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London, 6 February 2015

Towergate announces consensual restructuring agreement between senior secured and senior unsecured lenders

Further to its announcement on 2 February 2015, Towergate Insurance ("Towergate", the "Company" or collectively with its subsidiaries, the "Group") is pleased to announce that it has today entered into a binding agreement (the "Joint Agreement") with its senior secured and senior unsecured creditors to implement a financial restructuring and recapitalisation of the Group.

Under the terms of the Joint Agreement, Towergate will, as announced previously, emerge with a substantially deleveraged capital structure, together with additional liquidity resources with which to deliver its strategic plan. The joint proposal results in the same 60% reduction in net debt for the Company whilst also injecting a further £50 million equity into the restructured business, on top of the additional £75 million of super senior secured notes previously committed by the senior secured creditors.

With a total of £375 million of new capital being provided under this agreement, the business is now significantly deleveraged and has the appropriate capital structure to expand further on its market-leading position in the UK insurance intermediary space.

The Joint Agreement has received the unanimous approval of the Towergate Board, in excess of 75% in aggregate of the Group's senior secured creditors, and approximately 65% of senior unsecured creditors.

As a result of the revised transaction, majority ownership of the Group will transfer to the senior unsecured creditors, including funds or accounts managed or advised by Highbridge Principal Strategies, LLC ("Highbridge"), KKR Credit Advisors (US) LLC ("KKR") and Sankaty Advisors, LLC ("Sankaty Advisors"). Highbridge will be the largest investor.

Commenting on the Joint Agreement, Alastair Lyons, Chairman of Towergate, said:

"I am very happy that a consensual agreement has been reached between our senior creditors. This further agreement brings the very difficult last few months to an excellent conclusion. The Company now has a highly committed shareholder base that has demonstrated its strong belief in the potential of our business by the extent of their investment. The Company has a strong balance sheet, having substantially reduced its debt burden, and has almost halved its interest bill. Taken together with the new funds being invested, this gives the company a strong positive cash flow to support the completion of the change programme and the further growth of the business."

The new majority shareholders added:

"We are excited about working with the Towergate team. This Joint Agreement provides the best guarantees for Towergate's employees, insurer partners and customers. This agreement brings long-term financial strength and stability, and outlines a compelling strategy to strengthen Towergate as a leading UK insurance broker."

Key terms of the Joint Agreement

Under the terms of the Joint Agreement, the senior unsecured creditors will become the majority shareholders owing to a capital contribution of £250 million in cash (the "SUN Capital Contribution") to subscribe for equity in the restructured group and the equitisation of all of the senior unsecured claims, giving them 80.6% of the ordinary equity. The SUN Capital Contribution will be offered to all unsecured creditors (assuming certain investor qualification criteria are met) pro rata to their existing unsecured debt holdings.

The senior secured creditors will receive in exchange for all their existing debt claims a pro rata share of £425 million new senior secured notes (the "New Senior Notes"), £250 million of cash and 19.4% of the ordinary equity.

In addition to the SUN Capital Contribution, a further £50 million capital increase (the "Capital Increase"), fully back-stopped by Highbridge, will occur on closing of the transaction. Of the additional £50 million, 80.6% is available to senior unsecured creditors and 19.4% to senior secured creditors (assuming certain investor qualification criteria are met). The proceeds of the Capital Increase will be used to give additional liquidity to the group.

As before, the senior secured creditors have agreed to provide £75 million of new financing for the Company in the form of super senior notes (the "New Super Senior Notes") which will be funded at completion. The new debt facilities will also allow the Group to raise additional debt in the future if required, further strengthening the liquidity of the Group.

This represents a very positive outcome for Towergate, for the following reasons:

1. Substantial debt reduction

Towergate will emerge from the transaction with net senior debt reduced by more than 60%. Consolidated net senior debt immediately following the transaction will be approximately £380 million, including the £75 million new super senior notes, and net leverage will be around 3.5x, compared with net debt and leverage prior to the proposed transaction of £1.05 billion and 9.6x respectively.

2. £125 million of additional liquidity

The Capital Increase and New Super Senior Notes will provide Towergate with £125 million of additional liquidity. This additional liquidity will be used for working capital, capital expenditure and general corporate purposes including the completion of the change programme and coverage of costs associated with implementing the transaction.

The New Super Senior Notes will be back-stopped by certain members of the ad hoc committee of senior secured creditors, but will be offered to all senior secured creditors pro rata to their existing secured debt holdings (assuming certain investor qualification criteria are met).

The Capital Increase will be back-stopped by Highbridge, but will be offered to all secured and unsecured creditors pro rata their ordinary equity ownership immediately prior to the Capital Increase (assuming certain investor qualification criteria are met).

3. Extended debt maturities and no financial maintenance covenants

The New Super Senior Notes and New Senior Notes debt financing will have maturities of five years less one month and five years respectively, giving the Company an extended runway to deliver its strategic plan. Neither debt instrument will have financial maintenance covenants, providing additional financial stability to the Company in the medium term.

4. Tried and tested implementation route

The Joint Agreement will be implemented by way of two parallel schemes of arrangement under the UK Companies Act 2006 (one scheme in respect of the senior secured creditors and one scheme in respect of the senior unsecured creditors). The transaction is subject to customary regulatory approvals and is expected to complete before the end of March 2015.

The transaction will not affect any of the operating subsidiaries of the Group, all of which will continue to trade in the ordinary course. The transaction only affects holding companies in, and provides additional liquidity resources for, the Group.

5. Strong committed shareholder support

Funds or accounts managed or advised by Highbridge, KKR and Sankaty Advisors have together fully underwritten both the SUN Capital Contribution and the Capital Increase which represents a total commitment of £300 million of fresh capital. Highbridge will become the largest shareholder of the Group and, depending on the participation by other creditors in the SUN Capital Contribution and the Capital Increase, may become the majority owner.

The majority shareholders have substantial experience in the insurance sector including KKR's current and previous investments in industry leaders such as Willis Group and Alliant Insurance Services, Highbridge's joint ownership in Watford Re alongside Arch Capital Group, a pre-eminent global insurer and reinsurer, and Sankaty Advisors' provision of financing solutions to support the growth of a number of middle market insurance brokers in the United States.

5. Consensual agreement between senior creditor groups

The Joint Agreement is the result of the discussions held between Towergate and its senior secured and senior unsecured creditors to determine ways in which the senior unsecured creditors could participate in the restructuring proposal announced on 2 February 2015. A consensual agreement facilitates the participation of another important stakeholder group in the restructuring and will help to expedite implementation of the transaction.

Appendix

Additional terms of the restructuring*

Subject to the completion of the schemes of arrangement and other approvals, the transaction will involve secured creditors exchanging their existing secured debt for new debt securities, cash and equity. In consideration for each pound (£) of existing secured debt principal**, senior secured creditors will receive:

- 59p of new senior secured guaranteed debt securities ("New Senior Notes"),
- 35p of cash,
- 6p in ordinary equity, and
- The right to pro rata participation in the New Super Senior Notes and the Capital Increase, assuming certain investor qualification criteria are met.

Senior secured creditors will be issued ordinary equity in respect of accrued interest up to £20 million and amounts exceeding £20 million will be paid in cash on completion by the Company (for the avoidance of doubt, Senior Secured Creditors will receive consideration for 100% of their par plus accrued interest claim at completion).

Subject to the completion of the schemes of arrangement and other approvals, each unsecured creditor will receive the right to pro rata participation in the SUN Capital Contribution and Capital Increase (assuming certain investor qualification criteria are met). Non-participating unsecured creditors will receive some equity in a special-purpose vehicle controlled by the unsecured creditors (assuming certain investor qualification criteria are met).

The Joint Agreement envisages that the interest coupons due in February 2015 on existing debt (both senior secured and senior unsecured) will not be paid. The key terms of the new securities to be issued to secured creditors under the Joint Agreement are summarised below:

New Super Senior Notes

The New Super Senior Notes will have a face value of £75 million and will be issued in full on closing at a 4% Original Issuer Discount. They will mature in February 2020 and pay annual cash interest of Libor + 7.5%, with a 1% Libor floor. The proceeds will be available to the Group for working capital, capital expenditure and general corporate purposes including the payment of transaction-related costs.

The New Super Senior Notes will be subject to customary high yield covenants related to incurrence of indebtedness, payment of dividends, sale of assets, entry into affiliate transactions and other customary limitations.

New Senior Secured Notes

The New Senior Secured Notes will be issued in exchange for all of the existing senior secured debt and will have a face value of £425 million. They will mature in March 2020 and pay a cash coupon of 8.75% per annum. This reduction in debt will represent a c.45% saving to the Company's current annual senior debt interest expense, making available more free cash flow to be reinvested in the Group.

The New Senior Notes will be subject to customary high yield covenants related to incurrence of indebtedness, payment of dividends, sale of assets, entry into affiliate transactions and other customary limitations.

* *For more information, the form of the Joint Agreement and term sheets relating to the proposed transaction will be made available on the Company's website*

** *Calculation based on principal outstanding, excludes accrued interest*

For press enquiries, please contact:

FTI Consulting

Andrew Walton / Edward Berry
Telephone: +44 (0)20 3727 1514 / 1046
Email: andrew.walton@fticonsulting.com
edward.berry@fticonsulting.com

For bondholder enquiries, please contact:

DF King

Katerina Papamichael / Damian Watkin
Telephone: +44 (0)20 7920 6910 / 6904
Email: towergate@dfkingltd.com

Notes to Editors:

Launched in 1997, Towergate is the UK's largest independently owned insurance intermediary, generating more than £3 billion of pro forma gross written premiums across its companies and employing over 5,000 people across more than 100 UK offices.

Towergate is an important distribution channel for a significant range of insurance products and a key strategic partner for the UK's largest insurers.

Towergate's scale, customer insight and distribution relationships make it a unique business and a leader in the markets in which it operates. Its combination of distribution and underwriting gives it unparalleled consumer data and market insight.

Towergate operates across five core divisions:

- **Insurance Brokers** – Towergate Insurance Brokers distributes specialised personal lines and products, and more general products aimed at SMEs through around 90 broking offices located across the United Kingdom
- **Underwriting** – Towergate's underwriting division is the UK's largest MGA, providing specialist insurance products for brokers, without taking the ultimate capital risk. The MGA has over £750 million GWP under management
- **Direct** – Towergate Direct sells specialist Personal Lines and SME products primarily through telephony and digital distribution channels
- **Paymentshield** – Paymentshield is the leading provider of insurance products to mortgage brokers
- **Network** – Broker Network represents the largest Network for insurance brokers in the UK. The brand remains the leading proposition in the market in terms of size and breadth of service with 600 Members

About Highbridge Principal Strategies
Highbridge Principal Strategies ("HPS") is a global private investment firm that invests across the capital structure in the public and private capital markets. HPS' diversified investment platform includes investments in private equity, mezzanine debt, senior secured leveraged loans, high yield bonds and structured credit products with approximately $24 billion of assets under management. HPS has offices in London, New York, Chicago, Houston and Toronto. HPS is SEC-registered and authorized and regulated by the Financial Conduct Authority.

About KKR
KKR is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside its partners' capital and brings opportunities to others through its capital markets business. References to KKR's investments may include the activities of its sponsored funds. For additional information about KKR & Co. L.P. (NYSE:KKR), please visit KKR's website at www.kkr.com.

About Sankaty Advisors
Sankaty Advisors is the independently-managed credit affiliate of Bain Capital, LLC. Founded in 1998 and now managing more than $24 billion of assets, Sankaty has an integrated team of 200 people that enables the firm to invest up and down the capital structure, and to conduct rigorous, independent analysis of thousands of corporate issuers. Sankaty invests in a wide variety of securities and investments globally, including leveraged loans, high-yield bonds, special situations, and equities. An employee-owned private partnership, the firm has offices in Boston, New York, Chicago, London, Luxembourg, Melbourne and Hong Kong. Sankaty Advisors, LLC is registered with the Securities and Exchange Commission and Sankaty Advisors, Ltd., is authorised and regulated by the Financial Conduct Authority.

Presentation of financial and other information

This press release also contains statements that are, or may be deemed to be, forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words ‘‘aims’’, ‘‘believes’’, ‘‘estimates’’, ‘‘anticipates’’, ‘‘expects’’, ‘‘intends’’, ‘‘may’’, ‘‘will’’, ‘‘plans’’, ‘‘predicts’’, ‘‘assumes’’, ‘‘shall’’, ‘‘continue’’ or ‘‘should’’ or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. Many factors may cause the Company’s results of operations, financial condition, liquidity and the development of the industries in which it operates to differ materially from those expressed or implied by the forward-looking statements contained in this press release. These factors include among others:

- the impact of current economic conditions on the Company’s results of operations and financial condition;
- volatility or declines in the premiums on which the Company and its subsidiaries’ business commissions are based and declines in commission rates;
- dependence on insurance companies providing the Company and its subsidiaries underwriting capacity and on third-party brokers, mortgage intermediaries and networks of mortgage intermediaries to distribute its products;
- the impact of any adverse changes to relationships with brokers and mortgage intermediaries;
- the impact of competition;
- exposure to potential regulatory sanctions and fines;
- the unpredictable nature of profit commissions;
- legislative, taxation and regulatory changes, inquiries or enforcement actions, affecting the Company’s ability to operate or the profit generated from business activities;
- exposure to potential liabilities arising from errors and omissions claims against the Company and its subsidiaries;
- the impact of acting outside the scope of delegated authority from insurance companies;
- interruption or loss of information processing systems or failure to maintain secure information systems and technological changes;
- risks relating to the Company’s acquisition strategy;
- risks of increased competition from consolidators limiting potential growth opportunities;
- ability to retain senior management and underwriters, account executives, sales personnel and other client-facing employees;
- ability to gain technological expertise and apply technology effectively;
- the risk that the Company may have to write down the value of its goodwill;
- the interests of shareholders;
- risk relating to conflicts of interest and transactions with affiliated companies;
- substantial indebtedness;
- fluctuations in interest and foreign exchange rates; and
- financial covenants.

The risks described above are not exhaustive. New risks can emerge from time to time, and it is not possible to predict all such risks, nor can the Company assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, there should be no reliance on forward-looking statements as a prediction of actual results. Any forward-looking statements are only made as of the date of this press release, and the Company does not intend, and does not assume any obligation, to update forward-looking statements set forth in this press release. All subsequent written or oral forward-looking statements attributable to the Company or to persons acting on its behalf should be interpreted as being qualified by the cautionary statements in this press release. As a result, undue reliance on these forward-looking statements should not be placed.

No offer; important information

This press release does not constitute an offer to acquire or sell or a solicitation of an offer to sell or purchase any securities in any jurisdiction. In particular, this press release does not constitute an offer, solicitation or sale in the United States or any state or jurisdiction in which such an offer, tender offer, solicitation or sale would be unlawful. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent registration or an available exemption from registration under the United States Securities Act of 1933.

In relation to each member state of the European Economic Area (other than the United Kingdom), this press release and any offer of securities if made subsequently is directed only at persons who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC, as amended).

UK and US Tax considerations

Holders of senior secured debt are advised to consult their own tax advisors as to the UK, US federal income and any other tax consequences to them of participating in the transaction and of owning and disposing of the securities to be issued in the transaction.