the Bye-Laws of RAM Holdings and (iv) as required by any employment contract, benefit plan or other similar agreement or arrangement with or for the benefit of one or more present or former employees, officers, directors or consultants entered into prior to the original issue date of the Series A Preference Shares).

The Proposed Series A Amendments would allow us to pay dividends on Junior Shares and to purchase and redeem Junior Shares without paying full dividends for the latest completed dividend period on any Series A Preference Shares.

When dividends are not paid (or duly provided for) in full on any dividend payment date (or, in the case of Parity Shares having dividend payment dates different from the dividend payment dates pertaining to the Series A Preference Shares, on a dividend payment date falling within the related dividend period for the Series A Preference Shares) upon the Series A Preference Shares and any Parity Shares, all dividends declared by the RAM Holdings Board (or a duly authorized committee of the board) upon the Series A Preference Shares and all such Parity Shares and payable on such dividend payment date (or, in the case of Parity Shares having dividend payment dates different from the dividend payment dates pertaining to the Series A Preference Shares, on a dividend payment date falling within the related dividend period for the Series A Preference Shares) shall be declared by the RAM Holdings Board (or such committee) on a *pro rata* basis in proportion to the total amounts that are due.

Under the Proposed Series A Amendments, if full dividends have not been paid on the Series A Preference Shares or any Parity Shares, we would not be required to declare dividends on a pro rata basis among such shares.

The Proposed Series A Amendments will not change the other terms of the Series A Preference Shares relating to dividends, including the base rate at which dividends accrue and the payment dates for dividends.

Certain Bermuda Restrictions on Payment of Dividends

Under Bermuda law, RAM Holdings may not lawfully declare or pay a dividend if it has reasonable grounds for believing that RAM Holdings is, or would after payment of the dividend be, unable to pay its liabilities as they become due, or that the realizable value of its assets would, after payment of the dividend, be less than the aggregate value of its liabilities, issued share capital and share premium accounts. RAM Re's ability to pay dividends to RAM Holdings is subject to Bermuda Insurance Laws and regulatory constraints.

Payment of Additional Amounts

RAM Holdings will make all payments and distributions on the Series A Preference Shares free and clear of and without withholding or deduction at source for, or on account of, any present or future taxes, fees, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Bermuda or any other jurisdiction in which we are organized (a "taxing jurisdiction") or any political subdivision or taxing authority thereof or therein, unless such taxes, fees, duties, assessments or governmental charges are required to be withheld or deducted by (x) the laws (or any regulations or rulings promulgated thereunder) of a taxing jurisdiction or any political subdivision or taxing authority thereof or therein or (y) an official position regarding the application, administration, interpretation or enforcement of any such laws, regulations or rulings (including, without limitation, a holding by a court of competent jurisdiction or by a taxing authority in a taxing jurisdiction or any political subdivision thereof). If a withholding or deduction at source is required in respect of any payment or distribution on the Series A Preference Shares (whether in respect of a declared dividend, upon redemption, upon liquidation, dissolution or winding up of RAM Holdings or otherwise), RAM Holdings will, subject to certain limitations and exceptions described below, pay to the holders of the Series A Preference Shares such additional amounts as dividends as may be necessary so that every net payment made to such holders, after the withholding or deduction, will not be less than the amount provided for in the Series A Certificate of Designations to be then due and payable.

RAM Holdings will not be required to pay any additional amounts for or on account of:

(1) any tax, fee, duty, assessment or governmental charge of whatever nature that would not have been imposed but for the fact that such holder was a resident, domiciliary or national of, or engaged in

business or maintained a permanent establishment or was physically present in, the relevant taxing jurisdiction or any political subdivision thereof or otherwise had some connection with the relevant taxing jurisdiction other than by reason of the mere ownership of the enforcement of rights as holder of; or receipt of payment under, such Series A Preference Shares or any Series A Preference Shares presented for payment more than 30 days after the Relevant Date. The "Relevant Date" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the dividend disbursing agent on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to holders, notice to that effect shall have been duly given to the holders of the Series A Preference Shares;

(2) any estate, inheritance, gift, sale, transfer, or similar tax, assessment or other governmental charge or any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payment of the liquidation preference;

(3) any tax, fee, duty, assessment or other governmental charge that is imposed or withheld by reason of the failure by the holder of such Series A Preference Shares to comply with any reasonable request by us addressed to the holder within 90 days of such request (a) to provide information concerning the nationality, residence or identity of the holder or (b) to make any declaration or other similar claim or satisfy any information or reporting requirement, which is required or imposed by statute, treaty, regulation or administrative practice of the relevant taxing jurisdiction or any political subdivision thereof as a precondition to exemption from all or part of such tax, fee, duty, assessment or other governmental charge, provided that such information or request is not materially more onerous than similar requirements under U.S. law (such as IRS Form W-8BEN) and provided further that such holder is legally able to comply with such request.

(4) any withholding or deduction required to be made pursuant to any EU Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meetings of 26-27 November 2000, 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such EU Directive; or

(5) any combination of items (1), (2), (3) and (4).

In addition, RAM Holdings will not pay additional amounts with respect to any payment on any such Series A Preference Shares to any holder who is a fiduciary, partnership, limited liability company or other pass-thru entity other than the sole beneficial owner of such Series A Preference Shares if such payment would be required by the laws of the relevant taxing jurisdiction (or any political subdivision or relevant taxing authority thereof or therein) to be included in the income for tax purposes of a beneficiary or partner or settlor with respect to such fiduciary or a member of such partnership, limited liability company or other pass-thru entity or a beneficial owner to the extent such beneficiary, partner or settlor would not have been entitled to such additional amounts had it been the holder of Series A Preference Shares.

If RAM Holdings becomes obligated to pay any additional amounts as a result of a change in tax law, RAM Holdings will also have the option to redeem the Series A Preference Shares. See "Redemption—Tax Redemption" below.

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding-up of RAM Holdings, holders of the Series A Preference Shares and any Parity Shares are entitled to receive out of RAM Holdings' assets available for distribution to shareholders, after satisfaction of liabilities to creditors, if any, but before any distribution of assets is made to holders of RAM Holdings' common shares or any of its other shares ranking junior as to such a distribution to the Series A Preference Shares, a liquidating distribution in the amount of \$1,000 per Series A Preference Share plus any declared but unpaid dividends. Holders of the Series A Preference Shares will not be entitled to any other amounts from RAM Holdings after they have received their full liquidation preference and declared but unpaid dividends.

In any such distribution, if RAM Holdings' assets are not sufficient to pay the liquidation preferences in full to all holders of the Series A Preference Shares and all holders of any Parity Shares, the amounts paid to the holders of Series A Preference Shares and to the holders of any Parity Shares will be paid on a *pro rata* basis in proportion to the total amounts that are due but only to the extent RAM Holdings has assets available after satisfaction of all liabilities to creditors. In any such distribution, the "liquidation preference" of any holder of preference shares means the amount payable to such holder in such distribution, including any declared but unpaid dividends (and any unpaid, accrued cumulative dividends in the case of any holder of shares on which dividends accrue on a cumulative basis). If the liquidation preference has been paid in full to all holders of the Series A Preference Shares and any holders of Parity Shares, the holders of RAM Holdings' other shares shall be entitled to receive all of its remaining assets according to their respective rights and preferences.

The Series A Certificate of Designations does not contain any provision requiring funds to be set aside to protect the liquidation preferences of RAM Holdings' Preference Shares even though it is substantially in excess of the par value thereof.

For purposes of this section, a consolidation, amalgamation, merger, arrangement, reincorporation, discontinuance, de-registration or reconstruction involving RAM Holdings or the sale, assignment, lease, conveyance or transfer of all or substantially all of the shares or the property or business of RAM Holdings is not deemed to constitute a liquidation, dissolution or winding-up of RAM Holdings.

Redemption

Optional Redemption

Prior to December 15, 2016, the Series A Preference Shares are redeemable at our option, at any time in whole or from time to time in part, upon not less than 30 days nor more than 60 days notice, at a redemption price per share equal to the sum of (a) the \$1,000 liquidation preference per Series A Preference Share plus (b) declared and unpaid dividends per Series A Preference Share, if any, without accumulation of any undeclared dividends plus (c) any applicable "early make-whole premium" (as defined in the Series A Certificate of Designations). On and after December 15, 2016, the Series A Preference Shares are redeemable at our option, at any time in whole or from time to time in part, upon not less than 30 days nor more than 60 days notice, at a redemption price equal to \$1,000 per share, plus declared and unpaid dividends, if any, without accumulation of any undeclared dividends. Holders of the Series A Preference Shares have no right to require the redemption of the Series A Preference Shares.

Tax Redemption

Prior to December 15, 2016, RAM Holdings has the option to redeem the Series A Preference Shares at any time in whole or from time to time in part, upon not less than 30 days nor more than 60 days notice, if there is a "change in tax law" (as defined in the Series A Certificate of Designations) that would require us or any successor corporation to pay any additional amounts with respect to the Series A Preference Shares and the payment of those additional amounts cannot be avoided by the use of any reasonable measures available to us or any successor corporation, at a redemption price per share ("tax event redemption price") equal to the sum of: (a) 100% of the \$1,000 liquidation preference per Series A Preference Share being redeemed plus (b) declared and unpaid dividends per Series A Preference Share, if any, without accumulation of any undeclared dividends plus (c) any applicable "tax event make-whole premium" (as defined in the Series A Certificate of Designations).

In addition, prior to December 15, 2016, RAM Holdings has the option to redeem the Series A Preference Shares at any time in whole or from time to time in part, upon not less than 30 days nor more than 60 days notice at the tax event redemption price, if the entity formed by a consolidation, merger or amalgamation involving RAM Holdings or the entity to which RAM Holdings conveys, transfers or leases substantially all its properties and assets is required to pay additional amounts in respect of any tax, assessment or governmental charge imposed on any holder of Series A Preference Shares as a result of a change in tax law that occurred after the date of the consolidation, merger, amalgamation, conveyance, transfer or lease and the payment of those additional amounts cannot be avoided by the use of any reasonable measures available to RAM Holdings or any successor corporation.

Mandatory Redemption

RAM Holdings is required to redeem the Series A Preference Shares in whole on December 15, 2066 (the "mandatory redemption date") at a redemption price of \$1,000 per share (the "mandatory redemption price"), plus declared and unpaid dividends, without accumulation of any undeclared dividends. RAM Holdings is required to deposit with a bank or trust company sufficient funds for the payment of the full amount payable upon redemption of such shares on December 15, 2066.

If and for so long as RAM Holdings fails for any reason to deposit such funds sufficient to redeem the Series A Preference Shares on December 15, 2066, RAM Holdings will not (1) redeem or otherwise acquire any Parity Shares or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Parity Shares (except in connection with a redemption, sinking fund or other similar obligation in which Series A Preference Shares receive a *pro rata* share) or (2) declare or make any distribution on Junior Shares, or redeem or otherwise acquire any Junior Shares, or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of the Junior Shares.

The Proposed Series A Amendments would allow us to redeem and acquire Parity Shares and discharge redemption, sinking fund and other similar obligations in respect of Parity Shares, and to make distributions on Junior Shares, redeem and acquire Junior Shares and discharge redemption, sinking fund and other similar obligations in respect of Junior Shares. without depositing sufficient funds for a mandatory redemption.

The Series A Preference Shares are not subject to any other mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions.

Certain Bermuda Restrictions on Redemption

Under Bermuda law, RAM Holdings may not redeem its preference shares (including the Series A Preference Shares) at any time if RAM Holdings has reasonable grounds for believing that it is, or after the redemption would be, unable to pay its liabilities as they become due. Preference shares (including the Series A Preference Shares) may not be redeemed except out of the capital paid up thereon or out of RAM Holdings' funds that would otherwise be available for dividends or distributions or out of the proceeds of a fresh issue of shares made for the purpose of the redemption. The premium, if any, payable on redemption must be provided for out of RAM Holdings' funds that would otherwise be available for dividends or distributions or out of RAM Holdings' share premium account before the preference shares are redeemed. Preference shares also may not be redeemed if as a result of the redemption, RAM Holdings' issued share capital would be reduced below the minimum capital specified in the memorandum of association of RAM Holdings.

Voting Rights

Except as provided below or as required by law, the holders of the Series A Preference Shares have no voting rights.

Notwithstanding RAM Holdings' Bye-Laws, the affirmative vote or consent of the holders of at least 66 2/3% of the issued and outstanding Series A Preference Shares is required for the authorization or issuance of any share capital that will rank senior to the Series A Preference Shares as to dividends and/or distributions upon the liquidation, dissolution or winding-up of the affairs of RAM Holdings.

The Bye-Laws of RAM Holdings provide that all or any of the special rights of any class of shares (including the Series A Preference Shares) issued may be altered or abrogated with the consent in writing of the holders of not less than 75% of the issued shares of that class or with the sanction of a resolution passed at a separate general meeting of the holders of such shares voting in person or proxy. The necessary quorum requirements for the separate general meeting shall be two or more persons holding or representing by proxy more than 50% of the aggregate voting power (after giving effect to any adjustments or eliminations of voting power of any shares as provided for in the Bye-Laws of RAM Holdings) of the shares of the relevant class. The Bye-Laws of RAM Holdings also provide that the rights attaching to or the terms of issue of such shares or class of shares (including the

Series A Preference Shares), as the case may be, shall not be deemed to be altered by (i) the creation or issue of further shares ranking *pari passu* therewith or having different restrictions, or (ii) the creation or issue of further shares ranking in priority for payment of a dividend or in respect of capital or which confer on the holder thereof voting rights more favorable to them. The Bermuda Companies Act 1981 provides that in certain circumstances, non-voting shares have the right to vote (for example without limitation, converting a limited liability company to unlimited liability company, discontinuance of a company from Bermuda, amalgamation or conversion of preference shares into redeemable preference shares).

Without the consent of the holders of the Series A Preference Shares, so long as such action does not adversely affect the special rights, preferences, privileges and voting powers of the Series A Preference Shares, taken as a whole, RAM Holdings may amend, alter, supplement or repeal any terms of the Series A Preference Shares:

- to cure any ambiguity, or to cure, correct or supplement any provision contained in the Series A Certificate of Designations that may be defective or inconsistent; or
- to make any provision with respect to matters or questions arising with respect to the Series A Preference Shares that is not inconsistent with the provisions of the Series A Certificate of Designations.

The foregoing voting provisions do not apply with respect to the Series A Preference Shares if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series A Preference Shares shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by us for the benefit of the holders of Series A Preference Shares to effect such redemption.

Class B Preference Shares

Dividends

Preferences

Currently, for each dividend period, holders of the outstanding Class B Preference Shares, in preference to the holders of RAM Re's common shares and of any other class of shares ranking junior to the Class B Preference Shares, are entitled to receive out of any funds legally available therefor when, as and if declared by the RAM Re Board or a duly authorized committee thereof, cash dividends at a rate per share equal to the Dividend Rate (as defined below), subject to a Maximum Rate (as defined in the Class B Certificate of Designation).

Currently, so long as any Class B Preference Shares are outstanding, no dividends, except dividends payable in RAM Re's common shares or other shares ranking junior to the Class B Preference Shares, shall be paid or declared or any distribution be made on RAM Re's common shares or any other shares ranking junior to the Class B Preference Shares, nor shall any common shares be purchased, retired or otherwise acquired by RAM Re, unless all dividends on the Class B Preference Shares for the then current dividend period shall have been declared and paid or a sum sufficient for payment thereof set apart. However, dividends on RAM Re's common shares or other preference shares may be made at all times for the purpose of, and only in such amounts as are necessary for, enabling RAM Holdings to service its indebtedness for borrowed money as such payments become due or to pay its operating expenses (or to satisfy any guarantee obligations made in respect of the indebtedness of RAM Re or RAM Holdings) ("Debt Service Dividends") or to pay its operating expenses; provided that no such dividends may be applied towards the payment of, or setting apart a sum sufficient for the payment of, any dividends on the common shares of RAM Holdings unless all dividends on the Class B Preference Shares shall have been declared and paid or a sum sufficient for payment thereof shall have been set apart.

The Proposed Class B Amendments would allow us to pay dividends and make distributions on any class or series of the share capital of RAM Re that ranks junior to the Class B Preference Shares, and purchase and

otherwise acquire any such junior shares without paying any accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period.

Currently, except as provided above with respect to Debt Service Dividends, no dividends may be paid upon or declared or set apart for RAM Re's preference shares ranking on parity as to dividends with the Class B Preference Shares for any dividend period unless at the same time a like proportionate dividend for the same dividend period, ratable in proportion to the respective auction rates fixed therefore, shall be paid upon or declared and set apart for all of the classes of RAM Re's preference shares ranking on parity as to dividends with the Class B Preference Shares then issued and outstanding and entitled to receive such dividends.

The Proposed Class B Amendments would allow us to pay dividends on any preference shares of RAM Re that rank on parity with the Class B Preference Shares without paying a proportionate dividend for all classes of RAM Re's preference shares ranking on parity with the Class B Preference Shares.

Currently, if dividends are not paid in full upon the Class B Preference Shares or upon any other capital shares of RAM Re ranking on a parity as to dividends with the Class B Preference Shares, dividends may be declared upon shares of the Class B Preference Shares and any other such parity shares, but only if such dividends are declared *pro rata* so that the amount of dividends declared per share on the Class B Preference Shares and such other shares shall in all cases bear to each other the same ratio that the amount of dividends per share on the shares of the Class B Preference Shares and such other parity shares bear to each other.

Under the Proposed Class B Amendments, if full dividends have not been paid on the Class B Preference Shares or any preference shares of RAM Re that rank on parity with the Class B Preference Shares, we would not be required to declare dividends on a pro rata basis among such shares.

Dividends Are Non-cumulative

Generally, dividends are non-cumulative. However, currently, dividends shall be cumulative during such period of time commencing on the first day of any dividend period in which dividends on RAM Re's common shares have been declared while all accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period have not been declared and paid on the respective dividend payment date or a sum sufficient for payment thereof has not been set apart, and ending on the date that all accumulated and unpaid dividends have been declared and paid or a sum sufficient for payment thereof has been set apart; provided that the period during which dividends are cumulative will not exceed the maximum period permitted under applicable law.

Under the Proposed Class B Amendments, dividends would no longer be cumulative under any and all circumstances, including in circumstances where dividends on RAM Re's common shares have been declared and all accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period have not been declared and paid on the respective dividend payment date or a sum sufficient for payment thereof has not been set apart.

The Proposed Class B Amendments will not change the other terms of the Class B Preference Shares relating to dividends, including the base rate at which dividends accrue and the payment dates for dividends.

Dividend Payment Dates

Dividends on the Class B Preference Shares are paid every 90 days to the holders of Class B Preference Shares. The dividend payment date for each dividend period is the first business day of the next dividend period.

If a dividend payment date is not a business day because the New York Stock Exchange or the banks of the city of Hamilton, Bermuda are closed for business due to an act of God, natural disaster, act of war, civil or military disturbance, act of terrorism, sabotage, riots or a loss or malfunction of utilities or communications services or the dividend payable on such date cannot be paid for any such reason, then:

- (i) the dividend payment date for the affected dividend period shall be the next business day on which RAM Re and its paying agent, if any, are able to cause the dividend to be paid using their reasonable best efforts;
- (ii) the affected dividend period shall end on the day it would have ended had such event not occurred and the dividend payment date had remained the scheduled date;
- (iii) the next dividend period will begin and end on the dates on which it would have begun and ended had such event not occurred and the dividend payment date remained the scheduled date; and
- (iv) no interest shall accrue in respect of such delay in payment of dividends.

Dividend Rate on the Class B Preference Shares

The rate per annum of dividends on the Class B Preference Shares (the "Dividend Rate") is equal to, for each dividend period, a rate equal to the fixed-rate equivalent of LIBOR (as defined in the Class B Certificate of Designation) plus 3.00%. The fixed-rate equivalent is determined by using the "bid" 30-year U.S. dollar swap rate quoted on page 19901 on the Bridge Telerate Service at 11:00 a.m. New York time on the LIBOR Determination Date (as defined in the Class B Certificate of Designation) and, if the 30-year U.S. dollar swap rate is not available, the fixed-rate equivalent is determined by using the "bid" 10-year U.S. dollar swap rate.

Liquidation Rights

In the event of a voluntary or involuntary liquidation, dissolution or winding up of RAM Re, holders of the Class B Preference Shares will be entitled to receive the liquidation preference amount per share plus accrued and unpaid dividends thereon to and including the date the liquidation preference amount is paid. The Class B Preference Shares will have a par value of \$1,000 per share and a liquidation preference amount per share of \$100,000. Payment of the liquidation preference amount will be made on the first dividend payment date after the RAM Re Board approves the liquidation of RAM Re.

Unless and until payment in full has been made to the holders of Class B Preference Shares and to holders of all shares of other classes ranking on parity with the Class B Preference Shares of the liquidating distributions to which they are entitled, upon liquidation, dissolution or winding up of RAM Re, no dividends or distributions may be made to the holders of RAM Re's common shares or on any other class shares of capital shares ranking junior to the Class B Preference Shares and no purchase, redemption or other acquisition by RAM Re may be made in respect of such shares or any such parity shares. After any payment of the full amount of the liquidating distributions to which they are entitled, the holders of Class B Preference Shares will have no right or claim to any of the remaining assets of RAM Re. In the event that, upon any such voluntary or involuntary dissolution, liquidation or winding up, the available assets of RAM Re are insufficient to pay the amount of the liquidating distributions on all of the then outstanding Class B Preference Shares, the holders shall share in any such distribution of assets on a *pro rata* basis.

The merger, amalgamation or consolidation of RAM Re into or with any other corporation, or the merger, amalgamation of any other corporation into it, or the sale or transfer of all or substantially all the property or business of RAM Re, shall not be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary.

A dividend or distribution of all or substantially all of the assets of RAM Re to the holders of RAM Re's common shares or a repurchase or redemption of all or substantially all of the common shares of RAM Re shall be deemed to be a dissolution, liquidation or winding up of RAM Re.

Redemption

Currently, RAM Re has the option to redeem the Class B Preference Shares, in whole or in part, beginning 28 days after February 17, 2009 and every 28 days thereafter consistent with the timing of Auction Dates (as defined in the Class B Certificate of Designation) by paying cash in an amount equal to \$100,000 per Class B Preference Share (plus any accrued but unpaid dividends); provided, however, that RAM Re must redeem all of the Class B Preference Shares if after giving effect to a partial redemption, the aggregate liquidation preference amount of the

Class B Preference Shares immediately following such partial redemption would be less than \$20,000,000. Notwithstanding the foregoing, RAM Re may not redeem the Class B Preference Shares prior to the second anniversary of March 16, 2009.

The Proposed Class B Amendments would allow us to elect to redeem any number of Class B Preference Shares, at any time, for a redemption price equal to the liquidation preference per share (plus any accrued by unpaid dividends).

Voting Rights

Except as set forth below or otherwise required by applicable law, the holders of Class B Preference Shares have no special voting rights and their consent shall not be required for taking any corporate action.

The Proposed Class B Amendments would provide that, except as set forth in RAM Re's Bye-Laws or otherwise required by applicable law, the holders of Class B Preference Shares have no special voting rights and their consent shall not be required for taking any corporate action.

Currently, the affirmative vote of the holders of at least a majority-in-interest of the Class B Preference Shares at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Class B Preference Shares shall vote separately as a class, shall be necessary to effect any amendment, alteration or repeal of any of the provisions of RAM Re's Memorandum of Association or Bye-Laws that would adversely affect the rights or preferences of the holders of Class B Preference Shares, including, without limitation, the issuance of any equity securities of RAM Re senior to the Class B Preference Shares with respect to the right to receive dividends or distributions upon a voluntary or involuntary liquidation, dissolution or winding up of the affairs of RAM Re; provided that (i) neither an amendment to the Memorandum of Association nor the Bye-Laws so as to authorize or create, or to increase the authorized or outstanding amount of, Class B Preference Shares or of any shares of any class ranking on a parity with or junior to the Class B Preference Shares, nor an amendment to the Memorandum of Association or Bye-Laws so as to increase the number of directors of RAM Re shall be deemed to adversely affect the rights or preferences of the holders of Class B Preference Shares; and (ii) no merger, amalgamation or consolidation of RAM Re with another person, or sale or transfer of all or substantially all of RAM Re's assets, or any voluntary liquidation of RAM Re, shall be deemed to adversely affect the rights or preferences of the Class B Preference Shares if, following such event, there would be no other preference shares outstanding senior in ranking to the Class B Preference Shares, and the Class B Preference Shares are exchanged for preference shares of any surviving entity having the same rights and preferences as the Class B Preference Shares.

Under the Proposed Class B Amendments, the consent of the holders of Class B Preference Shares would no longer be required for any amendments to the Memorandum of Association or the Bye-Laws of RAM Re, except as set forth in RAM Re's Bye-Laws or otherwise required by applicable law.

Currently, if RAM Re has failed to pay dividends in full on the Class B Preference Shares for 18 consecutive months or funds sufficient to pay such dividends in full shall not have been deposited with the Auction Agent (as defined in the Class B Certificate of Designation), subject to the Bermuda Companies Act 1981, the authorized number of members of the RAM Re Board shall automatically be increased by two and the holders of record of Class B Preference Shares, voting with any other class of preference shares of RAM Re issued in connection with Money Market Committed Preferred Custodial Trust Securities as a single class, will be entitled to fill the vacancies so created by electing two additional directors (the "Preference Shares Directors"), at a meeting held within sixty days after the last day of an eighteen consecutive month period during which RAM Re failed to pay dividends on the Class B Preference Shares. The Preference Shares Directors will cease to serve on the RAM Re Board upon the payment in full by RAM Re of all such accrued dividends on the Class B Preference Shares and without any further action on the part of the RAM Re Board or the holders of Class B Preference Shares.

*The Proposed Class B Amendments would eliminate in the Class B Certificate of Designation the right of holders of the Class B Preference Shares to elect directors upon RAM Re's failure to pay dividends. **However, the Bye-Laws of RAM Re contain a substantially similar provision that provides the holders of the Class B Preference Shares with the right to elect two additional directors to the RAM Re Board if RAM Re fails to pay dividends in full on the Class B Preference Shares for 18 consecutive months or deposit funds sufficient to pay***

such dividends in full. Accordingly, even if the Proposed Class B Amendments become effective, any remaining holders of Class B Preference Shares will continue to have such rights with respect to the RAM Re Board. In order to remove this provision from RAM Re's Bye-Laws, it would require (i) the approval of RAM Holdings as the sole common shareholder of RAM Re; (ii) the affirmative vote of the holders of a simple majority of the RAM Holdings' common shares voted at a general meeting of RAM Holdings (or the consent in writing of the holders of a majority of the issued and outstanding RAM Holdings' common shares); and (iii) the affirmative vote of the holders of a simple majority of any remaining holders of Class B Preference Shares voted at a general meeting of the holders of the Class B Preference Shares (or the consent in writing of the holders of 75% of the issued and outstanding Class B Preference Shares).

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, HOLDERS AND BENEFICIAL OWNERS OF PREFERENCE SHARES ARE HEREBY NOTIFIED THAT: (A) ANY STATEMENT OR DISCUSSION HEREIN REGARDING UNITED STATES FEDERAL INCOME TAX MATTERS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED OR RELIED UPON, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES UNDER THE CODE (AS DEFINED BELOW); (B) ANY SUCH STATEMENT OR DISCUSSION HEREIN WAS WRITTEN IN CONNECTION WITH THE MARKETING OR PROMOTION (WITHIN THE MEANING OF UNITED STATES TREASURY DEPARTMENT CIRCULAR 230) OF THE OFFERS TO PURCHASE; AND (C) EACH HOLDER AND BENEFICIAL OWNER OF PREFERENCE SHARES SHOULD SEEK ADVICE BASED ON SUCH HOLDER'S OR BENEFICIAL OWNER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following general summary describes certain material United States federal income tax consequences relating to the Offers to Purchase to tendering holders. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "*Code*"), existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. We have not sought, nor do we expect to seek, any ruling from the IRS with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the sale of Preference Shares to RAM Holdings or RAM Re pursuant to the Offers to Purchase or that any such position would not be sustained.

This general summary addresses only holders who hold their Preference Shares as capital assets, within the meaning of Section 1221 of the Code (generally, property held for investment). This summary is provided for general informational purposes only and does not purport to consider all aspects of United States federal income taxation that might be relevant to holders in light of their particular circumstances and does not apply to holders that are subject to special rules under the United States federal income tax laws (including, but not limited to, financial institutions, brokers or dealers in securities, commodities or currencies, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, tax-exempt organizations, former citizens or residents of the United States, persons who hold the Preference Shares as part of a hedge, integrated transaction, straddle, constructive sale or conversion transaction, regulated investment companies, real estate investment trusts, U.S. Holders (as defined below) whose functional currency is not the United States dollar, partnerships or other pass-through entities for United States federal income tax purposes or investors in such pass-through entities, entities characterized as passive foreign investment companies or controlled foreign corporations, persons that acquired their Preference Shares through the exercise of employee stock options or otherwise as compensation or holders who own, or have previously owned at any time (actually, indirectly or constructively) shares possessing at least 10% of the voting power of RAM Holdings or RAM Re.

This summary does not address any state, local or non-United States tax consequences of participating in the Offer, nor does it address any United States federal tax considerations (e.g., United States federal alternative minimum tax, estate or gift tax) other than those pertaining to United States federal income tax.

This summary does not apply to holders of the Preference Shares who are not U.S. Holders (as defined below). Non-U.S. Holders (as defined below) should consult their own tax advisors regarding the United States federal income tax consequences and any applicable state, local and non-United States tax consequences of the Offers to Purchase.

As used herein, a "U.S. Holder" means a beneficial owner of Preference Shares that is, for United States federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or entity properly treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (3) a trust (a) whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions or (b) that has a valid election in effect to be treated as a U.S. person and was in existence on August 20, 1996, or (4) an estate, the income of which is

includable in gross income for United States federal income tax purposes regardless of its source. As used herein, the term "Non-U.S. Holder" means a beneficial owner of the Preference Shares that is not a U.S. Holder.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds Preference Shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership or a partnership holding the Preference Shares, then you should consult your own tax advisor.

This summary is for general informational purposes only and is not intended to be and should not be construed to be legal or tax advice to any particular holder. Holders should consult their own tax advisors to determine the particular tax consequences to them of participating in the Offers to Purchase, including the applicability and effect of any United States federal income, estate and gift tax laws, as well as any state, local or non-United States tax laws.

A sale of the Preference Shares for cash pursuant to the Offers to Purchase will be a taxable transaction for United States federal income tax purposes.

A U.S. Holder who participates in either or both of the Offers to Purchase will, depending on such holder's particular circumstances, be treated either as recognizing gain or loss from the disposition of the Preference Shares or as receiving a distribution from RAM Holdings or RAM Re, as applicable, with respect to the Preference Shares, as determined under Section 302 of the Code described below.

If a broker or other paying agent is unable to determine whether sale or exchange treatment or distribution treatment should apply to a particular U.S. Holder, such paying agent may be required to report the transaction as resulting in a distribution. In such event, if you believe that sale or exchange treatment is the proper treatment for you, you should consult with your own tax advisor about how to report the transaction on your tax return.

Section 302 of the Code. Under Section 302 of the Code, a sale of the Preference Shares for cash by a U.S. Holder pursuant to the applicable Offer to Purchase should be treated as a "sale or exchange" of the Preference Shares for United States federal income tax purposes, rather than as a distribution with respect to the Preference Shares held by the tendering U.S. Holder, only if the sale:

- results in a "complete termination" of such U.S. Holder's equity interest in RAM Holdings or RAM Re, or
- is "not essentially equivalent to a dividend" with respect to the U.S. Holder.

A sale of the Preference Shares by a U.S. Holder pursuant to the applicable Offer to Purchase will result in a "complete termination" if, after the sale, either (1) the U.S. Holder no longer owns any outstanding Preference Shares and ordinary shares (either actually or constructively) of RAM Holdings or RAM Re or (2) the U.S. Holder no longer actually owns any outstanding Preference Shares or ordinary shares of RAM Holdings or RAM Re and, with respect to any shares constructively owned, is eligible to waive, and effectively waives, such constructive ownership, and certain other requirements are satisfied. U.S. Holders wishing to satisfy the "complete termination" test through waiver of constructive ownership should consult their own tax advisors.

A sale of the Preference Shares by a U.S. Holder pursuant to the applicable Offer to Purchase should satisfy the "not essentially equivalent to a dividend" test if it results in a "meaningful reduction" of the U.S. Holder's proportionate interest in RAM Holdings or RAM Re. Whether a holder of the Preference Shares meets this test will depend on the holder of the Preference Shares' particular facts and circumstances, as well as the relative percentage of the Preference Shares tendered by such holder and each of the other holders of the Preference Shares.

The IRS has indicated in a published revenue ruling that if a shareholder (actually or constructively) owns no stock other than nonvoting, nonconvertible, preferred stock (such as the Preference Shares), a redemption of any amount of such preferred stock generally should qualify for sale or exchange treatment. The same conclusion is likely to apply where any other shares held by the tendering shareholder possess a relatively small amount of voting

power (i.e., where the tendering shareholder has no legal or practical ability to affect the corporation's decision making), but that particular issue is unclear (given the absence of any definitive authority on the issue). U.S. Holders should consult their own tax advisors regarding the application of the foregoing standards to their particular facts and circumstances.

As noted above, in applying the foregoing Section 302 tests, a U.S. Holder must take into account not only the Preference Shares that such U.S. Holder actually owns, but also such Preference Shares that such U.S. Holder is treated as owning under certain constructive ownership rules. Generally, a U.S. Holder may constructively own shares actually owned, and in some cases constructively owned, by certain related individuals and entities as well as shares that a U.S. Holder has the right to acquire by exercise of an option or warrant or by conversion or exchange of a security.

Contemporaneous dispositions or acquisitions of the Preference Shares actually or constructively held by a U.S. Holder or certain related persons may be deemed to be part of a single integrated transaction and, if so, may be taken into account in determining whether either of the Section 302 tests described above are satisfied. A U.S. Holder should consult its own tax advisor regarding the treatment of other dispositions or acquisitions of shares that may be integrated with such U.S. Holder's sale of the Preference Shares to RAM Holdings or RAM Re pursuant to the applicable Offer to Purchase.

Sale or Exchange Treatment. If a U.S. Holder satisfies either of the Section 302 tests described above, the U.S. Holder will recognize gain or loss in an amount equal to the difference between the cash received by such U.S. Holder and such U.S. Holder's tax basis in the Preference Shares tendered. Generally, a U.S. Holder's tax basis in the Preference Shares should be equal to the cost of the Preference Shares to the U.S. Holder, less any prior distributions that were treated as a return of capital. Subject to the following discussion of related person insurance income ("*RPII*") and the passive foreign investment company ("*PFIC*") rules, (i) any such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holding period of the Preference Shares exceeds one year as of the date of the sale pursuant to the applicable Offer to Purchase and (ii) in the case of a non-corporate U.S. Holder, the maximum rate of United States federal income tax applicable to long-term capital gain on the Preference Shares held for more than one year is generally 15%. Certain limitations apply to the deductibility of capital losses by U.S. Holders. Gain or loss must be determined separately for each block of tendered Preference Shares sold pursuant to the applicable Offer to Purchase (i.e., the Preference Shares acquired by the U.S. Holder at the same cost in a single transaction).

RPII. Section 1248 of the Code generally requires certain U.S. shareholders ("*Section 1248 Shareholders*") that sell shares of a controlled foreign corporation ("*CFC*") to recharacterize any capital gain recognized on the sale as a dividend that is taxable as ordinary income to the extent of the Section 1248 Shareholder's *pro rata* share of any undistributed accumulated earnings and profits arising during the selling shareholder's period of ownership. Where the CFC is an insurance company that has any related person insurance income, or RPII (generally insurance income derived from a U.S. shareholder or any person related to such shareholder), the definitions of CFC and Section 1248 Shareholders are considerably broader than the definitions that generally apply. In such an instance, a Section 1248 Shareholder includes any U.S. shareholder and a CFC means any foreign corporation 25% or more of whose stock (by vote or value) is owned in the aggregate by Section 1248 Shareholders.

It is not anticipated that the foregoing provisions should apply to the Offers to Purchase, although no assurances can be given in this respect. If the foregoing provisions did apply, any tendering U.S. Holder that recognizes gain (regardless of how many Preference Shares the U.S. Holder actually or constructively owns) may be required to recharacterize a portion of the gain as a dividend taxable at full ordinary income tax rates (i.e., income ineligible for the preferential rate applicable to certain "qualified dividend income," which is currently 15%). The recharacterized portion of any gain will be limited to the U.S. Holder's share of undistributed earnings and profits of RAM Holdings or RAM Re that were accumulated during the period that the U.S. Holder held the Preference Shares (whether or not such earnings and profits are attributable to RPII). In addition, such a U.S. Holder generally will be required to comply with certain reporting requirements, regardless of the amount of shares owned by the U.S. Holder.

PFIC. If RAM Holdings or RAM Re were considered a PFIC, the Section 1248 rules described above generally should not be applicable. However, a tendering U.S. Holder generally will be required to recharacterize

any gain recognized in the tender as income taxable at full ordinary income tax rates and will be subject to an additional penalty interest charge. The foregoing recharacterization should not apply to any U.S. Holder that is eligible to make a retroactive qualified electing fund election. Although not free from doubt due to current business conditions, we do not believe that RAM Holdings or RAM Re is or has been a PFIC because we believe that RAM Re is and has been actively engaged in an insurance business and does not have financial reserves in excess of the reasonable needs of such business, and RAM Holdings is treated as holding its proportionate share of RAM Re's assets and receiving its proportionate share of RAM Re's income. However, due to the lack of definitive authority, there is no assurance that our position is correct. U.S. Holders are urged to consult their own tax advisors with respect to the potential application of the PFIC rules.

Distribution Treatment. If a U.S. Holder does not satisfy either of the Section 302 tests described above, the sale of a U.S. Holder's Preference Shares pursuant to the applicable Offer to Purchase will not be treated as a sale or exchange under Section 302. Instead, the entire amount of cash received by such U.S. Holder pursuant to the applicable Offer to Purchase will be treated as a distribution to the U.S. Holder with respect to such U.S. Holder's Preference Shares. The distribution will be treated as a dividend to the extent of the U.S. Holder's share of current and accumulated earnings and profits of RAM Holdings or RAM Re, as determined under U.S. federal income tax principles. Neither RAM Holdings nor RAM Re can determine prior to consummation of the applicable Offer to Purchase the extent to which RAM Holdings or RAM Re has sufficient current and accumulated earnings and profits to cause any payment treated as a distribution under the foregoing rules to be treated as a dividend. The amount of any distribution in excess of current and accumulated earnings and profits of RAM Holdings and RAM Re will be treated as a return of capital to the extent of the U.S. Holder's tax basis in the Preference Shares with respect to which the distribution is deemed received (as determined on a block-by-block basis), and, subject to the discussion of RPII and PFICs set forth above, any remainder will be treated as capital gain. Any such capital gain will be long-term capital gain if the U.S. Holder has held the Preference Shares for more than one year as of the date of sale pursuant to the applicable Offer to Purchase.

Any payment treated as a dividend will be taxable at full ordinary income rates (i.e., will be ineligible for the preferential rate applicable to certain "qualified dividend income") and will be ineligible for the corporate dividends received deduction. Because U.S. persons likely own, directly or indirectly, a majority of shares of RAM Holdings and RAM Re, a portion of any gain from the sale of the Preference Shares that is treated as a dividend under Sections 1248 or 302 of the Code generally will not be treated as foreign source income for purposes of computing a U.S. Holder's foreign tax credit limitation. Thus, it may not be possible for certain U.S. Holders to utilize excess foreign tax credits to reduce U.S. tax on such income.

Any such dividend will be taxed in its entirety, without reduction for the U.S. Holder's tax basis in the Preference Shares sold pursuant to the applicable Offer to Purchase. Such tax basis will be added to the remaining shares owned by the U.S. Holder; *provided that* where the remaining shares owned consist of more than one class (e.g. ordinary and preferred shares), it is unclear how to allocate such tax basis among the remaining shares. If a tendering U.S. Holder does not actually retain any shares, the basis of any tendered Preference Shares may (depending on circumstances) be added to shares retained by a person related to such U.S. Holder or the tax basis may be lost.

Information returns may be filed with the IRS in connection with payments to U.S. Holders pursuant to the applicable Offer to Purchase. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is furnished to the IRS.

PERSONS CONSIDERING PARTICIPATING IN THE OFFERS TO PURCHASE SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSIDERATIONS, IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, RELATING TO THE COMPANY AND RAM RE PURCHASE OF PREFERENCE SHARES PURSUANT TO THE OFFERS.

MISCELLANEOUS

We are not aware of any jurisdiction in which the making of the Offers to Purchase does not comply with applicable law. If we become aware of any jurisdiction in which the making of either of the Offers to Purchase would not comply with applicable law, we will make a good faith effort to comply with any such law. If, after such good faith effort, we cannot comply with any such law, the applicable Offer to Purchase will not be made to (nor will tenders of shares be accepted from or on behalf of) the shareholders residing in such jurisdiction.

None of us, the Dealer Manager, the Tender Agent, the Information Agent or any of our or their respective affiliates has authorized any other person to give you any information or make any representation on our behalf different from or not contained in this Purchase Offer Memorandum and Proxy Statement or in the related proxy, consent and letter of transmittal. If anyone gives you such information or makes such a representation, you should not rely on it.

WHERE YOU CAN FIND MORE INFORMATION

RAM Holdings previously filed annual, quarterly and current reports, proxy statements and other information with the SEC. RAM Holdings delisted its common shares from the NASDAQ and ceased filing public reports with the SEC on May 14, 2009 and, consequently, RAM Holdings has no further reporting obligations under the Exchange Act. As a result, notwithstanding the occurrence of material developments (either positive or negative), RAM Holdings is not required to make future public filings or issue press releases as it has in the past. The reports, proxy statements or other information of RAM Holdings that previously were filed with the SEC may be read at the following location of the SEC: Public Reference Room, 100 F Street, N.E. Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Copies of this information are available by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. The SEC filings of RAM Holdings are also available to the public from document retrieval services and the Internet website maintained by the SEC at www.sec.gov.

Copies of the following information, which is incorporated by reference herein, can be found on RAM's web site at www.ramre.com or, in the case of the SEC filings, on the SEC's website at www.sec.gov.

SEC Filings

1. RAM Holdings' Annual Report on Form 10-K for the year ended December 31, 2008 (including the financial statements and notes thereto contained therein).
2. RAM Holdings' Current Reports on Form 8-K filed on January 5, 2009, January 23, 2009, February 4, 2009, February 18, 2009, March 24, 2009, April 8, 2009, April 21, 2009, April 24, 2009 and May 14, 2009.

2009 Quarterly Reports and Financials (available on RAM's website under "Investor Information—Financial Statements")

1. RAM Holdings' unaudited Consolidated Financial Statements for the quarter ended March 31, 2009 and notes thereto.
2. RAM Holdings' Six-Month Report dated June 30, 2009 (including the financial statements and notes thereto contained therein).
3. RAM Holdings' Nine-Month Report dated September 30, 2009 (including the financial statements and notes thereto contained therein).

2009 Earnings Releases (available on RAM's website under "Investor Information—News Releases")

1. RAM Holdings' First Quarter 2009 Earnings Press Release, dated July 17, 2009.
2. RAM Holdings' Second Quarter 2009 Earnings Press Release, dated September 17, 2009.
3. RAM Holdings' Third Quarter 2009 Earnings Press Release, dated December 17, 2009.

Any holder may request copies of any of the foregoing documents by writing to the Secretary of RAM Holdings, RAM Re House, 46 Reid Street, HM 12, Bermuda. No information, other than the information contained in this Purchase Offer Memorandum and Proxy Statement, the proxy, consent and letter of transmittal, or specifically referenced in the preceding paragraph, is incorporated by reference or otherwise made a part of the Offers to Purchase for any purpose. No information contained on RAM Holdings' website is incorporated by reference in this Purchase Offer Memorandum and Proxy Statement or otherwise made a part of the Offers to Purchase except for the information specifically referred to in the preceding paragraph.

We have not authorized anyone to give any information or make any representation about the Purchase Offer Memorandum and Proxy Statement that is different from, or in addition to, that contained in this Purchase Offer Memorandum and Proxy Statement. Therefore, you should not rely on any other information. If you are in a jurisdiction where offers to purchase or sell, or solicitations of offers to purchase or sell, the securities offered by this Purchase Offer Memorandum and Proxy Statement are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this Purchase Offer Memorandum and Proxy Statement does not extend to you. The information contained in this Purchase Offer Memorandum and Proxy Statement speaks only as of the date of this Purchase Offer Memorandum and Proxy Statement unless the information specifically indicates that another date applies.

SERIES A SPECIAL MEETING PROPOSALS

PROPOSAL ONE

PROPOSED SERIES A AMENDMENTS

The RAM Holdings Board has proposed that the holders of Series A Preference Shares resolve that the Series A Certificate of Designations be amended as set out in the amended Series A Certificate of Designations, including so as to make various amendments to eliminate certain preferential rights, including amendments (i) to eliminate the provisions prohibiting, unless full dividends for the latest completed dividend period on all Series A Preference Shares have been paid, the (a) payment of dividends on any class or series of the share capital of RAM Holdings that ranks junior to the Series A Preference Shares and (b) purchase or redemption of any such junior shares; (ii) to eliminate the provisions requiring that, when full dividends are not paid on the Series A Preference Shares and any preference shares of RAM Holdings that rank on parity with the Series A Preference Shares, any dividends declared on the Series A Preference Shares and such parity shares be declared on a *pro rata* basis among such securities; and (iii) to eliminate the provisions prohibiting, when, in connection with a mandatory redemption, RAM Holdings has failed to deposit sufficient funds for such redemption, the (a) redemption or acquisition of any preference shares of RAM Holdings that rank on parity with the Series A Preference Shares or discharge of redemption, sinking fund or other similar obligations in respect of such parity shares, and (b) making of distributions on any class or series of the share capital of RAM Holdings that ranks junior to the Series A Preference Shares, redemption or acquisition of such junior shares or discharge of redemption, sinking fund or other similar obligations in respect of such junior shares.

A marked copy of the amended Series A Certificate of Designations is attached at Annex A hereof.

PROPOSAL TWO

ADJOURNMENT PROPOSAL

The RAM Holdings Board has proposed that the holders of Series A Preference Shares consider and vote upon any adjournment or postponement of the Series A Special Meeting, including proposals to adjourn the Series A Special Meeting with respect to proposals for which insufficient votes to approve were cast, and, with respect to such proposals, to permit further solicitation of additional proxies.

CLASS B SPECIAL MEETING PROPOSALS

PROPOSAL ONE

PROPOSED CLASS B AMENDMENTS

The RAM Re Board has proposed that the holders of Class B Preference Shares resolve that the Class B Certificate of Designation be amended as set out in the amended Class B Certificate of Designation, including so as to make various amendments to eliminate certain preferential rights, including amendments (i) to eliminate the provisions prohibiting the payment of dividends or making of distributions on any class or series of the share capital of RAM Re that ranks junior to the Class B Preference Shares, or the purchase or other acquisition of any such junior shares, unless all accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period have been paid; (ii) to eliminate the provisions prohibiting the payment of dividends on any preference shares of RAM Re that rank on parity with the Class B Preference Shares without paying a proportionate dividend for all classes of RAM Re's preference shares ranking on parity with the Class B Preference Shares; (iii) to eliminate the provisions requiring that, when full dividends are not paid on the Class B Preference Shares and any preference shares of RAM Re that rank on parity with the Class B Preference Shares, any dividends declared on the Class B Preference Shares and such parity shares be declared on a *pro rata* basis among such securities; (iv) to make future dividends non-cumulative under all circumstances; (v) to permit the redemption of the Class B Preference Shares at any time and from time to time, to permit the partial redemption of any amount of the Class B Preference Shares and to eliminate the payment of any cumulated dividends in connection with such redemptions; (vi) to eliminate the right of the Class B Preference Shares to consent to certain amendments to the Memorandum of Association or the Bye-Laws of RAM Re; and (vii) to eliminate the right of holders of Class B Preference Shares to elect two directors to the RAM Re Board if dividends have not paid in full for 18 consecutive months.

A marked copy of the amended Class B Certificate of Designation is attached at Annex B hereof.

PROPOSAL TWO

ADJOURNMENT PROPOSAL

The RAM Re Board has proposed that the holders of Class B Preference Shares consider and vote upon any adjournment or postponement of the Class B Special Meeting, including proposals to adjourn the Class B Special Meeting with respect to proposals for which insufficient votes to approve were cast, and, with respect to such proposals, to permit further solicitation of additional proxies.

Annex A

AMENDED AND RESTATED

CERTIFICATE OF DESIGNATIONS

OF

NON-CUMULATIVE PREFERENCE SHARES, SERIES A

OF

RAM HOLDINGS LTD.

The Series A Preference Shares (the "Series A Preference Shares"), US\$0.10 par value per share, of RAM Holdings Ltd., a Bermuda exempted company (the "Company"), shall have ~~HEREBY CERTIFIES that, pursuant to resolutions of the Board of Directors (the "Board of Directors") of the Company adopted on May 3, 2007, a series of the Company's duly authorized preference shares, US\$0.10 par value per share, was created and~~ the designation, preferences and privileges, voting rights, relative, participating, optional and other special rights, and qualifications, limitations and restrictions ~~of such series (the "Series A Preference Shares"),~~ in addition to those set forth in the Memorandum of Association ("**Memorandum of Association**") and Amended and Restated Bye-laws (as amended and restated from time to time, the "**Bye-laws**") of the Company, ~~were fixed~~ as follows:

Section 1. **Designation.** The distinctive serial designation of the Series A Preference Shares is "Non-Cumulative Preference Shares, Series A." Each Series A Preference Share shall be identical in all respects to every other Series A Preference Share, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

Section 2. **Number of Shares.** The authorized number of Series A Preference Shares shall be 75,000. Any Series A Preference Shares retired and cancelled by purchase or redemption, or otherwise acquired by the Company or converted into another series of Preference Shares, will have the status of authorized but unissued Series A Preference Shares and may be reissued as part of the same class or series or may be reclassified and reissued by the Board of Directors of the Company (the "Board of Directors") in the same manner as any other authorized and unissued shares.

Section 3. **Definitions.** As used herein with respect to Series A Preference Shares:

- (a) "**Business Day**" means any day that is not a Saturday, a Sunday or a day on which banking institutions in New York City or Bermuda generally are authorized or obligated by law or executive order to close.
- (b) "**calculation agent**" means the nationally recognized calculation agent appointed by the Company prior to the date of any redemption notice and prior to December 15, 2016, or any successor calculation agent appointed by the Company.
- (c) "**change in tax law**" has the meaning specified in Section 7(d)(1).
- (d) "**Certificate of Designations**" means this Certificate of Designations relating to the Series A Preference Shares, as it may be amended from time to time.
- (e) "**Common Shares**" means the Common Shares, par value US\$0.10 per share, of the Company.
- (f) "**Companies Act**" means the Companies Act 1981 of Bermuda.
- (g) "**Dividend Payment Date**" has the meaning specified in Section 4(a).
- (h) "**Dividend Period**" has the meaning specified in Section 4(a).
- (i) "**Dividend Record Date**" has the meaning specified in Section 4(a).
- (j) "**Dividend Reset Date**" means, for each quarterly dividend period, the first day of such quarterly dividend period, and for the first quarterly dividend period, March 15, 2017.
- (k) "**early make-whole premium**" has the meaning specified in Section 7(a).
- (l) "**early redemption date**" has the meaning specified in Section 7(a).
- (m) "**H.15 Statistical Release**" has the meaning specified in Section 7(a).
- (n) "**Independent Investment Banker**" has the meaning specified in Section 7(a).
- (o) "**Junior Shares**" means the Common Shares and any other class or series of share capital of the Company that ranks junior to the Series A Preference Shares either as to the payment of dividends (whether such dividends are cumulative or non-cumulative) or as to the distribution of assets upon any liquidation, dissolution or winding-up of the Company.
- (p) "**LIBOR Determination Date**" means, with respect to any quarterly dividend period, the second London banking day immediately preceding the Dividend Reset Date for that quarterly dividend period.
- (q) "**Liquidation Preference**" has the meaning specified in Section 6(b).

(r) "**London banking day**" means any day on which commercial banks are open for general business (including business dealings in deposits in U.S. dollars) in London, England.

(s) "**mandatory redemption date**" has the meaning specified in Section 7(~~f~~~~g~~).

(t) "**mandatory redemption price**" has the meaning specified in Section 7(~~f~~~~a~~).

(u) "**MoneyLine Telerate Page**" means the display on Moneyline Telerate, Inc., or any successor service, on Telerate Page 3750 or any replacement page or pages on that service.

(v) "**Parity Shares**" means the Series A Preference Shares and any other class or series of share capital of the Company that ranks equally with the Series A Preference Shares in both the payment of dividends (whether such dividends are cumulative or non-cumulative) and in the distribution of assets on any liquidation, dissolution or winding-up of the Company.

(w) "**Preference Shares**" means any and all series of preference shares of the Company, including the Series A Preference Shares.

(x) "**Quarterly Dividend Payment Date**" has the meaning specified in Section 4(a).

(y) "**Relevant Date**" has the meaning specified in Section 5(b)(i).

(z) "**Remaining Term**" has the meaning specified in Section 7(a).

(aa) "**Semi-Annual Dividend Payment Date**" has the meaning specified in Section 4(a).

(bb) "**Shelf Registration Statement**" means a shelf registration statement that covers resales of the Series A Preference Shares by the holders thereof.

(cc) "**tax event make-whole premium**" has the meaning specified in Section 7(~~d~~~~f~~)(1).

(dd) "**tax event redemption date**" has the meaning specified in Section 7(~~d~~~~f~~)(1).

(ee) "**tax event redemption price**" has the meaning specified in Section 7(~~d~~~~f~~)(1).

(ff) "**Taxing Jurisdiction**" has the meaning specified in Section 5(a).

(gg) "**Telerate Page 3750**" means the display designated on page 3750 on MoneyLine Telerate Page (or such other page as may replace the 3750 page on the service or on such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. Dollar deposits).

(hh) "**Three-Month LIBOR**" means, with respect to any quarterly dividend period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that quarterly dividend period that appears on Moneyline Telerate Page 3750 as of 11:00 a.m. (London time) on the LIBOR Determination Date for that quarterly dividend period. If such rate does not appear on Moneyline Telerate Page 3750, three-month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a

three-month period commencing on the first day of that quarterly dividend period and in a principal amount of not less than US\$1,000,000.00 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the calculation agent (after consultation with the Company), at approximately 11:00 a.m. (London time) on the LIBOR Determination Date for that quarterly dividend period. The calculation agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, Three-Month LIBOR with respect to that quarterly dividend period will be the arithmetic mean (rounded upward, if necessary, to the nearest whole multiple of 0.00001%) of the two or more quotations received. If less than two such quotes are provided, Three-Month LIBOR with respect to that quarterly dividend period will be the arithmetic mean (rounded upward, if necessary, to the nearest whole multiple of 0.00001%) of the rates quoted by three major banks in New York City selected by the calculation agent (after consultation with the Company), at approximately 11:00 a.m. (New York City time) on the first day of that quarterly dividend period for loans in the U.S. dollars to leading European banks for a three-month period commencing on the first day of that quarterly dividend period and in a principal amount of not less than US\$1,000,000.00. However, if fewer than three banks selected by the calculation agent to provide quotations are quoting as described above, Three-Month LIBOR for that quarterly dividend period will be the same as Three-Month LIBOR as determined for the previous quarterly dividend period or, in the case of the quarterly dividend period beginning on December 15, 2016, 5.353%. The establishment of Three-Month LIBOR for each quarterly dividend period by the calculation agent shall (in the absence of manifest error) be final and binding.

~~(ii) "Transfer Restricted Series A Preference Shares" means each Series A Preference Share until the earliest to occur of: (1) the date on which such Series A Preference Share has been exchanged for a freely transferable Exchange Share in the Exchange; or (2) the date on which such Series A Preference Share has been effectively registered under the Securities Act and disposed of in accordance with a Shelf Registration Statement.~~

~~(j)~~(ii) "Treasury Yield" has the meaning specified in Section 7(a).

~~(k)~~(j) "Voting Preference Shares" means, with regard to any matter as to which the holders of Series A Preference Shares are entitled to vote as specified in Section 8 of this Certificate of Designations, any and all series of Parity Shares upon which like voting rights have been conferred and are exercisable with respect to such matter.

Section 4. **Dividends.**

(a) **Rate.** Dividends on the Series A Preference Shares will be payable on a non-cumulative basis, only when, as and if declared by the Board of Directors (or a duly authorized committee of the Board of Directors) out of lawfully available funds for the payment of dividends under Bermuda law, semi-annually in arrears (as provided below in this Section 4(a) on June 15 and December 15 of each year (each, a "**Semi-Annual Dividend Payment Date**"), beginning on June 15, 2007 and ending on December 15, 2016. These dividends will accrue with respect to a particular semi-annual dividend period, on the liquidation preference amount of US\$1,000.00 per share, at an annual rate equal to 7.500%.

After December 15, 2016, if the Series A Preference Shares have not been redeemed or repurchased, dividends on the Series A Preference Shares will be payable on a non-cumulative basis, only when, as and if declared by the Board of Directors (or a duly authorized committee of the Board of Directors) out of lawfully available funds for the payment of dividends under Bermuda law, quarterly in arrears (as provided below in this Section 4(a) on March 15, June 15, September 15 and December 15 of each year (each, a "**Quarterly Dividend Payment Date**" and together with each Semi-Annual Dividend Payment Date, a "**Dividend Payment Date**"), beginning on March 15, 2017. These dividends will accrue with respect to a particular quarterly dividend period, on the liquidation preference amount of US\$1,000.00 per share, at an annual rate equal to Three-Month LIBOR plus 3.557%.

Dividends, if so declared, that are payable on Series A Preference Shares on any Dividend Payment Date will be payable to holders of record of Series A Preference Shares as they appear in the register of members of the Company on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors (or a duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "**Dividend Record Date**"). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a "**Dividend Period**") shall commence on and include a Dividend Payment Date and shall end on and include the calendar day immediately preceding the next Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include December 7, 2006 and will end on and include June 14, 2007, **provided that**, for any Series A Preference Shares issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors (or a duly authorized committee of the Board of Directors) shall determine and publicly disclose at the time such additional shares are issued).

Dividends payable on the Series A Preference Shares in respect of any Dividend Period commencing prior to the December 15, 2016 Dividend Payment Date will be computed on the basis of a 360-day year consisting of twelve 30-day months. The dividend payment for any period prior to the December 15, 2016 Dividend Payment Date that is shorter than six months will be computed based on a 30-day month and, for periods of less than a month, the actual number of days elapsed in such period, over a 360-day year. If any date on which dividends would otherwise be payable on or prior to December 15, 2016 is not a Business Day, then the Dividend Payment Date will be the next succeeding Business Day with the same force and effect as if made on the original Dividend Payment Date, and no additional dividends shall accrue on the amount so payable from such date to such next succeeding Business Day. If any date on which dividends would otherwise be payable after December 15, 2016 is not a Business Day, then the Dividend Payment Date will be the next succeeding Business Day, unless the payment date would fall in the next calendar month, in which case the Dividend Payment Date will be made on the next Business Day immediately before the scheduled payment date. Dividends payable on the Series A Preference Shares in respect of any dividend period commencing on or after the December 15, 2016 Dividend Payment Date will be computed based on the actual number of days elapsed over a 360-day year. Dividends payable in respect of a Dividend Period shall be payable in arrears (*i.e.*, on the first Dividend Payment Date after such Dividend Period).

Dividends on the Series A Preference Shares shall be non-cumulative. Accordingly, if the Board of Directors (or a duly authorized committee of the Board of Directors) does not declare a dividend on the Series A Preference Shares payable in respect of any Dividend Period before the related Dividend Payment Date, in full or otherwise, then such undeclared dividends shall not cumulate and will not accrue and will not be payable and the Company shall have no obligation to pay such undeclared dividends for the applicable Dividend Period on the related Dividend Payment Date or at any future time or to pay interest with respect to such dividends, whether or not dividends are declared on Series A Preference Shares or any other preference shares the Company may issue in the future.

Holders of Series A Preference Shares shall not be entitled to any dividends or other distributions, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series A Preference Shares as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

In the event that additional Series A Preference Shares are issued after the original issue date, dividends on such Series A Preference Shares will accrue from the original issue date or from any other date specified by the Company at the time such additional Series A Preference Shares are issued and will accrue, with respect to each Dividend Period, in the manner set forth above in this Section 4(a).

(b) Reserved.

~~(b) — Priority of Dividends. — So long as any Series A Preference Shares remain outstanding for any Dividend Period, unless the full dividends for the latest completed Dividend Period on all issued and outstanding Series A Preference Shares and any Parity Shares have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside), (1) no dividend shall be declared or paid on the Common Shares or any other Junior Shares (other than a dividend payable solely in Junior Shares); and (2) no Common Shares or other Junior Shares shall be purchased, redeemed or otherwise acquired for consideration by the Company, directly or indirectly (other than (i) as a result of a reclassification of Junior Shares for or into other Junior Shares, or the exchange or conversion of one Junior Share for or into another Junior Share; (ii) through the use of the proceeds of a substantially contemporaneous sale of Junior Shares; (iii) as permitted by the Bye-laws in effect as of the date of this Certificate of Designations and (iv) as required by any employment contract, benefit plan or similar agreement or arrangement with or for the benefit of one or more of the Company's present or former employees, officers, directors or consultants entered into prior to the date of this Certificate of Designations).~~

~~When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) in full on any Dividend Payment Date (or, in the case of Parity Shares having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) upon the Series A Preference Shares and any Parity Shares, all dividends declared by the Board of Directors (or a duly authorized committee of the Board of Directors) on the Series A Preference Shares and all such Parity Shares and payable on such Dividend Payment Date (or, in the case of Parity Shares having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend~~

~~Period related to such Dividend Payment Date) shall be declared by the Board of Directors (or such committee of the Board of Directors) on a pro rata basis in proportion to the total amounts that are due on such securities.~~

(c) **Restrictions on Payment of Dividends.** Pursuant to and subject to the Companies Act, the Company may not lawfully declare or pay a dividend if the Company has reasonable grounds for believing that the Company is, and would after payment of the dividend be, unable to pay its liabilities as they become due, or that the realizable value of the Company's assets would, after payment of the dividend, be less than the aggregate value of the Company's liabilities, issued share capital and share premium accounts.

Section 5. **Payment of Additional Amounts.**

(a) Subject to the terms of the Companies Act, the Company will make all payments and distributions on the Series A Preference Shares free and clear of and without withholding or deduction at source for, or on account of, any present or future taxes, fees, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Bermuda or any other jurisdiction in which the Company is organized (a "**Taxing Jurisdiction**") or any political subdivision or taxing authority thereof or therein, unless such taxes, fees, duties, assessments or governmental charges are required to be withheld or deducted by (x) the laws (or any regulations or rulings promulgated thereunder) of a Taxing Jurisdiction or any political subdivision or taxing authority thereof or therein or (y) an official position regarding the application, administration, interpretation or enforcement of any such laws, regulations or rulings (including, without limitation, a holding by a court of competent jurisdiction or by a taxing authority in a Taxing Jurisdiction or any political subdivision thereof). If a withholding or deduction at source is required in respect of any payment or distribution on the Series A Preference Shares (whether in respect of a declared dividend, upon redemption, upon liquidation, dissolution or winding up of the Company or otherwise), the Company will, subject to certain limitations and exceptions described below, pay to the holders of the Series A Preference Shares such additional amounts as dividends as may be necessary so that every net payment made to such holders, after the withholding or deduction, will not be less than the amount provided for in this Certificate of Designations to be then due and payable.

(b) The Company will not be required to pay any additional amounts for or on account of:

(i) any tax, fee, duty, assessment or governmental charge of whatever nature that would not have been imposed but for the fact that such holder was a resident, domiciliary or national of, or engaged in business or maintained a permanent establishment or was physically present in, the relevant Taxing Jurisdiction or any political subdivision thereof or otherwise had some connection with the relevant Taxing Jurisdiction other than by reason of the mere ownership of, or receipt of payment under, such Series A Preference Shares or any Series A Preference Shares presented for payment more than 30 days after the Relevant Date. The "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the dividend disbursing agent on or prior to such due date, it means the first date on which, the

full amount of such moneys having been so received and being available for payment to holders, notice to that effect shall have been duly given to the holders of the Series A Preference Shares;

(ii) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge or any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payment of the liquidation preference;

(iii) any tax, fee, duty, assessment or other governmental charge that is imposed or withheld by reason of the failure by the holder of such Series A Preference Shares to comply with any reasonable request by the Company addressed to the holder within 90 days of such request (a) to provide information concerning the nationality, residence or identity of the holder or (b) to make any declaration or other similar claim or satisfy any information or reporting requirement, which is required or imposed by statute, treaty, regulation or administrative practice of the relevant Taxing Jurisdiction or any political subdivision thereof as a precondition to exemption from all or part of such tax, fee, duty, assessment or other governmental charge;

(iv) any withholding or deduction required to be made pursuant to any EU Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meetings of 26-27 November 2000, 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such EU Directive; or

(v) any combination of items (i), (ii), (iii) and (iv).

(c) In addition, the Company will not pay additional amounts with respect to any payment on any such Series A Preference Shares to any holder who is a fiduciary, partnership, limited liability company or other pass-thru entity other than the sole beneficial owner of such Series A Preference Shares if such payment would be required by the laws of the relevant Taxing Jurisdiction (or any political subdivision or relevant taxing authority thereof or therein) to be included in the income for tax purposes of a beneficiary or partner or settlor with respect to such fiduciary or a member of such partnership, limited liability company or other pass-thru entity or a beneficial owner to the extent such beneficiary, partner or settlor would not have been entitled to such additional amounts had it been the holder of the Series A Preference Shares.

Section 6. **Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding-up of the affairs of the Company, whether voluntary or involuntary, holders of Series A Preference Shares and any Parity Shares shall be entitled to receive, out of the assets of the Company or proceeds thereof (whether capital or surplus) available for distribution to shareholders of the Company, after satisfaction of all liabilities and obligations to creditors of the Company, if any, but before any distribution of such assets or proceeds is made to or set aside for the holders of Common Shares and any other Junior Shares, in full an amount equal to US\$1,000.00 per Series A Preference Share, plus any declared and unpaid dividends.

(b) **Partial Payment.** If in any distribution described in Section 6(a) above, the assets of the Company or proceeds thereof are not sufficient to pay the Liquidation Preferences

(as defined below) in full to all holders of Series A Preference Shares and all holders of any Parity Shares, the amounts paid to the holders of Series A Preference Shares and to the holders of all such other Parity Shares shall be paid on a pro rata basis in proportion to the total amounts that are due on such Series A Preference Shares and all such other Parity Shares but only to the extent the Company has assets or proceeds thereof available after satisfaction of all liabilities to creditors. In any such distribution, the "**Liquidation Preference**" of any holder of Preference Shares of the Company shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Company available for such distribution), including any declared and unpaid dividends (and, in the case of any holder of shares other than Series A Preference Shares and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series A Preference Shares and any holders of Parity Shares, the holders of other shares of the Company shall be entitled to receive all remaining assets of the Company (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 6, the consolidation, amalgamation, merger, arrangement, reincorporation, discontinuance, de-registration or reconstruction involving the Company or the sale, assignment, lease, conveyance or transfer of all or substantially all of the shares or the property or business of the Company shall not constitute a liquidation, dissolution or winding-up.

Section 7. **Redemption.**

(a) **Optional Redemption.**

Prior to December 15, 2016, the Company, at its option, may redeem, in whole at any time or in part from time to time, the Series A Preference Shares at the time issued and outstanding, upon notice given as provided in Section 7(c) below, at a redemption price equal to the sum of (i) the US\$1,000.00 liquidation preference per Series A Preference Share plus (ii) declared and unpaid dividends per Series A Preference Share, if any, without accumulation of any undeclared dividends plus (iii) any applicable early make-whole premium.

The amount of the "**early make-whole premium**" per Series A Preference Share to be redeemed in accordance with the foregoing paragraph will be equal to the excess, if any, of:

(i) the sum of the present values, calculated as of the date fixed for redemption (the "**early redemption date**"), of:

(x) each dividend payment that, but for such redemption, would have been payable on the Series A Preference Share being redeemed on each Dividend Payment Date occurring during the period beginning on the early redemption date and ending on December 15, 2016, assuming for the purpose of calculating this "early make-whole premium" only that the Board of Directors of the Company (or a duly authorized committee of the Board) had

declared a dividend payable on that Series A Preference Share on each such Dividend Payment Date; and

(y) the mandatory redemption price (as defined below) that, but for such redemption, would have been payable on the mandatory redemption date (as defined below) in respect of such Series A Preference Share being redeemed; over

(ii) the US\$1,000.00 liquidation preference per Series A Preference Share being redeemed.

The present value of the dividend payments and mandatory redemption price referred to in clause (i) above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each dividend payment or mandatory redemption price from the date that such dividend payment or mandatory redemption price would have been payable, but for the redemption, to the early redemption date at a discount rate equal to the Treasury Yield plus 37.5 basis points.

The Company will appoint an independent investment banking institution of national standing to calculate the early make-whole premium; **provided that** Merrill Lynch, Pierce, Fenner & Smith Incorporated will make such calculation if (i) the Company fails to make such appointment at least 30 days prior to the early redemption date, or (ii) the institution so appointed is unwilling or unable to make such calculation. If Merrill Lynch, Pierce, Fenner & Smith Incorporated is to make such calculation but is unwilling or unable to do so, then the calculation agent will appoint an independent investment banking institution of national standing to make such calculation. In any case, the institution making such calculation is referred to in this Certificate of Designations as an "**Independent Investment Banker.**"

For purposes of determining the early make-whole premium, "**Treasury Yield**" means a rate of interest per year equal to the weekly average yield to maturity of United States Treasury Notes that have a constant maturity that corresponds to the remaining term to December 15, 2016 of the Series A Preference Shares to be redeemed, calculated to the nearest 1/12th of a year (the "**Remaining Term**"). The Independent Investment Banker will determine the Treasury Yield as of the third business day immediately preceding the applicable early redemption date.

The Independent Investment Banker will determine the weekly average yields of United States Treasury Notes by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "**H.15 Statistical Release**"). If the H.15 Statistical Release sets forth a weekly average yield for United States Treasury Notes having a constant maturity that is the same as the Remaining Term, then the Treasury Yield will be equal to such weekly average yield. In all other cases, the Independent Investment Banker will calculate the Treasury Yield by interpolation, on a straight-line basis, between the weekly average yields on the United States Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the United States Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). The Independent Investment Banker will round any weekly average yields so calculated to the nearest 1/100th of a

1%, and will round upward for any figure of 1/200th of 1% or above. If weekly average yields for United States Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the Independent Investment Banker will select comparable rates and calculate the Treasury Yield by reference to those rates.

On and after December 15, 2016, the Company, at its option, may redeem, in whole at any time or in part from time to time, the Series A Preference Shares at the time outstanding, upon notice given as provided in Section 7(c) below, at a redemption price equal to the liquidation preference amount of US\$1,000.00 per Series A Preference Share plus declared and unpaid dividends, if any, without accumulation of any undeclared dividends.

The redemption price for any Series A Preference Shares shall be payable on the redemption date to the holder of such shares against book entry transfer or surrender of the certificate(s) evidencing such shares to the Company or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above.

Prior to delivering notice of redemption as provided below, the Company will file with its corporate records (which may include its minute book) a certificate signed by one of the Company's officers affirming the Company's compliance with the redemption provisions under the Companies Act relating to the Series A Preference Shares, and stating that there are reasonable grounds for believing that the Company is, and after the redemption will be, able to pay its liabilities as they become due. The Company will mail a copy of this certificate with the notice of any redemption.

(b) **No Sinking Fund.** The Series A Preference Shares will not be subject to any mandatory redemption, sinking fund, retirement fund or purchase fund or other similar provisions. Except as provided in Section 7(g) below, holders of Series A Preference Shares will have no right to require redemption, repurchase or retirement of any Series A Preference Shares.

(c) **Notice of Redemption.** Notice of every redemption of Series A Preference Shares shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the register of members of the Company. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of Series A Preference Shares designated for redemption shall not affect the validity of the proceedings for the redemption of any other Series A Preference Shares. Notwithstanding the foregoing, if the Series A Preference Shares or any depositary shares representing interests in the Series A Preference Shares are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series A Preference Shares at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of Series A Preference Shares to be redeemed and, if less than all the Series A Preference Shares

held by such holder are to be redeemed, the number of such Series A Preference Shares to be redeemed from such holder; (3) the redemption price; and (4) that the Series A Preference Shares should be delivered via book entry transfer or the place or places where certificates for such Series A Preference Shares are to be surrendered for payment of the redemption price.

(d) **Tax Redemption.**

(1) Prior to December 15, 2016, if there is a "change in tax law" that would require the Company or any successor company to pay any additional amounts with respect to the Series A Preference Shares on the next succeeding Dividend Payment Date, and the payment of those additional amounts cannot be avoided by the use of any reasonable measures available to the Company or any successor company, the Company shall be entitled at any time thereafter, upon notice given as provided in Section 7(c) above, to redeem any or all Series A Preference Shares pursuant to this clause for cash at a "**tax event redemption price**" equal to the sum of (i) 100% of the US\$1,000.00 liquidation preference per Series A Preference Share plus (ii) declared and unpaid dividends per Series A Preference Share, if any, without accumulation of any undeclared dividends plus (iii) any applicable tax event make-whole premium.

The amount of the "**tax event make-whole premium**" per Series A Preference Share to be redeemed in accordance with the foregoing paragraph will be equal to the excess, if any, of:

(i) the sum of the present values, calculated as of the date fixed for redemption (the "**tax event redemption date**"), of:

(x) each dividend payment that, but for such redemption, would have been payable on the Series A Preference Share being redeemed on each Dividend Payment Date occurring during the period beginning on the tax event redemption date and ending on December 15, 2016, assuming for the purpose of calculating this "tax event make-whole premium" only that the Board of Directors of the Company (or a duly authorized committee of the Board) had declared a dividend payable on that Series A Preference Share on each such Dividend Payment Date; and

(y) the mandatory redemption price (as defined below) that, but for such redemption, would have been payable on the mandatory redemption date (as defined below) in respect of such Series A Preference Share being redeemed; over

(ii) the US\$1,000.00 liquidation preference per Series A Preference Share being redeemed.

The present values of dividend payments and mandatory redemption price referred to in clause (1) above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each dividend payment or mandatory redemption price from the date that each such dividend payment or mandatory redemption price would have been payable, but for the redemption, to the tax event redemption date at a discount rate equal to the Treasury Yield plus 50 basis points.

The Independent Investment Banker will determine the Treasury Yield in the manner described in Section 7(a).

For the purposes of this provision, a "**change in tax law**" shall be (a) a change in or amendment to laws, regulations or rulings of any jurisdiction, political subdivision or taxing authority described in the next sentence, (b) a change in the official application or interpretation of those laws, regulations or rulings, or (c) any execution of or amendment to any treaty affecting taxation to which any jurisdiction, political subdivision or taxing authority described in the next sentence is party after the date of original issuance of the Series A Preference Shares. The jurisdictions, political subdivisions and taxing authorities referred to in the previous sentence are (a) Bermuda or any political subdivision or governmental authority of or in Bermuda with the power to tax, (b) any jurisdiction from or through which the Company or its dividend disbursing agent is making payments on the Series A Preference Shares or any political subdivision or governmental authority of or in that jurisdiction with the power to tax, or (c) any other jurisdiction in which the Company or its successor company is organized or generally subject to taxation or any political subdivision or governmental authority of or in that jurisdiction with the power to tax.

(2) Prior to December 15, 2016, if the entity formed by a consolidation, merger or amalgamation involving the Company or the entity to which the Company conveys, transfers or leases substantially all of its properties and assets is required to pay additional amounts in respect of any tax, assessment or governmental charge imposed on any holder of Series A Preference Shares as a result of a change in tax law that occurred after the date of the consolidation, merger, amalgamation, conveyance, transfer or lease, and the payment of those amounts cannot be avoided by the use of any reasonable measures available to the Company or any successor company, the Company shall be entitled at any time thereafter, upon notice given as provided in Section 7(c) above, to redeem any or all Series A Preference Shares pursuant to this clause for cash at the tax event redemption price per share being redeemed.

(e) **Partial Redemption.** In case of any redemption of only part of the Series A Preference Shares at the time issued and outstanding, the shares to be redeemed shall be selected either pro rata or in such other manner as the Company may determine to be fair and equitable. Subject to the provisions hereof, the Company shall have full power and authority to prescribe the terms and conditions upon which Series A Preference Shares shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(f) **Mandatory Redemption.** On December 15, 2066 (the "**mandatory redemption date**"), the Company shall redeem, in whole, the Series A Preference Shares at a redemption price of US\$1,000.00 per share (the "**mandatory redemption price**"), plus declared and unpaid dividends, without accumulation of any undeclared dividends. The Company shall be required to deposit with a bank or trust company sufficient funds for the payment of the full amount payable upon redemption of such shares on December 15, 2066 in accordance with Section 7(g) below.

~~If and for so long as the Company fails for any reason to deposit such funds sufficient to redeem the Series A Preference Shares on December 15, 2066, the Company and its subsidiaries~~

~~will not (i) redeem or otherwise acquire any Parity Shares or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Parity Shares (except in connection with a redemption, sinking fund or other similar obligation in which Series A Preference Shares receive a pro rata share) or (ii) declare or make any distribution on any Junior Shares, or redeem or otherwise acquire any Junior Shares, or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of the Junior Shares.~~

(g) Deposit of Funds for Redemption.

(1) On or prior to the date fixed for redemption of the Series A Preference Shares or any part thereof as specified in the notice of redemption given as provided in Section 7(c) above, the Company shall deposit adequate funds for such redemption, in trust for the account of holders of the Series A Preference Shares, with a bank or trust company that has an office in the United States, and that has, or is an affiliate of a bank or trust company that has, capital and surplus of at least US\$50,000,000. If the name and address of such bank or trust company and the deposit of or intent to deposit the redemption funds in such trust account have been stated in the redemption notice, then from and after the mailing of the notice and the making of such deposit the Series A Preference Shares called for redemption will no longer be deemed to be outstanding for any purpose whatsoever, and all rights of the holders of such Series A Preference Shares in or with respect to us will cease and terminate except to the right of the holders of the Series A Preference Shares: (i) to transfer such Series A Preference Shares prior to the date fixed for redemption; and (ii) to receive the redemption price of such Series A Preference Shares, including declared and unpaid dividends and any applicable make-whole premium, without accumulation of any undeclared dividends, upon surrender of the certificate or certificates representing the Series A Preference Shares to be redeemed.

(2) Any moneys so deposited by the Company that remain unclaimed by the holders of the Series A Preference Shares called for redemption will, at the end of six years after the redemption date, be paid to the Company upon its request, after which repayment the holders of the Series A Preference Shares called for redemption can no longer look to such bank or trust company for the payment of the redemption price but must look only to the Company for the payment of any lawful claim for such moneys which holders of such Series A Preference Shares may have. After such six-year period, the right of any shareholder or other person to receive such payment may lapse through limitations imposed in the manner and with the effect provided under the laws of Bermuda.

(h) Reduction of Share Capital. Any redemption of Series A Preference Shares under this Section ~~7 shall~~ not be taken as reducing the amount of the Company's authorized share capital.

Section 8. Voting Rights.

(a) General. The holders of Series A Preference Shares shall not have any voting rights except as set forth below in the Bye-laws of the Company or as otherwise from time to time required by law. Notwithstanding anything to the contrary contained in the Bye-laws of the Company, the affirmative vote or consent of at least 66 2/3% of the issued and outstanding

Series A Preference Shares will be required for the authorization or issuance of any share capital that will rank senior to the Series A Preference Shares as to dividends and/or distribution upon the liquidation dissolution or winding-up of the affairs of the Company.

(b) **Changes for Clarification.** Without the consent of the holders of the Series A Preference Shares, so long as such action does not affect the special rights, preferences, privileges and voting powers, and limitations and restrictions, of the Series A Preference Shares taken as a whole, the Company may amend, alter, supplement or repeal any terms of the Series A Preference Shares:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series A Preference Shares that is not inconsistent with the provisions of this Certificate of Designations.

(c) **Changes After Provision for Redemption.** No vote or consent of the holders of Series A Preference Shares shall be required pursuant to Section 8(a), ~~(b)~~ or ~~(c)~~ above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series A Preference Shares shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 7 above.

(d) **Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series A Preference Shares (including, without limitation, the fixing of a record date in connection herewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or a duly authorized committee of the Board of Directors) in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of this Certificate of Designations, the Memorandum of Association, the Bye-laws, applicable law and any national securities exchange or other trading facility on which the Series A Preference Shares ~~are~~ listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the Series A Preference Shares and any Voting Preference Shares has been cast or given on any matter on which the holders of Series A Preference Shares are entitled to vote shall be determined by the Company by reference to the aggregate voting power, as determined by the Bye-laws of the Company, of the shares voted or covered by the consent.

Section 9. **Ranking.** The Series A Preference Shares will, with respect to the payment of dividends and distributions of assets upon liquidation, dissolution and winding-up, rank senior to Junior Shares and *pari passu* with any Parity Shares of the Company, including other series of Preference Shares that the Company may issue from time to time in the future.

Section 10. **Record Holders.** To the fullest extent permitted by applicable law, the Company and the transfer agent for the Series A Preference Shares may deem and treat the record holder of any Series A Preference Shares as the true and lawful owner thereof for all

purposes, and neither the Company nor such transfer agent shall be affected by any notice to the contrary.

Section 11. **Notices.** All notices or communications in respect of Series A Preference Shares shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, the Memorandum of Association, Bye-laws or by applicable law.

Section 12. **No Preemptive Rights.** No Series A Preference Share shall have any rights of preemption whatsoever as to any securities of the Company, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 13. **Conversion.** The Series A Preference Shares shall not be convertible into or exchangeable for any other securities or property of the Company.

Section 14. **Other Rights.** Series A Preference Shares shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Memorandum of Association, Bye-laws or as provided by applicable law.

~~IN WITNESS WHEREOF, RAM HOLDINGS LTD. has caused this certificate to be signed by Victoria Guest, its General Counsel and Secretary, this 28th day of September, 2007.~~

~~{Signature Page Follows}~~

~~RAM HOLDINGS LTD.~~

~~By: /s/ Victoria Guest~~

~~Name: Victoria Guest~~

~~Title: General Counsel and Secretary~~

~~Date: September 28, 2007~~

Annex B

AMENDED AND RESTATED

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS

OF

CLASS B PREFERENCE SHARES

OF

RAM REINSURANCE COMPANY LTD.

The Class B Preference Shares (the "**Class B Preference Shares**") of RAM Reinsurance Company Ltd., a company organized under the laws of Bermuda (the "**Company**"), shall have the designation, preferences and rights, and shall be subject to the restrictions, as hereinafter appearing in this Certificate of Designation, Preferences and Rights (this "**Class B Certificate**"):

Section 1. **Designation and Amount.** There shall be a class of perpetual, non-cumulative, redeemable preference shares of the Company which shall be designated as "**Class B Preference Shares**," par value U.S.\$1,000 per share. The number of shares constituting such class shall initially be 500.01. Such number of shares may be increased or decreased at any time and from time to time by resolution of the Board; **provided, however, that** no decrease shall reduce the number of authorized shares to a number less than the number of shares then outstanding.

Section 2. **Definitions.** Unless the context or use indicates another or different meaning or intent, the following terms shall have the following meanings for purposes of this Class B Certificate, whether used in the singular or plural:

"**Affiliate**" shall mean, as to any Person, any Person controlled by, in control of, or under common control with, such Person.

"**Agent Member**" shall mean a member of the Securities Depository that will act on behalf of an Existing Holder or a Potential Holder that is identified as such in a Holder's Purchaser's Letter.

"**Auction**" shall mean a periodic implementation of the Auction Procedures.

"**Auction Agent**" shall mean The Bank of New York (Delaware) unless and until (i) another commercial bank or trust company duly organized under the laws of the United States of America and/or any state or territory thereof, having its principal place of business in New York, New York, and having a combined capital stock surplus and undivided profits of at least

fifteen million dollars (U.S.\$15,000,000), or (ii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least fifteen million dollars (U.S.\$15,000,000), and, in either case, authorized by law to perform all the duties imposed on it under the Auction Agent Agreement and appointed by the Company, enters into an agreement with the Company to follow the Auction Procedures for the purpose of determining the Auction Rate and to act as transfer agent, registrar or dividend disbursing agent for the Class B Preference Shares.

"Auction Agent Agreement" shall mean the agreement entered into between the Company and the Auction Agent and any similar agreement with a successor Auction Agent providing, among other things, that the Auction Agent will follow the Auction Procedures for the purpose of determining the Auction Rate.

"Auction Date" shall mean, for each Subsequent Dividend Period, the last Business Day of the immediately preceding Dividend Period.

"Auction Procedures" shall mean the procedures set forth in the Auction Agent Agreement for conducting Auctions, substantially as described in Sections 13 through 20.

"Auction Rate" shall mean a rate per annum equal to the lesser of (i) the rate provided to the Company by the Auction Agent, as determined by the Auction Agent pursuant to the Auction Procedures, and (ii) the Maximum Rate.

"Board" shall mean the Board of Directors of the Company.

"Broker-Dealer" shall mean any broker-dealer or other entity (i) that is permitted by law to perform the functions required of a broker-dealer in the Auction Procedures, (ii) that is a member of, or a participant in, the Securities Depository, (iii) that has been selected by the Company and (iv) that has entered into a Broker-Dealer Agreement with the Auction Agent that remains in effect.

"Broker-Dealer Agreement" shall mean any agreement among the Company, the Auction Agent and a Broker-Dealer, pursuant to which such Broker-Dealer agrees to follow the Auction Procedures.

"Business Day" shall mean a day on which the New York Stock Exchange is open for trading and which is not a Saturday, Sunday or any other day on which the banks in the City of New York, New York, or in the city of Hamilton, Bermuda, are authorized or obligated by law to close.

"Bye-laws" shall mean the bye-laws of the Company.

"Class A Preference Shares" shall mean any Class A Preference Shares of the Company authorized by the Board and issued by the Company from time to time.

"Class B Certificate" shall have the meaning given such term in the first paragraph of this Agreement.

"**Class B Preference Shares**" shall have the meaning given such term in the first paragraph of this Agreement.

"**Common Shares**" shall mean the Voting Common Shares and Non-Voting Common Shares, as issued and outstanding from time to time.

"**Companies Act**" shall mean the Companies Act 1981, as amended from time to time.

"**Company**" shall have the meaning given such term in the first paragraph of this Agreement.

~~"**Contingent Capital Preference Share Directors**" shall have the meaning given to such term in Section 6(e).~~

~~"**Contingent Capital Preference Shares**" shall mean any class of preference shares of the Company issued from time to time in connection with contingent capital facilities which utilize the issuance of CPS Securities.~~

"**CPS Securities**" shall mean (i) the initial issuance of Committed Preferred Securities issued as Money Market Committed Preferred Custodial Trust Securities by Blue Water Trust I and (ii) any future Committed Preferred Securities issued as Money Market Committed Preferred Custodial Trust Securities which are subject to auction procedures substantially similar to those set forth in Sections 13 through 20.

"**Custodial Trust**" shall mean the issuer of the initial issuance of CPS Securities.

"**Date of Original Issue**" shall mean, for the Class B Preference Shares, the first Business Day after the Initial Auction Date.

"**Dividend**" shall mean a payment in cash declared by the Company payable to a Holder of Class B Preference Shares.

"**Dividend Payment Date**" shall mean the first Business Day following the last day of each Dividend Period.

"**Dividend Period**" shall mean the Initial Dividend Period and each Subsequent Dividend Period.

"**Dividend Rate**" shall mean the rate per annum at which a Dividend shall be payable for any Dividend Period, which rate shall equal (i) for the Initial Dividend Period, the Initial Dividend Rate, (ii) for each Subsequent Dividend Period prior to a Fixed-Rate Distribution Event, the Auction Rate, and (iii) for each Subsequent Dividend Period following a Fixed-Rate Distribution Event, a rate equal to the fixed-rate equivalent of one-month LIBOR plus 3.00%. The fixed-rate equivalent shall be determined by using the "bid" 30-year U.S. dollar swap rate as quoted on page 19901 on the Bridge Telerate Service (or on any successor or substitute page of such service, or any successor to or substitute page for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Auction Agent from time to time) at 11:00 a.m. New York time on the LIBOR Determination

Date; **provided, however, that** if the 30-year U.S. dollar swap rate is not available, the fixed-rate equivalent will be determined by using the "bid" 10-year U.S. dollar swap rate.

"**Existing Holder**" shall mean any Person who is listed as the owner of any Class B Preference Shares on the records of the Auction Agent at the close of business on the Business Day prior to such Auction.

"**Fixed-Rate Distribution Event**" shall have the meaning given to such term in Section 3(b).

~~"**Fixed-Rate Optional Redemption Date**" shall have the meaning given to such term in Section 4(a).~~

"**Holder**" shall mean a Person identified as a holder of record of Class B Preference Shares in the Register.

"**Holding Company**" shall mean, collectively, Holdings, Holdings II and any other Person, all or substantially all of the assets of which are comprised, directly or indirectly, of holdings of securities of the Company.

"**Holdings**" shall mean RAM Holdings Ltd., a company organized under the laws of Bermuda and the holder of all of the Voting Common Shares of the Company.

"**Holdings II**" shall mean RAM Holdings II Ltd., a company organized under the laws of Bermuda and the holder of all of the Non-Voting Common Shares of the Company.

"**Initial Auction Date**" shall mean the first Business Day preceding the Initial Dividend Period.

"**Initial Dividend Payment Date**" shall mean such date as shall be determined by the Board or a duly appointed committee thereof prior to the issuance of the Class B Preference Shares; **provided that** (i) such date is a standard date for the Class B Preference Shares market and (ii) such day is a Business Day.

"**Initial Dividend Period**" shall mean the period from and including the Date of Original Issue to and excluding the Initial Dividend Payment Date.

"**Initial Dividend Rate**" shall mean, for the Class B Preference Shares, the rate determined with respect to the corresponding CPS Securities on the Initial Auction Date.

"**LIBOR**" shall mean, on the LIBOR Determination Date, the interest rate for the applicable Dividend Period determined by the Auction Agent on the basis of the British Bankers' Association "Interest Settlement Rate" for three-month deposits in U.S. dollars as found on Telerate page 3750 (or on any successor or substitute page of such service, or any successor to or substitute page for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Auction Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in U.S. dollars in the London interbank market) as of 11:00 a.m. London time on such LIBOR Determination Date.

As used herein "**Telerate page 3750**" means the display designated as page 3750 on the Bridge Telerate Service. If on any LIBOR Determination Date the Auction Agent cannot determine LIBOR on the basis of the method set forth above, LIBOR shall be the rate per annum the Auction Agent determines to be either (a) the arithmetic mean (rounding such arithmetic mean upwards if necessary to the nearest whole multiple of 1/16%) of the three-month U.S. dollar lending rate that New York City banks selected by the Auction Agent are quoting on the relevant LIBOR Determination Date to the principal London offices of at least two leading banks in the London interbank market or (b) in the event such arithmetic mean cannot be determined by the Auction Agent, the lowest three-month U.S. dollar lending rate that the New York City banks selected by the Auction Agent quoting on such LIBOR Determination Date to leading European banks. The establishment of LIBOR on each LIBOR Determination Date by the Auction Agent shall (in the absence of manifest error) be final and binding.

"LIBOR Determination Date" shall mean the second London business day prior to the commencement of the first Dividend Period following the Fixed-Rate Distribution Event.

"Liquidation Preference" shall have the meaning given to such term in Section 5(a).

"Maximum Rate" shall mean the maximum dividend rate that can result from an Auction, which shall be the rate (expressed as a percentage rounded to the nearest one one-thousandth (.001) of 1.000%) that is equal to the sum of (A) the Reference Rate in effect as of the end of the Business Day prior to the Auction Date for the applicable Dividend Period, plus (B)(1) if, as of the end of the Business Day prior to the Auction Date for the applicable Dividend Period, the CPS Securities are rated at or above "A2" and "A+" by Moody's and Standard & Poor's, respectively, then 2.00%; or (2) if, as of the end of the Business Day prior to the Auction Date for the applicable Dividend Period, the CPS Securities are rated below "A2" or "A+" by Moody's or Standard & Poor's, respectively, then 3.00%. In no event shall the Maximum Rate on any date of determination exceed the maximum rate permitted under applicable law. If all outstanding CPS Securities of the Custodial Trust are subject to Hold Orders (as defined in Section 14(a)(i)(A)), the Dividend Rate for the next Dividend Period will be the Dividend Rate per annum equal to 95% of the Reference Rate on the Auction Date for such Dividend Period.

"Memorandum of Association" shall mean the memorandum of association of the Company registered with the Bermuda Registrar of Companies on February 3, 1998, as amended from time to time.

"Moody's" shall mean Moody's Investors Service, Inc., and its successors.

"Non-Voting Common Shares" shall mean the non-voting common shares of the Company, as issued and outstanding from time to time.

~~**"Optional Redemption Date"** shall have the meaning given to such term in Section 4(a).~~

"Outstanding" shall mean, as of any date, the Class B Preference Shares theretofore issued by the Company except, without duplication, (i) any Class B Preference Shares theretofore cancelled or delivered to the Auction Agent for cancellation, (ii) any Class B Preference Shares as to which the Company or any Affiliate thereof (including any Affiliate that is a Broker-Dealer) shall be the owner, (iii) any Class B Preference Shares represented by any

certificate in lieu of which a new certificate has been executed and delivered by the Company or (iv) any Class B Preference Shares previously redeemed by the Company.

"Person" shall mean and shall include an individual, a partnership, a limited liability company, a corporation, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

"Potential Holder" shall mean any Person, including any Existing Holder, who may be interested in acquiring any Class B Preference Shares (or, in the case of an Existing Holder, additional Class B Preference Shares).

"Purchaser's Letter" shall mean a letter addressed to the Custodial Trust and the Broker-Dealer in which a Person agrees, among other things, to offer to purchase, purchase, offer to sell and/or sell any CPS Securities as set forth in the Auction Procedures.

"Put Agreement" shall mean the put option agreement between the Company and the Custodial Trust.

"Redemption Date" shall have the meaning given to such term in Section 4(a).

"Redemption Price" shall mean the price paid by the Company for the Class B Preference Shares redeemed on any Redemption Date, as determined in accordance with Section 4.

"Reference Date" shall have the meaning given to such term in Section 2 within the definition of "Subsequent Dividend Period."

"Reference Rate" shall mean, on any date, the 30-day LIBOR rate as published by the British Bankers' Association as of 11:00 a.m., London time, on such date.

"Register" shall mean the register of Holders maintained on behalf of the Company by the Auction Agent or any other Person in its capacity as transfer agent and registrar for the Class B Preference Shares.

"Resale Restriction Termination Date" shall have the meaning given to such term in Section 9.

"Securities Depository" shall mean The Depository Trust Company or any successor company or other entity selected by the Company as securities depository for the Class B Preference Shares that agrees to follow the procedures required to be followed by such securities depository in connection with the Class B Preference Shares.

"Standard & Poor's" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

"Subsequent Dividend Period" shall mean (i) prior to a Fixed-Rate Distribution Event, the period commencing on and including the Dividend Payment Date for the preceding Dividend Period and ending on and including the date which is 28 days thereafter, and (ii) following a

Fixed-Rate Distribution Event, the period commencing on and including the Dividend Payment Date for the preceding Dividend Period and ending on and including the date which is 90 days thereafter (in each case, such ending date the "**Reference Date**"); **provided that** if the Reference Date is not a Business Day, the Subsequent Dividend Period will continue to but not include the next Business Day, in which case the next Subsequent Dividend Period will end on and include the next Reference Date following the date on which the preceding Dividend Period would have ended if such normally scheduled date had been a Business Day.

"**Voting Common Shares**" shall mean voting common shares of the Company, as issued and outstanding from time to time.

Section 3. **Dividends.**

(a) **General.** Subject to a Maximum Rate for each Subsequent Dividend Period, Holders of outstanding Class B Preference Shares, ~~in preference to the holders of Common Shares and of any other class of shares ranking junior to the Class B Preference Shares,~~ shall be entitled to receive out of any funds legally available therefor when, as and if declared by the Board or a duly authorized committee thereof, cash Dividends at a rate per share equal to the Dividend Rate for the respective Dividend Period. Dividends on the Class B Preference Shares will accrue from the Date of Original Issue. Auctions for each Dividend Period prior to a Fixed-Rate Distribution Event will be held on each Auction Date. If on any Auction Date an auction is not held for any reason (other than because such date is not determined to be an Auction Date until after it has passed or as otherwise provided in Section 12(a)), the Dividend Rate for the next succeeding Dividend Period shall equal the Maximum Rate on such Auction Date. ~~So long as any Class B Preference Shares shall be outstanding, no dividends, except dividends payable in Common Shares or other shares ranking junior to the Class B Preference Shares, shall be paid or declared and no distribution shall be made on the Common Shares or any other shares ranking junior to the Class B Preference Shares, nor shall any Common Shares be purchased, retired or otherwise acquired by the Company, unless all accrued and unpaid Dividends on the Class B Preference Shares for the then current Dividend Period shall have been declared and paid or a sum sufficient for payment thereof set apart; provided that dividends on any Common Shares or other shares (whether common or preference shares) ranking junior to the Class B Preference Shares may be made at all times for the purpose of, and only in such amounts as are necessary for, enabling any Holding Company (i) to service indebtedness for borrowed money as such payments become due (or to satisfy any of its guarantee obligations made in respect of indebtedness of the Company or any Holding Company) or (ii) to pay its operating expenses; provided, further, that no such dividends may be applied towards the payment of, or setting apart a sum sufficient for the payment of, any accrued and unpaid dividends on the common or preference shares of any Holding Company unless all accrued and unpaid Dividends on the Class B Preference Shares shall have been declared and paid or a sum sufficient for payment thereof shall have been set apart. For the sake of clarity, nothing in this Section 3(a) shall be construed as prohibiting the payment of any dividends declared with respect to the Class A Preference Shares.~~

~~(1) — No dividends may be paid upon or declared or set apart for any additional Contingent Capital Preference Shares or any other preference shares of the Company ranking on parity as to dividends with the Class B Preference Shares for any Dividend Period unless at the~~

~~same time a like proportionate dividend for the same Dividend Period, ratable in proportion to the respective dividend rates fixed therefor, shall be paid upon or declared and set apart for all of the classes of the Company's preference shares ranking on parity as to dividends with the Class B Preference Shares then issued and outstanding and entitled to receive such dividends.~~

~~(2) — If Dividends are not paid in full upon the Class B Preference Shares or dividends on any other capital shares of the Company ranking on a parity as to Dividends with the Class B Preference Shares, dividends may be declared upon shares of the Class B Preference Shares and any other such parity shares, but only if such dividends are declared pro rata so that the amount of dividends declared per share on the Class B Preference Shares and such other shares shall in all cases bear to each other the same ratio that the amount of accrued but unpaid dividends per share on the shares of the Class B Preference Shares and such other parity shares bear to each other.~~

~~(3)~~(1) Dividends (or amounts equal to accrued and unpaid Dividends) due and payable on the Class B Preference Shares with respect to a Dividend Period will be computed by multiplying the applicable Dividend Rate by a fraction, the numerator of which shall be the number of days in the Dividend Period and the denominator of which shall be three-hundred sixty (360) and multiplying the amount so obtained by the product of one hundred thousand dollars (U.S.\$100,000) times the number of such shares outstanding (excluding any fractional shares).

(2) Dividends shall be non-cumulative.

~~(4) — Dividends shall be non-cumulative; **provided, that** Dividends shall be cumulative during such period of time (A) commencing on the first day of any Dividend Period in which (1) dividends on the Common Shares or other shares ranking junior to the Class B Preference Shares have been paid pursuant to Section 3(a) above or (2) dividends on the Class A Preference Shares have been paid, in each case while all accrued and unpaid Dividends on the Class B Preference Shares for the then-current Dividend Period shall not be declared and paid on the Dividend Payment Date or a sum sufficient for payment thereof shall not have been set apart and (B) ending on the date that all accumulated and unpaid Dividends have been declared and paid or a sum sufficient for the payment thereof shall have been set apart (**provided that** the period during which Dividends shall be cumulative shall not exceed the maximum period permitted under applicable law).~~

~~(5)~~(3) Each Dividend shall be payable to the Holders of Class B Preference Shares as of the opening of business on each Dividend Payment Date; **provided that** so long as the Class B Preference Shares are held of record by a nominee of the Securities Depository, Dividends will be paid to the nominee of the Securities Depository. The Securities Depository will credit the accounts of the Agent Members of Existing Holders of the Class B Preference Shares in accordance with the Securities Depository's normal procedures. The Agent Member of an Existing Holder will be responsible for holding or disbursing such payments to such Existing Holder in accordance with the instructions of such Existing Holder.

(b) **Fixed-Rate Distribution Event.** On any Dividend Payment Date following the exercise by the Company of its put option rights under the Put Agreement, such Class B

Preference Shares will be distributed by the Custodial Trust to the holders of the Custodial Trust's CPS Securities with a dividend rate described in clause (iii) of the definition of Dividend Rate upon the occurrence of any of the following: (i) the Company elects to have such Class B Preference Shares bear the fixed-rate dividend described in clause (iii) of the definition of Dividend Rate; (ii) the Company fails to pay the Dividend Rate described in clauses (i) or (ii) of the definition of Dividend Rate to the Custodial Trust for the Dividend Period; or (iii) the Company fails to pay the fees and expenses of the Custodial Trust for the Dividend Period (in each case, a "**Fixed-Rate Distribution Event**"); **provided, however**, in the case of clause (ii) and (iii), such failure shall not have been cured by the Company within three Business Days from notice thereof by the Custodial Trust.

(c) **Fractional Shares.** The Company may issue one fractional share of a Class B Preference Share in an amount equal to one one-hundredth (0.01) of a whole share.

Section 4. **Redemption.**

(a) The Company shall have the right to redeem the Class B Preference Shares outstanding, in whole at any time or in part from time to time. The date of any such redemption is referred to herein as a "**Redemption Date**". ~~or in part, beginning twenty eight (28) days after issuance of the Class B Preference Shares and every twenty eight (28) days thereafter consistent with the timing of Auction Dates (each an "**Optional Redemption Date**"); provided that the Company shall not redeem the Class B Preference Shares if after giving effect to a partial redemption, the aggregate Liquidation Preference of Class B Preference Shares outstanding immediately after such partial redemption would be less than twenty million dollars (U.S.\$20,000,000). Notwithstanding the foregoing, following a Fixed Rate Distribution Event, the Company shall only be permitted to redeem the Class B Preference Shares subject to such Fixed Rate Distribution Event on any Auction Date occurring after the second anniversary of such Fixed Rate Distribution Event (a "**Fixed-Rate Optional Redemption Date**" and, together with an **Optional Redemption Date**, a "**Redemption Date**").~~ In the case of any redemption pursuant to this Section 4, the Redemption Price shall be an amount equal to the aggregate Liquidation Preference of the Class B Preference Shares redeemed plus all Dividends accrued but unpaid on such Class B Preference Shares as of the Redemption Date for the then current Dividend Period, ~~and any previously accumulated dividends payable under Section 3(a).~~ In the event of a partial redemption of the Class B Preference Shares, the Redemption Price shall be allocated pro rata among the Holders of the Class B Preference Shares. Payment of the Redemption Price will be made on the first Dividend Payment Date after the Company elects to redeem Class B Preference Shares.

(b) Notice of every such redemption shall be mailed, postage prepaid, or transmitted by facsimile, e-mail or any other standard form of written telecommunication, to the Holders of the Class B Preference Shares to be redeemed at their respective addresses then appearing on the Register (which shall mean the Securities Depository if the Class B Preference Shares are held of record by a nominee of the Securities Depository), not less than ten days nor more than fifteen days prior to the Redemption Date. At any time before or after a notice of redemption has been given, the Company may deposit the aggregate Redemption Price of the Class B Preference Shares to be redeemed with any bank or trust company in New York, New York, having capital and surplus of more than five million dollars (U.S.\$5,000,000), named in such notice, directed to

be paid to the respective Holders of the Class B Preference Shares to be redeemed, in amounts equal to the Redemption Price of the Class B Preference Shares to be redeemed, on surrender of the share certificate or certificates held by such Holders, and upon the making of such deposit such Holders shall cease to be shareholders with respect to such shares, and after such notice shall have been given and such deposit shall have been made, such Holders shall have no interest in or claim against the Company with respect to such shares except only to receive such money from such bank or trust company without interest.

(c) If the Holders of the Class B Preference Shares which shall have been called for redemption shall not, within one year after such deposit, claim the amount deposited for the redemption thereof, any such bank or trust company shall, upon demand, pay over to the Company such unclaimed amounts and thereupon such bank or trust company shall be relieved of all responsibility in respect thereof and to such Holders; if the Holders of the Class B Preference Shares which shall have been called for redemption shall not, within ten years after such deposit, claim the amount deposited for the redemption thereof, the Company shall be relieved of all responsibility in respect thereof and to such Holders.

(d) Any Class B Preference Shares that are redeemed by the Company pursuant to this Section 4 shall be canceled and resume the status of authorized and unissued Class B Preference Shares.

Section 5. **Liquidation Preference.**

(a) In the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company, to the extent allowed by applicable law, Holders will be entitled to receive the liquidation preference amount per share (the "**Liquidation Preference**") plus accrued and unpaid Dividends (whether or not earned or declared) thereon, to and including the date such Liquidation Preference is paid. The Class B Preference Shares will have a par value of one thousand dollars (U.S.\$1,000) per share and a Liquidation Preference per share of one hundred thousand dollars (U.S.\$100,000). Payment of the Liquidation Preference will be made on the first Dividend Payment Date after the Board approves the liquidation of the Company.

(b) In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Company are insufficient to pay the amount of the liquidating distributions on all outstanding Class B Preference Shares, then, to the extent allowed by applicable law, the Holders shall share in any such distribution of assets on a pro rata basis based on aggregate Liquidation Preference. Unless and until payment in full has been made to the Holders of the Class B Preference Shares and to holders of all shares of other classes ranking on a parity as to liquidation with the Class B Preference Shares (including the Class A Preference Shares) upon liquidation of the liquidating distributions to which they are entitled, upon liquidation, dissolution or winding up of the Company, no dividends or distributions may be made to the holders of the Common Shares or on any other class of capital shares ranking junior to the Class B Preference Shares upon liquidation and no purchase, redemption or other acquisition for any consideration by the Company may be made in respect of such Common Shares or on any other class of capital shares ranking junior to the Class B Preference Shares upon liquidation. After any payment of the full amount of the liquidating distributions to which

they are entitled, the Holders of Class B Preference Shares will have no right or claim to any of the remaining assets of the Company.

(c) The merger, amalgamation or consolidation of the Company into or with any other corporation, or the merger of any other corporation into it, or the transfer or sale of all or substantially all the property or business of the Company, shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, for the purposes of this Section 5.

(d) A dividend or distribution of all or substantially all of the assets of the Company to the holders of the Company's Common Shares or a repurchase or redemption of all or substantially all of the Common Shares of the Company shall be deemed to be a liquidation, dissolution or winding up of the Company for purposes of this Section 5.

Section 6. **Voting Rights.**

(a) Except as set forth ~~in the By-laws herein~~ or otherwise required by applicable law, the Holders of Class B Preference Shares shall have no special voting rights and their consent shall not be required for taking any corporate action.

~~(b) The affirmative vote of the Holders of at least a majority in interest of the Class B Preference Shares at any time outstanding, given in person or by proxy at a meeting called for the purpose at which the Holders of Class B Preference Shares shall vote separately as a class, shall be necessary to effect any amendment, alteration or repeal of any of the provisions of the Memorandum of Association or the By-laws that would adversely affect the rights or preferences of the Holders of Class B Preference Shares (including without limitation the issuance of any equity securities of the Company senior to the Class B Preference Shares with respect to the right to receive dividends or the right to receive distributions upon a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company) provided, however, that for purposes of this Section 6, (i) neither an amendment to the Memorandum of Association or the By-laws so as to authorize or create, or to increase the authorized or outstanding amount of, Class B Preference Shares or of any shares of any class ranking on a parity with or junior to the Class B Preference Shares, nor an amendment to the Memorandum of Association or the By-laws so as to increase the number of directors of the Company, shall be deemed to adversely affect the rights or preferences of the Holders of Class B Preference Shares and (ii) no merger, amalgamation or consolidation of the Company with another Person, transfer or sale by the Company of all or substantially all of its assets, or any voluntary liquidation of the Company, shall be deemed to adversely affect the rights or preferences of the Holders of Class B Preference Shares if following such event, there would be no other preference shares outstanding senior in ranking to the Class B Preference Shares (other than the Class A Preference Shares, except in any instance when the Class A Preference Shares are not senior in ranking pursuant to Section 11(b)), and the Class B Preference Shares are exchanged for preferred shares of any surviving entity having the same rights and preferences with respect to such entity as the Class B Preference Shares have with respect to the Company.~~

~~(c) If the Company has failed to pay Dividends in full on the Class B Preference Shares for eighteen consecutive months or funds sufficient to pay such dividends in full shall not have been deposited with the Auction Agent, subject to the Companies Act, the number of~~

~~members of the Board shall automatically be increased by two and the holders of the Contingent Capital Preference Shares, voting as a single class, shall be entitled to fill the vacancies so created by electing two additional directors (the "Contingent Capital Preference Share Directors"). The meeting to elect the Contingent Capital Preference Share Directors shall be held no more than sixty days after the last day of an eighteen consecutive month period during which the Company failed to pay Dividends on the Class B Preference Shares. The term of the Contingent Capital Preference Share Directors shall cease upon the Company paying dividends in full on, or the redemption in full of, the Class B Preference Shares and, at such time, the Contingent Capital Preference Share Directors will cease to serve on the Board without any further action on the part of the Board or any holders of Contingent Capital Preference Shares.~~

Section 7. **Conversion.** The Class B Preference Shares may not be converted into Common Shares.

Section 8. **Notice.** All notices or communications, unless otherwise specified in this Class B Certificate, shall be sufficiently given if in writing and delivered in person, mailed by first-class mail, postage prepaid, or transmitted by facsimile, e-mail or any other standard form of written telecommunication to a Holder of Class B Preference Shares at the address of such Holder set forth in the Register. Notice shall be deemed given on the earlier of the date received or the date five days after which such notice is mailed or transmitted.

Section 9. **Transfer Restrictions.** The Class B Preference Shares may only be sold or otherwise transferred in accordance with the restrictions set forth in the legend below.

"THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAW. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A OF THE SECURITIES ACT OR (B) IT IS AN "INSTITUTIONAL ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) OF THE SECURITIES ACT AND (2) AGREES THAT IT WILL NOT PRIOR TO (X) THE EXPIRATION OF THE APPLICABLE HOLDING DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD SET FORTH IN OF TIME AS PERMITTED BY RULE 144(d)(1) OF THE SECURITIES ACT (TAKING INTO ACCOUNT THE OTHER PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) AS IN EFFECT ON THE DATE OF THE TRANSFER OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS SECURITY) OR THE LAST DAY ON WHICH RAM REINSURANCE COMPANY LTD. (THE "COMPANY") OR ANY

~~AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY)~~ AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAWS (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR (C) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; **PROVIDED THAT** RAM REINSURANCE THE COMPANY LTD. (THE "COMPANY"), BLUE WATER TRUST I, A DELAWARE STATUTORY TRUST (THE "CUSTODIAL TRUST") AND BNY MELLON TRUST THE BANK OF NEW YORK (DELAWARE), AS TRUSTEE OF THE CUSTODIAL TRUST (THE "TRUSTEE"), SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (B) OR (C) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE, **PROVIDED THAT** THE COMPANY, THE CUSTODIAL TRUST AND THE TRUSTEE SHALL HAVE THE RIGHT PRIOR TO ANY SUCH REMOVAL TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. AS USED HEREIN, THE TERMS "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION REGULATIONS UNDER THE SECURITIES ACT."

Such restrictive legend shall be placed on the certificates representing any Class B Preference Shares and shall not be removed prior to the Resale Restriction Termination Date with respect to such shares.

Section 10. **Other Rights of Holders of Class B Preference Shares.** Unless otherwise required by law, the Holders of Class B Preference Shares shall not have any rights other than as set forth in this Class B Certificate.

Section 11. **Ranking.**

(a) For the purpose of this Class B Certificate, whenever reference is made to shares "ranking on a parity with the Class B Preference Shares," such reference shall mean and include

all shares of the Company in respect of which the rights of the holders thereof as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company rank equally with the rights of the Holders of Class B Preference Shares; and whenever reference is made to shares either "ranking junior" or "ranking senior" or to the Class B Preference Shares such reference shall mean and include all shares of the Company in respect of which the rights of the holders thereof as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company are either senior or junior and subordinate to the rights of the Holders of the Class B Preference Shares.

(b) The Class A Preference Shares shall rank senior to the Class B Preference Shares and any rights and preferences created with respect to the Class A Preference Shares shall in no way be restricted or otherwise affected by the rights and preferences created with respect to the Class B Preference Shares; **provided, however, that** notwithstanding the foregoing, upon the occurrence of a voluntary or involuntary liquidation, ~~(other than a voluntary liquidation as described in Section 6(b)(ii) (without regard to the parenthetical therein))~~, dissolution or winding up of the Company, the Class A Preference Shares shall rank in all respects *pari passu* with the Class B Preference Shares.

Section 12. **Act of God, Natural Disaster, Etc.**

(a) Notwithstanding anything else set forth herein, if an Auction Date is not a Business Day because the New York Stock Exchange or banks in the city of Hamilton, Bermuda are closed for business due to an act of God, natural disaster, act of war, civil or military disturbance, act of terrorism, sabotage, riots or a loss or malfunction of utilities or communications services or the Auction Agent is not able to conduct an Auction in accordance with the Auction Procedures for any reason, then the Dividend Rate for the next Dividend Period shall be the Dividend Rate determined on the previous Auction Date.

(b) Notwithstanding anything else set forth herein, if a Dividend Payment Date is not a Business Day because the New York Stock Exchange or banks in the city of Hamilton, Bermuda, are closed for business due to an act of God, natural disaster, act of war, civil or military disturbance, act of terrorism, sabotage, riots or a loss or malfunction of utilities or communications services or the Dividend payable on such date can not be paid for any such or similar reason, then:

(1) the Dividend Payment Date for the affected Dividend Period shall be the next Business Day on which the Company and its paying agent, if any, are able to cause the Dividend to be paid using their reasonable best efforts;

(2) the affected Dividend Period shall end on the day it would have ended had such event not occurred and the Dividend Payment Date had remained the scheduled date;

(3) the next Dividend Period will begin and end on the dates on which it would have begun and ended had such event not occurred and the Dividend Payment Date remained the scheduled date; and

(4) no interest shall accrue in respect of such delay in payment of Dividends.

Section 13. **Certain Definitions for Sections 13 through 20.** Capitalized terms used in the description of the Auction Procedures set forth in Sections 13 through 20 shall have the following meanings, unless the context otherwise requires:

- (a) "**Available CPS Securities**" shall have the meaning specified in Section 18(a).
- (b) "**Bid**" shall have the meaning specified in Section 14(a)(i)(B).
- (c) "**Bidder**" shall have the meaning specified in Section 14(a).
- (d) "**Existing Holder**" shall mean, for purposes of Sections 13 through 20, any Person who is listed as the owner of any CPS Securities on the records of the Auction Agent at the close of business on the Business Day prior to such Auction.
- (e) "**Holder**" shall mean, for purposes of Sections 13 through 20, a Person identified as a holder of record of CPS Securities.
- (f) "**Hold Order**" shall have the meaning specified in Section 14(a)(i)(A).
- (g) "**Liquidation Preference**" shall mean, for purposes of Sections 13 through 20, at any given time, the liquidation preference of a CPS Security at such time.
- (h) "**Order**" shall have the meaning specified in Section 14(a).
- (i) "**Potential Holder**" shall have the mean, for purposes of Sections 13 through 20, any Person, including any Existing Holder, who may be interested in acquiring any CPS Securities (or, in the case of an Existing Holder, additional CPS Securities).
- (j) "**Remaining Amount**" shall have the meaning specified in Section 19(b)(iv).
- (k) "**Sell Order**" shall have the meaning specified in Section 14(a)(i)(C).
- (l) "**Submission Deadline**" shall have the meaning set forth in Section 14(a).
- (m) "**Submitted Bid**" shall have the meaning set forth in Section 17(a)(iii)(B).
- (n) "**Submitted Hold Order**" shall have the meaning specified in Section 17(a)(iii)(A).
- (o) "**Submitted Order**" shall mean any Submitted Bid, any Submitted Hold Order or any Submitted Sell Order.
- (p) "**Submitted Sell Order**" shall have the meaning specified in Section 17(a)(iii)(C).
- (q) "**Sufficient Clearing Bids**" shall have the meaning specified in Section 18(a).
- (r) "**Winning Bid Rate**" shall have the meaning specified in Section 18(b).

Section 14. **Orders by Existing Holders and Potential Holders.**

(a) Prior to 1:00 p.m. New York City time on each Auction Date or such other time on any Auction Date by which the Broker-Dealer is required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time (the "**Submission Deadline**");

(1) each Existing Holder of CPS Securities may submit to the Broker-Dealer an order, by telephone or otherwise, consisting of information as to:

(i) the Liquidation Preference of outstanding CPS Securities, if any, held by such Existing Holder that such Existing Holder desires to continue to hold without regard to the Dividend Rate for the next succeeding Dividend Period (a "**Hold Order**");

(ii) the Liquidation Preference of outstanding CPS Securities, if any, held by such Existing Holder that such Existing Holder offers to sell if the Dividend Rate for the next succeeding Dividend Period shall be less than the rate per annum specified by such Existing Holder (a "**Bid**"); or

(iii) the Liquidation Preference of outstanding CPS Securities, if any, held by such Existing Holder that such Existing Holder offers to sell without regard to the Dividend Rate for the next succeeding Dividend Period (a "**Sell Order**"); and

(2) in addition to the information specified in (i) above, each Existing Holder that is an investment manager, fiduciary or a Person that is submitting Orders to a Broker-Dealer on behalf of more than one beneficial owner of the CPS Securities must submit to the Broker-Dealer an Order, by telephone or otherwise, consisting of information as to:

(i) the number of accounts for which the Order is being submitted (including accounts which are not submitting Orders in the Auction, which would be deemed Hold Orders);

(ii) the face amount of outstanding CPS Securities held by such accounts; and

(iii) the nature of the Order for each account (*i.e.*, Hold, Bid or Sell Orders), and if there is more than one Order per account, the number of shares of CPS Securities per Order; and

(3) the Broker-Dealer may contact Potential Holders by telephone or otherwise to determine the Liquidation Preference of CPS Securities which each such Potential Holder offers to purchase if the Dividend Rate for the next succeeding Dividend Period is not less than the Bid specified by such Potential Holder.

For purposes hereof, the communication to a Broker-Dealer of information referred to in clause (i) or (ii) of this Section 14(a) is hereinafter referred to as an "**Order**" and collectively as "**Orders**." Each Existing Holder and each Potential Holder placing an Order is hereinafter referred to as a "**Bidder**" and collectively as "**Bidders**."

(b) (1) Subject to the provisions described in Section 16 under "Validity of Orders," a Bid by an Existing Holder will constitute an irrevocable offer to sell:

(i) the Liquidation Preference of CPS Securities specified in such Bid if the Dividend Rate is less than the rate specified in such Bid; or

(ii) such Liquidation Preference or a lesser Liquidation Preference of CPS Securities to be determined as set forth in Section 19 under "Acceptance and Rejection of Orders," if the Dividend Rate is equal to the rate specified in such Bid.

Subject to the provisions described in Section 16 under "Validity of Orders," a Sell Order by an Existing Holder will constitute an irrevocable offer to sell the Liquidation Preference of outstanding CPS Securities specified in such Sell Order.

(2) Subject to the provisions described in Section 16 under "Validity of Orders," a Bid by a Potential Holder will constitute an irrevocable offer to purchase:

(i) the Liquidation Preference of CPS Securities specified in such Bid if the Dividend Rate is higher than the rate specified in such Bid; or

(ii) such Liquidation Preference or a lesser Liquidation Preference of CPS Securities as set forth in Section 19 under "Acceptance and Rejection of Orders," if the Dividend Rate is equal to the rate specified in such Bid.

(c) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent will round such rate down to the next highest one-thousandth (0.001) of 1.000%.

(d) If an Order or Orders covering all outstanding CPS Securities held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline for any reason, including the failure of a Broker-Dealer to submit such Existing Holder's Order to the Auction Agent prior to the Submission Deadline, the Auction Agent will deem a Hold Order to have been submitted on behalf of such Existing Holder covering the Liquidation Preference of outstanding CPS Securities held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

(e) Neither a Custodial Trust nor the Auction Agent will be responsible for any failure of the Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor will any such party be responsible for failure by the Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers.

(f) Neither the Company nor any Affiliate thereof, nor any Holder of a fractional share, may submit an Order in any Auction.

(g) An Existing Holder may submit different types of Orders in an Auction with respect to the CPS Securities then held by such Existing Holder. An Existing Holder that offers

to purchase additional CPS Securities is, for purposes of such offer, treated as a Potential Holder with respect to such securities.

Section 15. **Maximum Rate.** Any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by an Existing Holder and (ii) not be accepted if submitted by a Potential Holder.

Section 16. **Validity of Orders.**

(a) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the Liquidation Preference of outstanding CPS Securities actually held by such Existing Holder, such Orders will be considered valid as follows and in the order of priority set forth below:

(1) all Hold Orders will be considered valid, but only up to and including, in the aggregate, the Liquidation Preference of CPS Securities actually held by such Existing Holder, and if the aggregate Liquidation Preference of CPS Securities subject to such Hold Orders exceeds the aggregate Liquidation Preference of CPS Securities actually held by such Existing Holder, the aggregate Liquidation Preference of CPS Securities subject to each such Hold Order will be reduced to the aggregate Liquidation Preference of CPS Securities actually held by such Existing Holder;

(2) (i) any Bid will be considered valid up to and including the excess of the Liquidation Preference of CPS Securities actually held by such Existing Holder over the aggregate Liquidation Preference of CPS Securities subject to any Hold Orders referred to in paragraph (a) above;

(ii) subject to subparagraph (A) above, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate Liquidation Preference of CPS Securities subject to such Bids is greater than such excess, such Bids will be considered valid up to and including the amount of such excess and the Liquidation Preference of CPS Securities subject to each Bid with the same rate will be reduced to the Liquidation Preference of CPS Securities equal to such excess;

(iii) subject to subparagraphs (A) and (B) above, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids will be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the Liquidation Preference of such excess; and

(iv) in any event, the aggregate Liquidation Preference of CPS Securities, if any, subject to Bids not valid under this paragraph (ii) will be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(3) all Sell Orders will be considered valid up to and including the excess of the aggregate Liquidation Preference of CPS Securities actually held by such Existing Holder over the aggregate Liquidation Preference of CPS Securities subject to Hold Orders referred to in paragraph (i) above and valid Bids referred to in paragraph (ii) above; **provided, that** if the

aggregate Liquidation Preference of CPS Securities subject to such Sell Orders exceeds the aggregate Liquidation Preference of CPS Securities held by such Existing Holder, the aggregate Liquidation Preference of CPS Securities subject to each such Sell Order will be reduced to the aggregate Liquidation Preference of CPS Securities held by such Existing Holder.

If more than one Bid for CPS Securities is submitted on behalf of any Potential Holder, each Bid submitted will be a separate Bid with the rate and amount therein specified. Any Bid or Sell Order submitted by an Existing Holder not equal to an integral multiple of the Liquidation Preference of each share of CPS Securities will be rejected and be deemed a Hold Order. Any Bid submitted by a Potential Holder not equal to an integral multiple of the Liquidation Preference of CPS Securities will be rejected. Any Order submitted in an Auction by a Broker-Dealer to the Auction Agent prior to the Submission Deadline on any Auction Date shall be irrevocable.

Section 17. Submission of Orders by Broker-Dealer to Auction Agent.

(a) The Broker-Dealer shall submit in writing or through the Auction Agent's auction processing system to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by the Broker-Dealer and specifying with respect to each Order:

- (1) the name of the Bidder placing such Order;
- (2) the aggregate Liquidation Preference of CPS Securities that are the subject of such Order;
- (3) to the extent that such Bidder is an Existing Holder:
 - (i) the aggregate Liquidation Preference of CPS Securities subject to any Hold Order placed by such Existing Holder (each, a "**Submitted Hold Order**");
 - (ii) the aggregate Liquidation Preference of CPS Securities subject to any Bid placed by such Existing Holder and the rate specified in such Bid (each, a "**Submitted Bid**"); and
 - (iii) the aggregate Liquidation Preference of CPS Securities subject to any Sell Order placed by such Existing Holder (each, a "**Submitted Sell Order**"); and
- (4) to the extent such Bidder is a Potential Holder, the rate specified in such Potential Holder's Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate down to the next one-thousandth (.001) of 1.000%.

(c) If an Order or Orders covering the aggregate Liquidation Preference of CPS Securities held by an Existing Holder are not submitted to the Auction Agent prior to the Submission Deadline for any reason, including the failure of a Broker-Dealer to contact such Existing Holder or to submit such Existing Holder's Order to the Auction Agent, the Auction

Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the Liquidation Preference of the CPS Securities held by such Existing Holder which are not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders on behalf of an Existing Holder covering in the aggregate more than the Liquidation Preference of the CPS Securities actually held by such Existing Holder are submitted to the Auction Agent, such Orders shall be considered valid as follows and in the following order of priority:

(1) all Hold Orders submitted on behalf of such Existing Holder shall be considered valid, but only up to and including in the aggregate the Liquidation Preference of the CPS Securities actually held by such Existing Holder, and, if the Liquidation Preference of CPS Securities subject to such Hold Orders exceeds the Liquidation Preference of CPS Securities actually held by such Existing Holder, the Liquidation Preference of CPS Securities subject to each such Hold Order shall be reduced to the Liquidation Preference of the CPS Securities actually held by such Existing Holder;

(2) (i) any Bid submitted on behalf of such Existing Holder shall be considered valid up to and including the excess of the Liquidation Preference of the CPS Securities actually held by such Existing Holder over the Liquidation Preference of the CPS Securities subject to any Hold Order referred to in subparagraph (i) above;

(ii) subject to Section 17(d)(ii)(A), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate Liquidation Preference of the CPS Securities subject to such Bids is greater than such excess, such Bids shall be considered valid up to the amount of such excess, and the Liquidation Preference of the CPS Securities subject to each Bid with the same rate shall be reduced to the Liquidation Preference of the CPS Securities equal to such excess;

(iii) subject to Section 17(d)(ii)(A) and (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the Liquidation Preference of such excess; and

(iv) in any such event, the number, if any, of such CPS Securities subject to Bids not valid under Section 17 (d)(ii) shall be treated as the subject of a Bid by a Potential Holder; and

(3) all Sell Orders shall be considered valid but only up to and including in the aggregate the excess of the Liquidation Preference of the CPS Securities actually held by such Existing Holder over the Liquidation Preference of the CPS Securities subject to Hold Orders referred to in Section 17(d)(ii)(A) and valid Bids referred to in ~~this~~ Section 17(d)(ii)(B).

(e) If more than one Bid is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and Liquidation Preference of the CPS Securities therein specified.

Section 18. Determination of Sufficient Clearing Bids, Winning Bid Rate and Dividend Rate.

(a) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent will assemble all valid Submitted Orders and will determine the excess of the total Liquidation Preference of CPS Securities on such Auction Date over the sum of the aggregate Liquidation Preference of CPS Securities subject to Submitted Hold Orders (such excess being hereinafter referred to as the "**Available CPS Securities**"), and whether Sufficient Clearing Bids have been made in the Auction. "**Sufficient Clearing Bids**" will have been made if the number of CPS Securities that are the subject of Submitted Bids by Potential Holders specifying rates not higher than the applicable Maximum Rate equals or exceeds the number of CPS Securities that are the subject of Submitted Sell Orders (including the number of CPS Securities subject to Bids by Existing Holders specifying rates higher than the applicable Maximum Rate).

(b) If Sufficient Clearing Bids have been made, the Auction Agent will determine the lowest rate specified in the Submitted Bids (the "**Winning Bid Rate**") which, taking into account the rates in the Submitted Bids of Existing Holders, would result in Existing Holders continuing to hold an aggregate amount of CPS Securities which, when added to the amount of CPS Securities to be purchased by Potential Holders, based on the rates in their Submitted Bids, would equal not less than the Liquidation Preference of Available CPS Securities. In such event, the Winning Bid Rate will be the Dividend Rate for the next succeeding Dividend Period.

(c) If Sufficient Clearing Bids have not been made (other than because all of the outstanding CPS Securities are subject to Submitted Hold Orders), the Dividend Rate will be the Maximum Rate for the next succeeding Dividend Period.

(d) If all of the Existing Holders indicate a desire to hold all of the CPS Securities of a class without regard to the Dividend Rate, the Dividend Rate payable on such CPS Securities for the next Dividend Period will be a percentage (as selected by the Board prior to the issuance of the CPS Securities) of the Reference Rate in effect as of the end of the Auction Date.

Section 19. Acceptance and Rejection of Orders.

(a) Existing Holders will continue to hold the Liquidation Preference of CPS Securities that are subject to Submitted Hold Orders and, based on the determination made as described under Section 17, Submitted Bids and Submitted Sell Orders will be accepted or rejected and the Auction Agent will take such other action as set forth below.

(b) If Sufficient Clearing Bids have been made, all Submitted Sell Orders will be accepted and, subject to the discretion of the Auction Agent to round and allocate certain CPS Securities as described below, Submitted Bids will be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(1) Each Existing Holder's Submitted Bid specifying any rate that is higher than the Winning Bid Rate will be accepted, thus requiring each such Existing Holder to sell the aggregate Liquidation Preference of CPS Securities subject to such Submitted Bids;

(2) Each Existing Holder's Submitted Bid specifying any rate that is lower than the Winning Bid Rate will be rejected, thus entitling each such Existing Holder to continue to hold the aggregate Liquidation Preference of CPS Securities subject to such Submitted Bids;

(3) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate will be accepted;

(4) Each Existing Holder's Submitted Bids specifying a rate that is equal to the Winning Bid Rate will be rejected, thus entitling each such Existing Holder to continue to hold the aggregate Liquidation Preference of CPS Securities subject to such Submitted Bid, unless the aggregate Liquidation Preference of CPS Securities subject to all such Submitted Bids is greater than the Liquidation Preference of CPS Securities (the "**Remaining Amount**") equal to the excess of the Available CPS Securities over the aggregate Liquidation Preference of CPS Securities subject to Submitted Bids described in subparagraphs (i) and (ii) above, in which event such Submitted Bid of such Existing Holder will be rejected in part, and such Existing Holder will be entitled to continue to hold the Liquidation Preference of CPS Securities subject to such Submitted Bid, but only in a Liquidation Preference equal to the aggregate Liquidation Preference of CPS Securities obtained by multiplying the Remaining Amount by a fraction, the numerator of which is the Liquidation Preference of CPS Securities held by such Existing Holder subject to such Submitted Bid and the denominator of which is the sum of the Liquidation Preference of outstanding CPS Securities subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(5) Each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate will be accepted but only in a Liquidation Preference equal to the Liquidation Preference of CPS Securities obtained by multiplying the excess of the aggregate Liquidation Preference of Available CPS Securities over the aggregate Liquidation Preference of CPS Securities subject to Submitted Bids described in subparagraphs (ii), (iii) and (iv) above by a fraction, the numerator of which is the aggregate Liquidation Preference of CPS Securities subject to such Submitted Bid and the denominator of which is the sum of the Liquidation Preference of CPS Securities subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(c) If Sufficient Clearing Bids have not been made (other than because all of the CPS Securities are subject to Submitted Hold Orders), subject to the discretion of the Auction Agent to round and allocate certain CPS Securities as described below, Submitted Orders will be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(1) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the applicable Maximum Rate will be rejected, thus entitling each such Existing Holder to continue to hold the aggregate Liquidation Preference of CPS Securities subject to such Submitted Bids;

(2) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the applicable Maximum Rate will be accepted, thus requiring such Potential Holders

to purchase the aggregate Liquidation Preference of CPS Securities subject to such Submitted Bids; and

(3) Each Existing Holder's Submitted Bids specifying any rate that is higher than the applicable Maximum Rate and the Submitted Sell Order of each Existing Holder will be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the CPS Securities subject to such Submitted Bid or Submitted Sell Order, but in both cases only in a Liquidation Preference equal to the aggregate Liquidation Preference of CPS Securities obtained by multiplying the aggregate Liquidation Preference of CPS Securities subject to Submitted Bids described in clause (ii) above by a fraction, the numerator of which is the aggregate Liquidation Preference of CPS Securities held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which is the aggregate Liquidation Preference of CPS Securities subject to all such Submitted Bids and Submitted Sell Orders.

If as a result of the procedures described in subparagraphs (ii) or (iii) above, any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a fraction of a security of CPS Securities, the Auction Agent will, in such manner as it will, in its sole discretion determine to round up or down the number of CPS Securities to be purchased or sold by any Existing Holder or Potential Holder so that only whole securities will be entitled to be purchased or sold by each Potential Holder or Existing Holder even if such allocation results in one or more of such Potential Holders not purchasing any CPS Securities.

Based on the results of each Auction, the Auction Agent will determine the aggregate Liquidation Preference of CPS Securities to be purchased and the aggregate Liquidation Preference of CPS Securities to be sold by Potential Holders and Existing Holders on whose behalf the Broker-Dealer submitted Bids or Sell Orders.

Section 20. **Maximum Number of Holders.**

(a) Unless and until the Company obtains the approval of the Broker-Dealer and notifies the Auction Agent of a different number, the maximum number of partners for the CPS Securities shall be eighty (80) and the maximum number of holders for the CPS Securities shall be twenty-five (25), in either case, the "**maximum number of Holders**". If the Company or the Broker-Dealer determines (and provides written notice thereof to the Auction Agent prior to 10:00 a.m., New York City time, on any Auction Date) or if the Auction Agent determines, that as a result of allocations of CPS Securities made by the Auction Agent in an Auction in accordance with the Auction Procedures, there is a significant possibility that the number of Holders of a Custodial Trust's CPS Securities would be greater than the maximum number of Holders, the Auction Agent shall: (1) in consultation with the Company and the Broker-Dealer, review the ownership of the CPS Securities to determine whether any Person has been counted more than once in determining the number of Holders and (2) in consultation with the Broker-Dealer and with any other Persons that the Auction Agent determines would become Existing Holders of CPS Securities on behalf of more than one Holder, determine the number of beneficial Holders of CPS Securities on behalf of which such Broker-Dealer and other Persons would hold CPS Securities, and if, after completing such determination and eliminating all

Persons that have been counted more than once, the number of Holders of CPS Securities would nonetheless be greater than the maximum number of Holders, then the Auction Agent shall make a new determination of the results of such Auction as follows, in the following order of priority:

(1) if one or more Bids of Existing Holders specifying the Winning Bid Rate would have been accepted in part, or one or more Bids of Potential Holders specifying the Winning Bid Rate would have been rejected in part, and the Auction Agent determines (in consultation with the Broker-Dealer) that the acceptance in whole or in part of one or more Bids of Existing Holders specifying the Winning Bid Rate or the rejection in whole or in part of one or more Bids of Potential Holders specifying the Winning Bid Rate would cause the number of Holders to be less than or equal to the maximum number of Holders, to that extent such Bids shall be accepted or rejected, as the case may be;

(2) if the Auction Agent determines (in consultation with the Broker-Dealer) that: (1) the rejection in whole or in part of one or more Bids of Existing Holders specifying a rate or rates lower than the maximum rate but higher than the rate which would have been the Winning Bid Rate, or the acceptance in whole or in part of one or more Bids of Potential Holders specifying such a rate or rates and (2) the rejection in whole or in part of one or more Bids of Potential Holders specifying a rate or rates equal to or lower than the rate which would have been the Winning Bid Rate, would cause the number of Holders to be less than or equal to the maximum number of Holders, to that extent such Bid of any Existing Holder that is so rejected or any such Bid of any Potential Holder that is so accepted and the highest rate specified in any such Bid of any Existing Holder that is so rejected or any such Bid of any Potential Holder that is so accepted shall be the Winning Bid Rate; **provided that**, to the extent practicable, Bids of Existing Holders which would have been accepted specifying a lower rate shall be rejected, and Bids of Potential Holders specifying a lower rate shall be accepted before such Bids specifying a higher distribution rate; and **provided, further, that** subject to the foregoing proviso, to the extent practicable, Bids of Potential Holders which would have been accepted specifying a higher rate shall be rejected before such Bids specifying a lower rate, and Bids of Existing Holders specifying a rate shall be rejected before Bids of Potential Holders specifying the same rate are accepted; or

(b) If the Auction Agent determines, in consultation with the Broker-Dealer, that the application of the foregoing procedures could not result in the number of Holders being less than or equal to the maximum number of Holders, then Sufficient Clearing Bids shall be deemed not to exist for such Auction and the "**Maximum Rate**" shall be the rate for the next succeeding distribution period for the CPS Securities held by the Custodial Trust and sell orders shall be accepted, in the sole discretion of the Auction Agent, only to the extent that their acceptance would not cause the number of Holders to exceed the maximum number of Holders for such Custodial Trust; provided that to the extent practicable, Bids of Potential Holders specifying a lower rate shall be accepted before Bids of Potential Holders specifying a higher rate.

The Tender Agent is:

D.F. King & Co., Inc.

The Information Agent is:

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48 Wall Street, 22nd Floor
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Banks and Brokers call:

(212) 269-5550

All Others Call Toll-free:

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(212) 809-8838

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