

US Court Green Lights Action Filed by Krupa Global Investments over Manipulation when AmTrust Insurance Company Went Private; KGI and Arca Capital Are Claiming Tens of Millions of Dollars

Prague, April 6, 2020 – An action that was filed by Krupa Global Investments together with Arca Capital at a US court over the situation when the US AmTrust insurance company went private has received the green light. The court has now confirmed that the majority owners of AmTrust manipulated the process for taking the company private and the method of its valuation. In the action, KGI and Arca are together demanding an amount totalling USD 15-30 m.

Last year, Krupa Global Investments (KGI) reported **the completion of an investment in the US insurance company AmTrust Financial Services, Inc, which KGI successfully appreciated by tens of percentage points.** KGI held a significant shareholding totalling 2.4% and, as one of the largest minority shareholders in the company, took an activist approach over the long term and fought for a fair purchase value when it was taken private. AmTrust was withdrawn from the stock market for a price of USD 14.75 per share, but KGI regarded a fair purchase price as being in the range of USD 20-22 per share.

KGI therefore filed an action in the USA court on 26 February 2019 for damages due to a breach of fiduciary duty, and is requesting that the majority shareholders in AmTrust top up the purchase price for taking the company private in line with its real value. In this matter KGI is coordinating its approach with other minority shareholders in AmTrust and it initiated them joining the action. Together the minority shareholders could have suffered damage totalling in the higher tens of millions of dollars. Damage in this amount was caused by the company being withdrawn from the stock market for a low price in comparison with the competition, as the book value of AmTrust was fundamentally lower than in the case of the competition. The action was submitted against the companies and persons that took AmTrust private. They are its majority owners, Stone Point Capital, the Zyskind/Karfunkel family and Evergreen Parent (AmTrust's parent company).

In the last few weeks Judge Andre G. Bouchard gave the green light to the action against three members of the Karfunkel/Zyskind family and against three members of a special committee of AmTrust that approved the aforementioned transaction and should have been an independent body in the whole process. **Barry Zyskind, George Karfunkel and Lea Karfunkel are accused of manipulating the process in which the company was taken private, including financial projections and the method of valuation that the special committee used to evaluate the offer to take the company private. Three members of the four-member special committee are accused of not behaving independently and, on the contrary, of having a personal interest in the offer to take the company private being approved.** The court has now moved the proceedings to the discovery stage, where manipulation and the actions by the committee members that approved the company going private will be proved.

"The current movement in the court proceedings proves that our arguments are correct and our actions are justified. I trust in the correct completion of the court proceedings and I am convinced that thanks to our activity we will achieve a fair settlement, not only for us, but also for the other minority shareholders. In the event we prove that the actions by the majority shareholders when taking AmTrust private were unlawful and the minority shareholders suffered the damage we defined, in addition to the original appreciation of the investment, KGI and Arca Capital could obtain an amount totalling USD 15-30 m," said Pavol Krúpa, owner of KGI.

Selected foreign reports about current developments in the court proceedings:

<https://www.law360.com/articles/1247767/6-amtrust-directors-kept-in-class-suit-over-2-95b-merger>
<https://news.bloomberglaw.com/corporate-governance/amtrust-buyout-suit-gets-green-light-against-karfunkel-family>

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