

Castlewood Holdings LTD  
Form S-4/A  
December 14, 2006

**Table of Contents**

**As filed with the Securities and Exchange Commission on December 14, 2006**

**Registration No. 333-135699**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**AMENDMENT NO. 4  
to  
Form S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**CASTLEWOOD HOLDINGS LIMITED**

*(Exact name of registrant as specified in its charter)*

**Bermuda**

*(State or other jurisdiction of  
incorporation or organization)*

**6331**

*(Primary Standard Industrial  
Classification Code Number)*

**Not Applicable**

*(I.R.S. Employer  
Identification Number)*

**P.O. Box HM 2267  
Windsor Place, 3rd Floor  
18 Queen Street  
Hamilton HM JX  
Bermuda  
(441) 292-3645**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**Corporation Service Company  
80 State Street  
Albany, NY 12207-2543  
(800) 927-9800**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

***Copies to:***

**Richard J. Harris  
Chief Financial Officer  
Castlewood Holdings Limited  
P.O. Box HM 2267  
Windsor Place, 3rd Floor  
18 Queen Street  
Hamilton HM JX  
Bermuda  
(441) 292-3645**

**Robert F. Quaintance, Jr., Esq.  
Debevoise & Plimpton LLP**

**919 Third Avenue  
New York, New York 10022  
(212) 909-6000**

**John J. Oros  
President and Chief Operating  
Officer**

**The Enstar Group, Inc.  
401 Madison Avenue  
Montgomery, Alabama 36104  
(334) 834-5483**

**Robert C. Juelke, Esq.  
Drinker Biddle & Reath LLP**

**One Logan Square  
18th & Cherry Street  
Philadelphia, Pennsylvania 19103  
(215) 988-2700**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective and the satisfaction or waiver of all other conditions to the merger of a direct wholly-owned subsidiary of the registrant with and into The Enstar Group, Inc., or Enstar, pursuant to the Agreement and Plan of Merger, dated as of May 23, 2006, or the merger agreement, attached as Annex A to the proxy statement/prospectus forming part of this registration statement.

If any of the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange**

**Commission, acting pursuant to said Section 8(a), may determine.**

---

**Table of Contents**

**The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION DATED DECEMBER 14, 2006**

**THE ENSTAR GROUP, INC.  
PROXY STATEMENT  
FOR ANNUAL MEETING OF SHAREHOLDERS  
To Be Held on January 30, 2007**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

This proxy statement/prospectus is being furnished to the shareholders of The Enstar Group, Inc., or Enstar, in connection with the solicitation of proxies by the board of directors of Enstar for use at the Annual Meeting of Shareholders to be held on January 30, 2007, or the Annual Meeting, at Flowers Hall, Huntingdon College, at 1500 East Fairview Avenue, Montgomery, Alabama 36106, at 9:00 a.m., local time, and at any adjournment thereof.

Enstar and Castlewood Holdings Limited, or Castlewood, a partially-owned affiliate of Enstar engaged in the acquisition and management of insurance and reinsurance companies in run-off and the provision of management, consultancy and other services to the insurance and reinsurance industry, have agreed on a merger transaction involving the two companies. If the merger agreement and the transactions contemplated by the merger agreement are approved and the merger is consummated:

each share of Enstar common stock will be exchanged for one ordinary share of Castlewood;

Enstar will be a wholly-owned subsidiary of Castlewood;

Castlewood, which will be renamed Enstar Group Limited and which we sometimes refer to in this proxy statement/prospectus as New Enstar, will be a publicly-traded company;

Enstar shareholders as of the applicable record date will receive a \$3.00 per share cash dividend on their Enstar common stock, which will be paid immediately prior to the merger; and

current shareholders of Enstar will own approximately 48.7% of New Enstar's issued ordinary shares, and current Castlewood shareholders, other than Enstar, will own the remaining approximately 51.3% of New Enstar's issued ordinary shares.

Castlewood has applied to have the New Enstar ordinary shares listed on the NASDAQ Global Select Market under the ticker symbol ESGR.

After careful consideration, Enstar's board of directors, including all its independent directors, has determined that the merger agreement and the transactions contemplated by the merger agreement are fair and in the best interest of Enstar and its shareholders. In addition, Enstar's board of directors, with all of Enstar's directors present and voting, has

unanimously approved the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that you vote for the approval of the merger agreement and the transactions contemplated by the merger agreement. Some of Enstar's directors and executive officers have interests in the merger and relationships that are different from, or in addition to, yours. These interests and relationships are discussed in "Interests of Certain Persons in the Merger" beginning on page 60 and "Certain Relationships and Related Transactions" beginning on page 182 of the enclosed proxy statement/prospectus. In order to consummate the merger, Enstar's shareholders must approve the merger agreement and the transactions contemplated by the merger agreement.

As of December 12, 2006, Enstar's directors and executive officers owned 1,904,763 shares of Enstar common stock, representing approximately 33.2% of the voting power of Enstar common stock on that date. Three of those directors, who owned Enstar common stock representing 30.1% of the voting power on that date, have entered into a support agreement with Castlewood pursuant to which such directors have agreed to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement. All other Enstar directors and officers have also indicated that they intend to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement.

---

**Table of Contents**

Enstar's annual meeting, at which shareholders were to elect directors and ratify the appointment of Enstar's independent registered public accounting firm, was originally scheduled for June 2, 2006. On May 21, 2006, Enstar's board of directors voted to postpone the June 2, 2006 annual meeting so that the merger transaction could be described to Enstar shareholders and voted on by them at the same meeting. This proxy statement/prospectus describes the merger transaction.

Enstar's board of directors also recommends that you vote for T. Whit Armstrong and T. Wayne Davis to hold office as directors of Enstar until the 2009 annual meeting of shareholders of Enstar, or until their successors are duly elected and qualified, and to vote for the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006. If the merger is consummated, New Enstar, as the sole shareholder of Enstar, will be able to determine the composition of the board of directors of Enstar and select the independent auditors of Enstar in the future.

All shareholders of Enstar are invited to attend the Annual Meeting. **Your participation at the Annual Meeting, in person or by proxy, is very important.** Even if you only own a few shares, we want your shares to be represented at the Annual Meeting. The merger cannot be consummated without the approval of the holders of a majority of the outstanding voting power of the common stock of Enstar.

The affirmative vote of a plurality of the shares of Enstar common stock present in person or by proxy at the Annual Meeting and entitled to vote is required to elect directors. The affirmative vote of the majority of the shares of Enstar common stock represented at the Annual Meeting and entitled to vote on the subject matter is required with respect to the ratification of the appointment of Deloitte & Touche LLP as Enstar's independent registered public accounting firm and the approval of any other matter that may properly come before the Annual Meeting.

Whether or not you plan to attend the Annual Meeting, please take the time to vote by completing, signing, dating and returning the enclosed proxy card in the enclosed postage-prepaid envelope. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote for approval of the merger agreement and the transactions contemplated by the merger agreement, for the election of T. Whit Armstrong and T. Wayne Davis as directors and for the ratification of the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006. If you fail to return your card, the effect will be a vote against the merger. Each proxy is revocable and will not affect your right to vote in person in the event you attend the Annual Meeting.

This document is a prospectus of Castlewood relating to the issuance of its ordinary shares in connection with the merger and a proxy statement for Enstar to use in soliciting proxies for its Annual Meeting. It contains answers to frequently asked questions beginning on page Q-1 and a summary description of the merger beginning on page 1, followed by a more detailed discussion of the merger and related matters. **You should also consider the matters discussed under RISK FACTORS commencing on page 21 of the enclosed proxy statement/prospectus.** We urge you to review the entire document carefully.

Nimrod T. Frazer  
Chairman of the Board and Chief Executive Officer  
The Enstar Group, Inc.

**None of the Securities and Exchange Commission, any state securities regulators, the Registrar of Companies in Bermuda or the Bermuda Monetary Authority has approved or disapproved of these securities or passed on the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

**This proxy statement/prospectus is dated December 14, 2006, and is first being mailed to shareholders on or about December 19, 2006.**

---



**Table of Contents**

**THE ENSTAR GROUP, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held on January 30, 2007**

To the Shareholders of The Enstar Group, Inc.:

The Annual Meeting of Shareholders of The Enstar Group, Inc., or Enstar, will be held on January 30, 2007 at Flowers Hall, Huntingdon College, at 1500 East Fairview Avenue, Montgomery, Alabama 36106, at 9:00 a.m., local time, for the following purposes:

- (i) to consider and vote upon a proposal to approve the Agreement and Plan of Merger, or merger agreement, dated as of May 23, 2006, by and among Castlewood Holdings Limited, CWMS Subsidiary Corp. and Enstar, and the transactions contemplated by the merger agreement;
- (ii) to elect two directors for three-year terms expiring at the annual meeting of shareholders in 2009 or until their successors are duly elected and qualified;
- (iii) to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar to serve for 2006; and
- (iv) to transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Enstar will not be able to consummate the merger unless its shareholders approve the merger agreement and the transactions contemplated by the merger agreement.

The board of directors of Enstar has fixed the close of business on December 12, 2006 as the record date for the determination of shareholders entitled to receive notice of, and to vote at, the Annual Meeting and any adjournment thereof. A list of shareholders as of the record date will be open for examination during the Annual Meeting.

The board of directors of Enstar, with all of Enstar's directors present and voting, has unanimously approved the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that the shareholders of Enstar vote for the approval of the merger agreement and the transactions contemplated by the merger agreement. The board of directors of Enstar also recommends that you vote for T. Whit Armstrong and T. Wayne Davis to hold office until the 2009 annual meeting of shareholders, or until their successors are duly elected and qualified, and that you vote for the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006.

Your attention is directed to the proxy statement/prospectus submitted with this notice. This notice is being given at the direction of the board of directors of Enstar.

By Order of the Board of Directors

Cheryl D. Davis  
Chief Financial Officer, Vice-President of  
Corporate Taxes and Secretary

Montgomery, Alabama  
December 14, 2006

**WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE. IF YOU ATTEND THE MEETING, YOU MAY REVOKE THE PROXY AND VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY.**

---

**Table of Contents**

**Table of Contents**

	<b>Page</b>
<b><u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE ANNUAL MEETING</u></b>	<b>Q-1</b>
<b><u>SUMMARY</u></b>	<b>1</b>
<u>The Companies</u>	1
<u>The Proposed Merger</u>	2
<u>Recommendation of Enstar's Board of Directors Relating to the Merger</u>	4
<u>Interests of Certain Persons in the Merger</u>	4
<u>Reasons for the Merger</u>	6
<u>What Enstar Shareholders Will Receive in the Merger</u>	7
<u>The Enstar Dividend</u>	7
<u>Treatment of Enstar Stock Options and Restricted Stock Units</u>	7
<u>Ownership of New Enstar after the Merger</u>	7
<u>Listing of New Enstar Ordinary Shares</u>	8
<u>Effects of the Merger on the Rights of Enstar Shareholders</u>	8
<u>Risk Factors</u>	9
<u>Conditions to the Consummation of the Merger</u>	9
<u>Termination of Merger Agreement</u>	10
<u>Support Agreement</u>	11
<u>Recapitalization Agreement</u>	11
<u>Other Related Agreements</u>	11
<u>Regulatory Approvals</u>	12
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	12
<u>Accounting Treatment of the Merger</u>	12
<u>No Dissenters' Rights</u>	12
<u>Information about the Enstar Annual Meeting and Voting</u>	13
<u>Enstar Shareholder Votes Required</u>	13
<u>Recent Developments</u>	13
<b><u>SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA</u></b>	<b>15</b>
<u>Castlewood Summary Historical Financial Data</u>	15
<u>Enstar Summary Historical Financial Data</u>	17
<u>Summary Unaudited Pro Forma Condensed Combined Financial Data</u>	18
<u>Comparative Per Share Information</u>	19
<u>Per Share Market Price Information</u>	19
<u>Dividend Information</u>	20
<b><u>RISK FACTORS</u></b>	<b>21</b>
<u>Risks Relating to the Merger</u>	21
<u>Risks Relating to New Enstar's Business</u>	22
<u>Risks Relating to Ownership of New Enstar Ordinary Shares</u>	29
<u>Risks Relating to Taxation</u>	32
<b><u>FORWARD-LOOKING STATEMENTS</u></b>	<b>35</b>
<b><u>INFORMATION ABOUT THE ANNUAL MEETING AND VOTING</u></b>	<b>37</b>
<u>General</u>	37
<u>Record Date</u>	37
<u>Voting and Proxies</u>	37



**Table of Contents**

	<b>Page</b>
<u>Expenses of Solicitation</u>	38
<u>Approval of the Merger Agreement and the Transactions Contemplated by the Merger Agreement</u>	38
<u>Election of Enstar Directors</u>	39
<u>Ratification of Appointment of the Independent Registered Public Accounting Firm of Enstar</u>	42
<b><u>THE PROPOSED MERGER</u></b>	44
<u>General</u>	44
<u>Enstar Proposal</u>	44
<u>Background of the Merger</u>	44
<u>Enstar's Reasons for the Merger</u>	51
<u>Recommendation of the Board of Directors of Enstar</u>	53
<u>Castlewood's Reasons for the Merger</u>	54
<u>Accounting Treatment</u>	55
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	55
<u>Regulatory Matters Relating to the Merger</u>	57
<u>Rights Agreement</u>	58
<u>Federal Securities Laws Consequences: Stock Transfer Restriction Agreements</u>	58
<u>Stock Exchange Listing: Delisting and Deregistration of Enstar Common Stock</u>	59
<b><u>INTERESTS OF CERTAIN PERSONS IN THE MERGER</u></b>	60
<u>New Employment Agreements with John J. Oros, Paul J. O. Shea, Nicholas A. Packer and Dominic F. Silvester</u>	60
<u>Enstar Director and Executive Benefit Plan</u>	60
<u>Payments to, and Other Interests of, Certain Executive Officers and Directors</u>	60
<u>New Enstar Board of Directors</u>	61
<u>Indemnification of Directors and Officers: Directors Indemnity Agreements</u>	61
<u>Tax Indemnification Agreement</u>	62
<b><u>THE MERGER AGREEMENT</u></b>	63
<u>General</u>	63
<u>Closing Matters</u>	63
<u>Merger Consideration: Treatment of Stock Options and Restricted Stock Units; Board and Management</u>	63
<u>Exchange of Stock in the Merger</u>	64
<u>Listing of New Enstar Ordinary Shares</u>	64
<u>Covenants</u>	65
<u>Other Covenants and Agreements</u>	67
<u>Representations and Warranties</u>	67
<u>Conditions to the Consummation of the Merger</u>	68
<u>Termination of Merger Agreement</u>	70
<u>Amendments, Extensions and Waivers</u>	71
<b><u>MATERIAL TERMS OF RELATED AGREEMENTS</u></b>	72
<u>Recapitalization Agreement</u>	72
<u>Support Agreement</u>	76
<u>Registration Rights Agreement</u>	77
<u>No Transfers Letter Agreement</u>	80
<u>Repurchase of Shares Letter Agreement</u>	80

**Table of Contents**

	<b>Page</b>
<u>INFORMATION ABOUT CASTLEWOOD</u>	81
<u>Business</u>	81
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	119
<u>Quantitative and Qualitative Information about Market Risk</u>	156
<u>INFORMATION ABOUT ENSTAR</u>	158
<u>Enstar Executive Officers</u>	158
<u>Executive Compensation – Enstar Executive Officers</u>	159
<u>Report of Enstar Compensation Committee</u>	160
<u>Enstar Audit Committee Report</u>	162
<u>Enstar Stock Performance Graph</u>	164
<u>Other Matters Related to Enstar</u>	165
<u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u>	166
<u>Enstar Group Limited Pro Forma Condensed Combined Balance Sheet as of September 30, 2006</u>	167
<u>Enstar Group Limited Pro Forma Condensed Combined Income Statement for the Year Ended December 31, 2005</u>	168
<u>Enstar Group Limited Pro Forma Condensed Combined Income Statement for the Nine Month Period Ended September 30, 2006</u>	169
<u>Notes to Pro Forma Condensed Combined Financial Statements (Unaudited)</u>	170
<u>MANAGEMENT OF NEW ENSTAR FOLLOWING THE MERGER AND OTHER INFORMATION</u>	177
<u>Directors and Executive Officers of New Enstar</u>	177
<u>Compensation of Directors</u>	179
<u>Board Committees</u>	179
<u>Employment Agreements</u>	180
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	182
<u>Castlewood</u>	182
<u>Enstar</u>	184
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	186
<u>Security Ownership of Certain Beneficial Owners and Management of Castlewood</u>	186
<u>Security Ownership of Certain Beneficial Owners and Management of Enstar</u>	188
<u>Security Ownership of Certain Beneficial Owners and Management of New Enstar</u>	189
<u>PRICE RANGE OF COMMON STOCK AND DIVIDENDS</u>	192
<u>Castlewood</u>	192
<u>Enstar</u>	192
<u>New Enstar</u>	193
<u>COMPARISON OF SHAREHOLDER RIGHTS</u>	194
<u>DESCRIPTION OF NEW ENSTAR'S SHARE CAPITAL</u>	209
<u>Overview</u>	209
<u>Ordinary Shares</u>	209
<u>Non-Voting Convertible Ordinary Shares</u>	209
<u>Preference Shares</u>	210
<u>Change of Control and Related Provisions of New Enstar's Memorandum of Association and Bye-Laws</u>	210
<u>Limitation on Voting Power of Shares</u>	210
<u>Restrictions on Transfer</u>	211
<u>Unissued Shares</u>	211



**Table of Contents**

	<b>Page</b>
<u>Classified Board of Directors, Vacancies and Removal of Directors</u>	212
<u>Limitation of Liability of Directors</u>	212
<u>Other Bye-Law Provisions</u>	213
<u>Differences in Corporate Law</u>	213
<u>Registration Rights Agreement</u>	218
<u>Listing</u>	218
<u>Exchange Agent and Registrar</u>	218
<b><u>MATERIAL TAX CONSIDERATIONS OF HOLDING AND DISPOSING OF NEW ENSTAR ORDINARY SHARES</u></b>	
<u>Taxation of New Enstar and Subsidiaries</u>	219
<u>Taxation of Shareholders</u>	223
<b><u>LEGAL MATTERS</u></b>	229
<b><u>EXPERTS</u></b>	229
<b><u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	230
<b><u>FUTURE SHAREHOLDER PROPOSALS</u></b>	230
<b><u>WHERE YOU CAN FIND MORE INFORMATION</u></b>	231
<b><u>GLOSSARY OF SELECTED INSURANCE AND REINSURANCE TERMS</u></b>	G-1
<b><u>INDEX TO FINANCIAL STATEMENTS AND SCHEDULES</u></b>	F -1
<b>ANNEXES</b>	
Annex A Agreement and Plan of Merger	
Annex B Support Agreement	
Annex C Recapitalization Agreement	
<u>OPINION OF DEBEVOISE &amp; PLIMPTON LLP</u>	
<u>OPINION OF DRINKER BIDDLE &amp; REATH LLP</u>	
<u>DELOITTE &amp; TOUCHE LETTER REGARDING CASTLEWOOD</u>	
<u>DELOITTE &amp; TOUCHE LLP LETTER REGARDING ENSTAR</u>	
<u>CONSENT OF DELOITTE &amp; TOUCHE</u>	
<u>CONSENT OF DELOITTE &amp; TOUCHE LLP</u>	
<u>Consent of Deloitte &amp; Touche (for B.H. Acquisition Ltd.)</u>	
<u>Consent of Ernst &amp; Young</u>	

**NOTE ON REFERENCES TO ADDITIONAL INFORMATION**

THIS PROXY STATEMENT/PROSPECTUS INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT THE ENSTAR GROUP, INC. THAT MAY NOT BE INCLUDED IN OR DELIVERED WITH THIS DOCUMENT. THIS INFORMATION IS AVAILABLE WITHOUT CHARGE TO SHAREHOLDERS OF ENSTAR AT A WEBSITE MAINTAINED BY THE SECURITIES AND EXCHANGE COMMISSION AT [HTTP://WWW.SEC.GOV](http://www.sec.gov), AS WELL AS UPON WRITTEN OR ORAL REQUEST TO:

THE ENSTAR GROUP, INC.  
 CORPORATE SECRETARY  
 401 MADISON AVENUE  
 MONTGOMERY, ALABAMA 36104  
 (334) 834-5483

IF YOU WOULD LIKE TO REQUEST DOCUMENTS, PLEASE DO SO BY JANUARY 12, 2007 IN ORDER TO RECEIVE THEM BEFORE THE ANNUAL MEETING.





**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE ANNUAL MEETING**

The following are some questions that you, as a shareholder of The Enstar Group, Inc., or Enstar, may have regarding the merger and the other matters being considered at the Annual Meeting of Enstar's shareholders and the answers to those questions. You are urged to read carefully the remainder of this proxy statement/prospectus because information in this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the Annual Meeting. Additional important information is contained in the remainder of this proxy statement/prospectus, the annexes to this proxy statement/prospectus and the documents referred to or incorporated by reference in this proxy statement/prospectus.

**Q: When is the Annual Meeting?**

**A:** Enstar's Annual Meeting of shareholders will take place on January 30, 2007, at 9:00 a.m., local time, at Flowers Hall, Huntingdon College, at 1500 East Fairview Avenue, Montgomery, Alabama 36106.

**Q: What am I being asked to vote upon?**

**A:** You are being asked to approve the merger agreement entered into among Enstar, Castlewood Holdings Limited, or Castlewood, and CWMS Subsidiary Corp. and the transactions contemplated by that agreement. Castlewood, after the merger, is sometimes referred to in this proxy statement/prospectus as New Enstar. You are also being asked to vote for T. Whit Armstrong and T. Wayne Davis to hold office as directors of Enstar until the 2009 annual meeting of shareholders of Enstar, or until their successors are duly elected and qualified, and to vote for the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006. If the merger is consummated, the composition of the board of directors of New Enstar will be different from the current composition of Enstar's board of directors. Following the merger, New Enstar's board of directors will consist of ten members. Four of these individuals—Messrs. T. Whit Armstrong, Paul J. Collins, Gregory L. Curl and T. Wayne Davis—are current directors of Enstar, three of these individuals—Messrs. J. Christopher Flowers, Nimrod T. Frazer and John J. Oros—are current directors of both Enstar and Castlewood, and the other three individuals—Messrs. Nicholas A. Packer, Paul J. O'Shea and Dominic F. Silvester—are current directors and/or executive officers of Castlewood. In addition, New Enstar, as the sole shareholder of Enstar following the merger, will be able to determine the composition of Enstar's board of directors and select the independent auditors of Enstar after the merger.

**Q: Does the Enstar board of directors support the merger?**

**A:** Yes. The Enstar board of directors, including all of its independent directors, has determined that the merger agreement and the transactions contemplated by the merger agreement are fair and in the best interests of Enstar and its shareholders and that the merger agreement is advisable. In addition, the Enstar board of directors, with all of Enstar's directors present and voting, has unanimously approved the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that the Enstar shareholders vote FOR the approval of the merger agreement and the transactions contemplated by the merger agreement. Some of Enstar's directors and executive officers have interests in the merger and relationships that are different from, or in addition to, yours. See *Interests of Certain Persons in the Merger* beginning on page 60 and *Certain Relationships and Related Transactions* beginning on page 182.

**Q: Will I be able to trade New Enstar ordinary shares that I receive in connection with the merger?**

**A:** Yes. The New Enstar ordinary shares issued in connection with the merger will be freely tradeable, unless you are an affiliate of Enstar. Generally, persons who are deemed to be affiliates of Enstar must comply with Rule 145 under the U.S. Securities Act of 1933, as amended, if they wish to sell or otherwise transfer any of the New Enstar ordinary shares received in connection with the merger. You will be notified if you are an affiliate of Enstar.

**Q: Can I dissent and require appraisal of my shares of Enstar common stock?**

**A:** No. Enstar shareholders have no dissenters' rights under Georgia law in connection with the merger.

Q-1

---

**Table of Contents**

**Q: When should I send in my Enstar share certificates?**

**A:** After the merger is consummated, the exchange agent for the merger will send written instructions to Enstar shareholders that explain how to exchange Enstar share certificates for New Enstar share certificates. The exchange agent will also send a letter of transmittal that must be executed by Enstar shareholders in order to obtain New Enstar share certificates. Please do not send in any share certificates until you receive these written instructions and the letter of transmittal.

**Q: What will happen at the Annual Meeting?**

**A:** At the Annual Meeting, holders of Enstar common stock will vote on whether to approve the merger agreement and the transactions contemplated by the merger agreement. Approval of the merger agreement and the transactions contemplated by the merger agreement requires the affirmative vote of the holders of a majority of the outstanding voting power of Enstar's common stock on December 12, 2006, or the Record Date.

As of the Record Date, Enstar's directors and executive officers owned 1,904,763 shares of Enstar common stock, representing approximately 33.2% of the voting power of Enstar common stock on that date. Three of those directors, who owned Enstar common stock representing 30.1% of the voting power on that date, have entered into a support agreement with Castlewood pursuant to which such directors have agreed to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement. All other Enstar directors and officers have also indicated that they intend to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement. For a more detailed description of the support agreement, see Material Terms of Related Agreements Support Agreement beginning on page 76.

The holders of Enstar common stock will also vote at the Annual Meeting on the election of T. Whit Armstrong and T. Wayne Davis to hold office as directors of Enstar until the 2009 annual meeting of Enstar's shareholders, or until their successors are duly elected and qualified, and on the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006.

**Q: What do I need to do to vote?**

**A:** Mail your signed and dated proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the Annual Meeting. In order to assure that Enstar obtains your vote, please follow the voting instructions on your proxy card even if you currently plan to attend the Annual Meeting in person. The Enstar board of directors recommends that Enstar's shareholders vote FOR the approval of the merger agreement and the transactions contemplated by the merger agreement. The Enstar board also recommends that Enstar's shareholders vote FOR T. Whit Armstrong and T. Wayne Davis to hold office as directors until the 2009 annual meeting of Enstar's shareholders, or until their successors are duly elected and qualified, and that Enstar's shareholders vote FOR the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006.

**Q: How do I vote my shares of Enstar common stock if they are held in the name of a bank, broker or other fiduciary?**

**A:** Your bank, broker or other fiduciary will vote your shares of Enstar common stock with respect to the merger agreement and the transactions contemplated by the merger agreement only if you provide written instructions to them on how to vote, so it is important that you provide them with instructions. Your bank, broker or other fiduciary has the discretion to vote your shares of Enstar common stock in favor of the election of

Edgar Filing: Castlewood Holdings LTD - Form S-4/A

T. Whit Armstrong and T. Wayne Davis as directors and the ratification of the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006. If you wish to vote in person at the Annual Meeting and hold your shares of Enstar common stock in the name of a bank, broker or other fiduciary, you must contact your bank, broker or other fiduciary and request a legal proxy. You must bring this legal proxy to the Annual Meeting in order to vote in person.

Q-2

---

**Table of Contents**

**Q: May I change my vote even after returning a proxy card?**

**A:** Yes. If you are a record holder, you can change your vote by:

completing, signing and dating a new proxy card and returning it by mail so that it is received before the Annual Meeting;

sending a written notice to Enstar's Secretary that is received before the Annual Meeting stating that you revoke your proxy; or

attending the Annual Meeting and voting in person or by legal proxy.

If your shares of Enstar common stock are held in the name of a bank, broker or other fiduciary and you have directed such person(s) to vote your shares of Enstar common stock, you should instruct such person(s) to change your vote or obtain a legal proxy to do so yourself.

**Q: What if I do not vote, abstain from voting or do not instruct my broker to vote my shares of Enstar common stock?**

**A:** If you do not vote your shares, it will have the same effect as a vote against the merger agreement and the transactions contemplated by the merger agreement, but will not affect the outcome of the voting on any other matter presented to Enstar's shareholders at the Annual Meeting assuming that a quorum for the transaction of business at the Annual Meeting has been achieved.

If you return your proxy card, but mark it that you wish to **ABSTAIN** from the vote on the proposal to approve the merger agreement and the transactions contemplated by the merger agreement it will also have the same effect as a vote against the merger agreement and the transactions contemplated by the merger agreement. Similarly, if you mark your proxy card **ABSTAIN** on the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006, it will have the same effect as a vote against that proposal. If you **ABSTAIN** on these proposals, your shares will still be counted for purposes of determining the presence of a quorum for the transaction of business at the Annual Meeting.

Broker non-votes are proxies from brokers or nominees indicating that those persons have not received instructions from the beneficial owners of the shares as to certain proposals on which the beneficial owners are entitled to vote, but with respect to which the brokers or nominees have no discretionary power to vote without instructions. Broker non-votes will be counted for purposes of determining the presence of a quorum for the transaction of business at the Annual Meeting but will not be counted for purposes of determining the number of votes cast with respect to the particular proposal on which the broker has expressly not voted. Consequently, if you do not instruct your broker to vote your shares, it too will have the same effect as a vote against the merger agreement and the transactions contemplated by the merger agreement. Brokers or nominees, however, can exercise their discretion to vote your shares in favor of T. Whit Armstrong and T. Wayne Davis to hold office as directors until the 2009 annual meeting of Enstar's shareholders, or until their successors are duly elected and qualified, as well as in favor of the ratification of the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006.

If you sign your proxy card but do not indicate how you want to vote, your shares of Enstar common stock will be voted **FOR** the approval of the merger agreement and the transactions contemplated by the merger agreement, **FOR** T. Whit Armstrong and T. Wayne Davis to hold office as directors until the 2009 annual meeting of Enstar's shareholders, or until their successors are duly elected and qualified, and **FOR** the proposal to ratify the

appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006.

**Q: Where can I find more information about Enstar and Castlewood?**

**A:** Business and financial information about Enstar and Castlewood is contained in this proxy statement/prospectus. You can also find more information about Enstar and Castlewood from various sources described under **Where You Can Find More Information** on page 231.

Q-3

---

**Table of Contents**

**SUMMARY**

This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. To fully understand the Agreement and Plan of Merger, or the merger agreement, dated as of May 23, 2006, among Castlewood Holdings Limited, CWMS Subsidiary Corp. and The Enstar Group, Inc. and the transactions contemplated by the merger agreement, you should carefully read this entire document and the documents to which we refer you. See **Where You Can Find More Information** on page 231. See also the **Glossary of Selected Insurance and Reinsurance Terms** beginning on page G-1 for an explanation of terms related to the insurance industry.

**The Companies (see **Information About Castlewood** on page 81 and **Information About Enstar** on page 158)**

Castlewood Holdings Limited  
P.O. Box HM 2267  
Windsor Place, 3<sup>rd</sup> Floor  
18 Queen Street  
Hamilton HM JX  
Bermuda  
(441) 292-3645

Castlewood Holdings Limited, or Castlewood, is a Bermuda company that acquires and manages insurance and reinsurance companies in run-off (insurance and reinsurance companies that have ceased underwriting new policies) and provides management, consultancy and other services to the insurance and reinsurance industry. Castlewood currently is privately owned, and its shares do not trade on any stock exchange or other quotation system. Upon completion of the merger and the other transactions contemplated by the merger agreement, Castlewood will change its name to **Enstar Group Limited** and will continue to engage in the business of acquiring and managing insurance and reinsurance companies in run-off and providing management, consultancy and other services to the insurance and reinsurance industry. Castlewood has applied to have its ordinary shares listed on the NASDAQ Global Select Market, or Nasdaq, under the symbol **ESGR**. The listing will take effect at the effective time of the merger. As of December 12, 2006, Castlewood had approximately 44 shareholders of record.

The terms **New Enstar**, **we**, **us** and **our** in this proxy statement/prospectus generally refer to Castlewood following the merger.

CWMS Subsidiary Corp.  
401 Madison Avenue  
Montgomery, Alabama 36104  
(334) 834-5483

CWMS Subsidiary Corp., or Merger Sub, is a recently-formed Georgia corporation that is a direct wholly-owned subsidiary of Castlewood. At the time of the merger, Merger Sub will have conducted no business other than in connection with the merger agreement.

The Enstar Group, Inc.  
401 Madison Avenue  
Montgomery, Alabama 36104  
(334) 834-5483



Internet address: [www.enstargroup.com](http://www.enstargroup.com)

The Enstar Group, Inc., or Enstar, is a Georgia corporation engaged in the operation of partially-owned affiliates in financial services businesses, including principally the acquisition and management, through Castlewood and another such affiliate, of insurance and reinsurance companies in run-off. Enstar's common stock trades on Nasdaq under the symbol ESGR. As of December 12, 2006, Enstar had 2,592 shareholders of record.

**Table of Contents**

Currently, Enstar owns an approximately 32.0% economic interest and 50.0% voting interest in Castlewood. Enstar's investment in Castlewood represents a very substantial portion of Enstar's business. After the merger, Enstar will be a wholly-owned subsidiary of Castlewood and will change its name to Enstar USA, Inc.

Nimrod T. Frazer, John J. Oros, Cheryl D. Davis and J. Christopher Flowers, current officers and/or directors of Enstar, serve on Castlewood's board of directors. As of December 12, 2006, certain of Castlewood's officers, directors and employees owned, directly or indirectly, a total of 115,139 shares of Enstar's common stock, including 110,239 shares of Enstar common stock owned by Dominic Silvester, Castlewood's Chief Executive Officer.

**The Proposed Merger (see page 44)**

Under the terms of the proposed merger, Merger Sub, a direct wholly-owned subsidiary of Castlewood, will merge with and into Enstar with Enstar surviving as a direct wholly-owned subsidiary of Castlewood. The merger agreement is attached as Annex A to this proxy statement/prospectus. We encourage you to read the merger agreement carefully and fully as it is the legal document that governs the merger.

The following charts depict (1) the organizational structures of Castlewood and Enstar, prior to the merger, and (2) the organizational structure of New Enstar upon consummation of the merger.

**Prior to the Merger**

\* Percentages are not calculated on a fully-diluted basis. Unless otherwise indicated, percentages reflect voting and economic interest. Inactive subsidiaries of The Enstar Group, Inc. are omitted.

**Table of Contents**

**Upon Consummation of the Merger**

- \* Percentages are not calculated on a fully-diluted basis. Unless otherwise indicated, percentages reflect voting and economic interest, except that the ownership percentages of New Enstar may, in some cases, be subject to the limitations on voting power that will be set forth in New Enstar's by-laws. Inactive subsidiaries of Enstar USA, Inc. are omitted.

**Table of Contents**

**Recommendation of Enstar's Board of Directors Relating to the Merger (see page 53)**

Enstar's board of directors, including all of its independent directors, has determined that the merger agreement and the transactions contemplated by the merger agreement are fair and in the best interests of Enstar and its shareholders and that the merger agreement is advisable. In addition, Enstar's board of directors, with all of Enstar's directors present and voting, has unanimously approved the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that Enstar shareholders vote FOR the approval of the merger agreement and the transactions contemplated by the merger agreement.

**Interests of Certain Persons in the Merger; Certain Relationships and Related Transactions (see pages 60 and 182)**

When you consider the recommendation of Enstar's board of directors that you vote in favor of approval of the merger agreement and the transactions contemplated by the merger agreement, you should be aware that Messrs. Flowers, Frazer and Oros, officers and/or directors of Enstar who also serve on Castlewood's board of directors, negotiated the terms of the merger on behalf of Enstar, and some of Enstar's directors and executive officers have interests in the merger and relationships that are different from, or in addition to, yours. These interests include:

A new employment agreement between New Enstar, Castlewood (US) Inc., a subsidiary of Castlewood, and Mr. Oros, Enstar's President and Chief Operating Officer, that will take effect at the effective time of the merger. Under the terms of Mr. Oros' employment agreement, he will be paid a salary of \$282,500 and will be entitled to participate in New Enstar's incentive compensation programs. He will also receive other employee benefits consistent with those provided to New Enstar's other executive officers. New Enstar expects that Mr. Oros will spend approximately 50% of his working time on matters related to New Enstar, but there is no minimum work commitment set forth in his employment agreement.

Accelerated vesting of 80,000 options granted to certain Enstar directors and officers pursuant to one of Enstar's equity incentive plans. Of these options, options to purchase 30,000 shares of Enstar common stock are held by Mr. Frazer, Enstar's Chief Executive Officer, and options to purchase 50,000 shares of Enstar common stock are held by Mr. Oros.

A severance payment of \$350,000 to Mr. Frazer under his existing employment agreement.

A tax indemnification by Castlewood of Mr. Flowers, a director of Enstar and its largest shareholder, pursuant to which Castlewood will reimburse and indemnify Mr. Flowers for, and hold him harmless on an after-tax basis against, any increase in Mr. Flowers' U.S. federal, state or local income tax liability (including any interest or penalties relating thereto), and reasonable attorneys' fees, incurred by Mr. Flowers as a result of certain dispositions by Enstar or New Enstar of shares or assets of Enstar, within the period beginning immediately after the effective time of the merger and ending five years after the last day of the taxable year that includes the effective time.

Registration rights expected to be granted by New Enstar to Mr. Flowers and other holders of New Enstar ordinary shares, pursuant to which Mr. Flowers and such other holders may request after the first anniversary of the merger that New Enstar effect the registration under the U.S. Securities Act of 1933, as amended, or the Securities Act, of certain of their ordinary shares of New Enstar, and registration rights expected to be granted by New Enstar to the other directors of Enstar pursuant to which they may participate in certain registration statements filed by New Enstar under the Securities Act and sell their ordinary shares of New Enstar acquired

in the merger pursuant to such registration statements.

Rights of T. Whit Armstrong and T. Wayne Davis, directors of Enstar, to each sell up to 25,000 ordinary shares of New Enstar to New Enstar.

Service of the current Enstar directors on New Enstar's board of directors following the merger.

Indemnification by New Enstar of past and present directors and officers of Enstar for losses in connection with any action arising out of or pertaining to acts or omissions, or alleged acts or omissions, by them in their capacities as such at or before the effective time of the merger.

**Table of Contents**

Payments on the first anniversary of the merger to Ms. Davis, the Chief Financial Officer, Vice President of Corporate Taxes and Secretary of Enstar, and Amy Dunaway, the Treasurer and Controller of Enstar, in an amount equal to 75% of their annual salary in consideration for their waiver of certain severance payouts to which they are entitled in connection with the merger pursuant to their severance benefits agreements with Enstar.

In addition, each of Enstar and Castlewood has entered into transactions with companies and partnerships that are affiliated with Messrs. Flowers and/or Oros, and an entity of which Mr. Flowers is a director and the largest shareholder owns a minority interest in a subsidiary of Castlewood. See Certain Relationships and Related Transactions beginning on page 182.

While Enstar does not believe that such interests and relationships adversely affected the efforts of representatives of Enstar to negotiate favorable merger terms, or the terms that were ultimately negotiated, you should take into account the possibility that such efforts or terms were adversely affected by such interests or relationships. The board of directors of Enstar considered such interests and relationships and considered whether it should appoint a special committee of independent directors to evaluate and negotiate the transactions and whether interested directors should participate in the deliberations concerning, and vote on, the proposed transactions. Enstar's board of directors concluded that it should not create a special committee and that interested directors should participate in the deliberation concerning, and vote on, the proposed transactions. Enstar's board of directors based such conclusions on its judgment that, notwithstanding such interests and relationships, Enstar and its shareholders would be better served by:

having Messrs. Flowers, Frazer and Oros assume principal responsibility for the negotiation of the merger, given their expertise, experience and familiarity with Castlewood, the relative immateriality, in the board's view, of such interests and relationships to them personally, when compared to their interests as Enstar shareholders, and that their interests as Enstar shareholders were aligned with those of the other Enstar shareholders;

having all of the Enstar directors participate in the board's deliberations concerning the merger, given the directors' expertise, experience and familiarity with Castlewood, the relative immateriality, in the board's view, of such interests and relationships to them personally, the fact that Georgia law permits interested directors to participate in deliberations so long as their interests are disclosed and the fact that, in the board's view, with disclosure, the board would be able to appropriately weigh the views expressed by interested directors and not be inappropriately influenced; and

having all of the Enstar directors vote on the merger, given the board's desire to know, and the advisability of being able to advise the shareholders of, the positions of all directors regarding the merger, the relative immateriality, in the board's view, of such interests and relationships to them personally, the fact that Georgia law permits interested directors to vote so long as their interests are disclosed, and the fact that the merger would only be approved if a majority of the disinterested directors approved the merger.

The board did determine that the merger agreement and the transactions contemplated by the merger agreement would not be approved unless they were approved by a majority of the four independent Enstar directors.

Enstar's board of directors also considered whether to retain an independent financial adviser to review the terms of the proposed transaction, but concluded that the cost of doing so outweighed the potential benefits provided. In part because of Enstar's existing investment in Castlewood, Enstar's board of directors believed that it was sufficiently familiar with Castlewood's business and, therefore, did not need assistance in analyzing the financial terms of the

transaction from a third-party that was not familiar with Castlewood's business. Further, the board believed that because Enstar's investment in Castlewood constituted a very substantial portion of Enstar's business and because the other assets that Enstar would effectively transfer to the combined company in the merger, which principally consist of cash and other investments, are relatively easy to value, the board did not need third-party assistance to evaluate the fairness of Enstar's shareholders effectively

**Table of Contents**

exchanging their interest in such other assets and their indirect interest of approximately 32.0% in Castlewood for a direct interest of approximately 48.7% in Castlewood.

You should also note that, as of December 12, 2006, Messrs. Flowers, Frazer and Oros control in the aggregate approximately 30.1% of the shares of Enstar's common stock entitled to vote on the merger agreement and the transactions contemplated by the merger agreement. Further, Enstar's shareholders are not entitled to dissenters' rights under applicable Georgia law.

**Reasons for the Merger (see page 51)**

The boards of directors of Castlewood and Enstar believe that the merger potentially will result in increased revenues and enhanced shareholder value for New Enstar. Specifically, Enstar's board of directors believes that the merger will:

Enhance the existing and proven close working relationship between Enstar and Castlewood management and further align the incentives of Castlewood management with the interests of Enstar's shareholders. Castlewood's current ownership structure consists of several classes of shares that provide different voting rights to shareholders, with Enstar directly (and the Enstar shareholders indirectly) owning approximately 32.0% of the economic interest and 50.0% of the voting interest in Castlewood. Each of Enstar, Trident II, L.P. and certain of its affiliates, or Trident, and members of Castlewood senior management who own Castlewood shares has the right, among other things, to nominate a certain number of members of Castlewood's board of directors. Major transactions are required to be approved by one or more directors representing each of Enstar, Trident and Castlewood senior management. The merger will eliminate these approval rights and is expected to better align the incentives of the management of Castlewood and Enstar by having all parties own shares with the same rights.

Provide a positive economic result for Enstar's shareholders, as a result of a one-time \$3.00 per share dividend and the opportunity for Enstar's shareholders to participate in approximately 48.7% (on an undiluted basis) of the earnings and cash flows of New Enstar. As noted above, Enstar's shareholders currently own an approximately 32.0% indirect economic interest in Castlewood. Enstar's board of directors determined that the value to Enstar's shareholders of converting their approximately 32.0% indirect economic interest in Castlewood into an approximately 48.7% direct interest in New Enstar exceeded the value of Enstar's other assets that would be effectively transferred to New Enstar by virtue of the merger.

Simplify the ownership and management structure of Castlewood, Enstar and B.H. Acquisition Ltd., or B.H. Acquisition, a company that Castlewood and Enstar partially own with an affiliate of Trident II, L.P., by forming one public company with one board of directors and a consolidated management team. In particular, the board of directors of Enstar believes the merger will:

consolidate the financial and management resources and thereby expand the capabilities of Castlewood and Enstar to pursue additional acquisitions in the insurance and reinsurance run-off business;

enhance New Enstar's access to capital as a result of both its larger asset base and simplified ownership structure;

expand the opportunities for New Enstar to deploy its capital in attractive investments; and

increase the focus of the time and energy of the directors and management of New Enstar on identifying and consummating attractive acquisitions and managing existing businesses.



The board of directors of Enstar also identified and considered potentially negative factors concerning the merger, including the following:

The costs to be incurred in connection with the merger, including customary transaction expenses and the diversion of management and employee attention during the period after the signing of the merger agreement.

The risk that the merger might not be completed or that the closing might be delayed, which could result in Enstar incurring the costs described above but not realizing the potential benefits of the merger, or in any event incurring increases in such costs.

## **Table of Contents**

The other risks described in **Risk Factors** beginning on page 21, which the Enstar board of directors took notice of generally in the course of its oversight of Enstar's business. The following risks were specifically discussed during the board's deliberations regarding the merger:

the risk that the merger will result in the holders of Enstar's common stock owning a smaller percentage of New Enstar than they currently own of Enstar, which could reduce their ability to affect changes to New Enstar's board of directors, management and policies;

the risk that regulatory agencies may delay or impose conditions on approval of the merger, which may increase the costs or diminish the anticipated benefits of the merger;

the risk that if the merger does not constitute a reorganization under section 368(a) of the U.S. Internal Revenue Code, or the Code, then Enstar shareholders may be responsible for payment of U.S. federal income taxes; and

the risk that certain of Enstar's officers and directors have interests in the merger and relationships that may have influenced their approval of the merger agreement and the transactions contemplated by the merger agreement.

After deliberation, the Enstar board of directors concluded that, on balance, the potential benefits of the transactions to the Enstar shareholders outweighed these risks and potential disadvantages.

### **What Enstar Shareholders Will Receive in the Merger**

If the merger is consummated, as an Enstar shareholder you will receive one New Enstar ordinary share in exchange for each share of Enstar common stock, including the associated rights issued under the Enstar shareholder rights plan, that you own.

### **The Enstar Dividend**

If the merger is consummated, Enstar shareholders as of the applicable record date will receive a one-time \$3.00 per share dividend on their Enstar common stock, payable immediately prior to the merger.

### **Treatment of Enstar Stock Options and Restricted Stock Units (see page 63)**

Each outstanding option to purchase shares of Enstar common stock granted under the Enstar stock plans will be assumed by New Enstar and converted into an option to purchase ordinary shares of New Enstar. The per share exercise price of each new option will be set at a ratio to the trading price of the ordinary shares of New Enstar immediately following the closing of the merger that equals the ratio of the exercise price of the corresponding Enstar stock option to the trading price of the shares of Enstar common stock immediately prior to the closing of the merger. The number of New Enstar ordinary shares underlying the new option will be set so that the aggregate spread value of the new option approximately equals the spread value of the former Enstar stock option.

Each restricted stock unit issued under Enstar's Deferred Compensation and Stock Plan for Non-employee Directors that is outstanding immediately prior to the closing of the merger will automatically convert from a right in respect of a share of Enstar common stock into a right in respect of one ordinary share of New Enstar.

### **Ownership of New Enstar after the Merger**

Immediately following the consummation of the merger, New Enstar will have approximately 11.8 million ordinary shares issued, of which current Enstar shareholders will own approximately 48.7% and current Castlewood shareholders, other than Enstar, will own the remaining approximately 51.3%. Prior to the merger, Enstar's directors and officers own approximately 33.2% of Enstar's outstanding common stock and Enstar's non-affiliated public shareholders own approximately 66.8% of Enstar's outstanding common stock. Following the merger, Enstar's directors and officers will own approximately 16.2% of New Enstar's issued ordinary shares and Enstar's current non-affiliated public shareholders will own approximately 32.5% of New Enstar's issued ordinary shares.

## **Table of Contents**

Also following the merger, directors, officers and certain employees of New Enstar (which will include individuals who are directors, officers or employees of Enstar and Castlewood prior to the merger) and their affiliates will own approximately 49.8% of New Enstar's issued ordinary shares.

Unless otherwise indicated, the ownership percentage calculations set forth above and throughout this proxy statement/prospectus treat the non-voting convertible shares of New Enstar owned by Enstar following the merger as if they were treasury shares and not outstanding because Enstar will be a wholly-owned subsidiary of New Enstar.

## **Listing of New Enstar Ordinary Shares**

Castlewood has filed an application to have New Enstar's ordinary shares listed on Nasdaq under the ticker symbol ESGR.

## **Effects of the Merger on the Rights of Enstar Shareholders**

If the merger is consummated, New Enstar will be governed by its memorandum of association and second amended and restated bye-laws. The memorandum of association and form of the second amended and restated bye-laws have been filed by Castlewood as exhibits to the registration statement of which this proxy statement/prospectus is a part. The memorandum of association and second amended and restated bye-laws of New Enstar differ from Enstar's current articles of incorporation and amended and restated bylaws. In particular, the second amended and restated bye-laws of New Enstar provide that U.S. persons and certain foreign shareholders or groups of foreign shareholders may not hold the power to vote more than 9.5% of New Enstar's ordinary shares. Shareholders of New Enstar holding shares in excess of that limit will have the voting power of their ordinary shares reduced. In addition, New Enstar's board of directors will have the power to decline to register a transfer of any ordinary shares if it has reason to believe that any *non-de minimis* adverse tax, regulatory or legal consequence to New Enstar, any of its subsidiaries or any of its shareholders may occur as a result of such transfer. See Description of New Enstar's Share Capital Limitation on Voting Power of Shares and Restrictions on Transfer beginning on pages 210 and 211, respectively. To Enstar's knowledge, J. Christopher Flowers is currently the only shareholder of Enstar who will be subject to this limitation following the merger.

In addition, while Enstar is presently governed by Georgia corporate law, New Enstar will be governed by Bermuda corporate law. Because New Enstar is a Bermuda company, it may be difficult for shareholders to serve process or enforce judgments against New Enstar or its directors or officers and it may be more difficult for shareholders to protect their interests. For a description of the differences between the rights of shareholders under Georgia and Bermuda law see Comparison of Shareholder Rights beginning on page 194 and Description of New Enstar's Share Capital Differences in Corporate Law beginning on page 213.

Enstar's board considered the rights and obligations of the shareholders under New Enstar's memorandum of association and second amended and restated bye-laws in connection with its consideration of the merger agreement, and Enstar retained Bermuda counsel to advise Enstar regarding such matters and other matters of Bermuda law. Enstar's board also took notice of the fact that Enstar's shareholders had been indirectly invested in a Bermuda company Castlewood for the past five years without suffering adverse impacts as a result of Bermuda law in determining that such differences in rights did not, together with other negative factors, outweigh the benefits of the proposed transaction.

In addition, the current non-affiliated public shareholders of Enstar currently own approximately 66.8% of Enstar's outstanding shares. Following the merger, those non-affiliated shareholders will own approximately 32.5% of New Enstar's issued shares. The board of directors of Enstar considered this change in voting power of the non-affiliated public shareholders of Enstar as a result of the merger, but did not believe that it, together with other negative factors,

outweighed the benefits of the proposed transaction. In reaching such conclusion the board took into account particularly that (1) Castlewood constitutes a very substantial portion of Enstar's business, (2) the influence of Enstar's non-affiliated public shareholders on the governance of Castlewood is currently limited by

the fact that such influence must be exercised through Enstar,

the fact that Enstar does not own a majority of the Castlewood voting shares, and

**Table of Contents**

the fact that Trident and the Castlewood management shareholders have substantial governance rights under the Castlewood shareholders agreement,

(3) the former Enstar non-affiliated public shareholders will own directly approximately 32.5% of the New Enstar voting shares following the merger, and (4) the former Enstar non-affiliated public shareholders will have a direct economic interest in New Enstar of approximately 32.5% following the merger, compared to their current indirect interest in Castlewood of approximately 21.4%.

**Risk Factors (see page 21)**

Shareholders voting on the merger should consider, among other things, the risks associated with ownership of New Enstar ordinary shares and the other risks set forth in the Risk Factors section of this proxy statement/prospectus.

**Conditions to the Consummation of the Merger (see page 68)**

Castlewood's and Enstar's respective obligations to consummate the merger are subject to the satisfaction or, to the extent legally permissible, the waiver of the following conditions:

the receipt of all governmental and regulatory consents, clearances, approvals and actions necessary for the merger and the other transactions contemplated by the merger agreement unless failure to obtain those consents, clearances, approvals and actions would not reasonably be expected to have a material adverse effect on New Enstar, which consents, clearances, approvals and actions have been obtained;

the absence of any law, order or injunction prohibiting consummation of the merger in the United States, Bermuda or the European Union;

the U.S. Securities and Exchange Commission, or the Commission, having declared effective the Castlewood registration statement of which this proxy statement/prospectus is a part;

the approval for listing by Nasdaq of the New Enstar ordinary shares to be issued in the merger, subject to official notice of issuance;

the adoption and approval of the merger agreement and the transactions contemplated by the merger agreement by the Enstar shareholders;

the approval of the Recapitalization Agreement, dated as of May 23, 2006, among Castlewood, Enstar, Trident, Dominic F. Silvester and certain other shareholders of Castlewood, or the recapitalization agreement, and certain actions contemplated by the recapitalization agreement by the Castlewood shareholders, which approval has been obtained;

the completion of the recapitalization of Castlewood pursuant to the recapitalization agreement (see Material Terms of Related Agreements Recapitalization Agreement beginning on page 72);

no event having occurred which would trigger a distribution under Enstar's shareholders rights plan;

the receipt by Enstar and Castlewood of an opinion of Enstar's tax counsel to the effect that the merger should qualify as a reorganization within the meaning of section 368(a) of the Code;

the representations and warranties of the other party contained in the merger agreement which are qualified as to material adverse effect being true and correct as of the date of the merger agreement and as of the closing date of the merger, except to the extent that such representation or warranty speaks as of another date, and the representations and warranties of the other party which are not qualified as to material adverse effect being true and correct (disregarding materiality qualifiers), except where the failure to be true and correct, individually or in the aggregate, would not have a material adverse effect on the party making the representation, as of the date of the merger agreement and as of the closing date of the merger as if they were made on that date, except to the extent that such representation or warranty speaks as of another date; and

the other party having performed or complied in all material respects with all agreements or covenants required to be performed by it under the merger agreement (other than such party's covenants regarding the issuance of securities, and Enstar's covenant regarding dividends and changes in share capital, which must be complied with in all respects), in each case, on or before the closing date.

**Table of Contents**

**Termination of Merger Agreement (see page 70)**

The merger agreement may be terminated at any time before the consummation of the merger in any of the following ways:

by mutual written consent of Enstar and Castlewood;

by either Enstar or Castlewood:

if the merger has not been consummated by January 31, 2007; except that a party may not terminate the merger agreement if the cause of the merger not being consummated is that party's failure to fulfill its material obligations under the merger agreement;

if a governmental authority or a court in the United States or European Union permanently enjoins or prohibits the consummation of the merger, except that a party that seeks to terminate the merger agreement upon such an event must have used its reasonable best efforts to obtain the government approvals required for the consummation of the merger; or

if Enstar's shareholders fail to approve the merger agreement and the transactions contemplated by the merger agreement.

by Castlewood:

if Enstar has breached in any material respect any of its representations or warranties, or has failed to perform in any material respect any of its covenants or other agreements under the merger agreement and such breach:

is incapable of being cured by or remains uncured prior to January 31, 2007; or

would result in the failure of certain closing conditions to the merger being satisfied; or

if:

Enstar or Enstar's board of directors materially breaches the covenant regarding no solicitation of competing acquisition proposals and such breach is not cured within five business days after receiving notice of such breach;

Enstar's board of directors changes its recommendation to the Enstar shareholders to approve the merger agreement and the transactions contemplated by the merger agreement; or

Enstar fails to call the annual meeting of shareholders to vote on the merger on or before January 31, 2007; or

by Enstar:

if Castlewood or Merger Sub has breached in any material respect any of its representations or warranties, or has failed to perform in any material respect any of its covenants or other agreements under the merger agreement and such breach:



is incapable of being cured by or remains uncured prior to January 31, 2007; or

would result in the failure of certain closing conditions to the merger being satisfied; or

if there has been a change in the recommendation by Enstar's board of directors in respect of the merger agreement and the transactions contemplated by the merger agreement and:

Enstar notifies Castlewood in writing that it intends to approve and enter into an agreement concerning a different business combination transaction that constitutes a superior proposal, attaching the most current version of such agreement or a description of its material terms; and

Castlewood, within five business days of receiving such notice from Enstar, does not make an offer that Enstar's board of directors determines is at least as favorable to the Enstar shareholders as the superior proposal Enstar received from the third party.

Termination of the merger agreement also terminates certain obligations under the support agreement described below.

**Table of Contents**

**Support Agreement (see page 76)**

Castlewood and Messrs. Flowers, Oros and Frazer, three of Enstar's largest shareholders, have entered into the Support Agreement, dated as of May 23, 2006, or the support agreement, pursuant to which such shareholders have agreed to vote all of their shares of Enstar common stock in favor of the approval of the merger agreement and the transactions contemplated by the merger agreement and against any business combination with a third party.

The support agreement is attached as Annex B to this proxy statement/prospectus.

**Recapitalization Agreement (see page 72)**

In connection with the merger, Castlewood, Enstar, Trident and certain other shareholders of Castlewood entered into the recapitalization agreement which provides, among other things, for:

a recapitalization of Castlewood in which all issued shares will be exchanged for newly-created ordinary shares;

the appointment of the board of directors of New Enstar immediately following the merger;

the repurchase of certain shares of Castlewood from Trident;

payments to certain officers and employees of Castlewood;

the purchase by Castlewood or its designee of the shares of B.H. Acquisition beneficially owned by an affiliate of Trident II, L.P.; and

the adoption of new bye-laws that will include, among other things, certain restrictions on transfers and voting of the ordinary shares.

Castlewood shareholders have approved the recapitalization agreement and the transactions contemplated thereby.

The recapitalization agreement also restricts the transfer by the Castlewood shareholders party thereto of the New Enstar ordinary shares they receive in the recapitalization for one year, subject to certain exceptions. The recapitalization agreement also provides that at the time of the recapitalization, certain shareholders of Castlewood will enter into the Registration Rights Agreement, between and among New Enstar, Trident, Mr. Flowers, Mr. Silvester and certain other shareholders of New Enstar, or the registration rights agreement, entitling them, after the expiration of one year from the date of the registration rights agreement, to require that New Enstar effect the registration under the Securities Act of their New Enstar ordinary shares, although after the expiration of 90 days from the date of the registration rights agreement and prior to the first anniversary of such date, Trident has the right to require that New Enstar register up to 750,000 of Trident's New Enstar ordinary shares. The directors of Enstar have agreed to similar transfer restrictions on their shares of New Enstar, and will receive registration rights pursuant to the same registration rights agreement.

The recapitalization agreement is attached as Annex C to this proxy statement/prospectus.

**Other Related Agreements**

Castlewood has agreed, subject to the consummation of the merger agreement, to repurchase from two directors of Enstar, Messrs. T. Whit Armstrong and T. Wayne Davis, upon their request, during a 30-day period commencing January 15, 2007, at the then prevailing market price, such number of ordinary shares as provides an amount sufficient for Mr. Armstrong and Mr. Davis to pay taxes on compensation income resulting from the exercise of options by them on May 23, 2006 for 50,000 shares of Enstar common stock in the aggregate. Castlewood's obligation to repurchase ordinary shares is limited to 25,000 ordinary shares from each of Mr. Armstrong and Mr. Davis. Since the letter agreement provides for the sale of such shares at then prevailing market prices, each of Enstar and Castlewood believe that the value of the rights of Messrs. Armstrong and Davis under such agreement is not significant.

Castlewood has also entered into a tax indemnification agreement with Mr. Flowers, a director of Castlewood and Enstar and Enstar's largest shareholder, pursuant to which Castlewood will reimburse and indemnify Mr. Flowers for, and hold him harmless on an after-tax basis against, any increase in Mr. Flowers' U.S. federal, state or local income tax liability (including any interest or penalties relating thereto), and reasonable attorneys' fees, incurred by Mr. Flowers as a result of certain dispositions by Enstar or New Enstar of shares or assets of Enstar, within the period beginning immediately after the effective time of the merger

## **Table of Contents**

and ending five years after the last day of the taxable year that includes the effective time. Because Mr. Flowers will be the only greater-than-5% U.S. shareholder of New Enstar after the merger, he is in a different position than the other current shareholders of Enstar with regard to treating the merger as a tax-free reorganization. Under IRS regulations issued pursuant to section 367(a) of the Code, as a 5% U.S. shareholder Mr. Flowers may treat the merger as a tax-free reorganization only if he enters into a gain recognition agreement with the IRS under which he agrees he will treat the merger as taxable if New Enstar disposes of certain stock or assets of Enstar within the five years following the merger. Such dispositions may be effected without Mr. Flowers' consent. Other shareholders of Enstar are not subject to these additional conditions, and their tax treatment would not be affected by such dispositions. The Enstar board of directors approved such agreement because it determined that it would be fair to put Mr. Flowers in the same position as the other shareholders of Enstar with respect to such tax treatment and that such agreement would increase the likelihood that Mr. Flowers, in his capacity as an Enstar shareholder, would support the proposed transaction. While the agreement is significant to Mr. Flowers, New Enstar believes it is unlikely to incur any liability under the agreement because it believes the likelihood that it will dispose of stock or assets of Enstar within the next five years to be remote.

### **Regulatory Approvals (see page 57)**

Castlewood has received the requisite approval of the merger and the recapitalization from the insurance regulatory authority in the United Kingdom. In addition, Castlewood has provided notice of the merger and the recapitalization to the insurance regulatory authorities in Switzerland and Belgium. Castlewood has also received approval from the Bermuda Monetary Authority to issue the ordinary shares in connection with the recapitalization and the merger.

### **Material U.S. Federal Income Tax Consequences of the Merger (see page 55)**

The merger is intended to qualify as a reorganization for U.S. federal income tax purposes. Accordingly, it is expected that the exchange of Enstar common stock for New Enstar ordinary shares in the merger should not result in the recognition of gain or loss for U.S. federal income tax purposes.

However, this proxy statement/prospectus does not address all tax consequences that may be relevant to persons who exchange Enstar common stock for New Enstar ordinary shares in the merger. In particular, this proxy statement/prospectus does not address any of the tax consequences associated with:

the exercise of options to purchase Enstar common stock before the effective time of the merger;

the exchange of options to purchase Enstar common stock for options to purchase New Enstar ordinary shares in the merger; or

the exchange of Enstar restricted stock units for a right to receive restricted stock units in respect of New Enstar ordinary shares.

Any person who may exchange Enstar common stock for New Enstar ordinary shares in the merger is urged to carefully read the discussions under "The Proposed Merger - Material U.S. Federal Income Tax Consequences of the Merger" and "Material Tax Considerations of Holding and Disposing of New Enstar Ordinary Shares" beginning on pages 55 and 218, respectively, and to consult his or her tax advisor with respect to the tax consequences of participating in the merger and holding and disposing of New Enstar ordinary shares.

### **Accounting Treatment of the Merger (see page 55)**

New Enstar will account for the merger under the purchase method of accounting for business combinations under accounting principles generally accepted in the United States.

**No Dissenters Rights**

Under Georgia law, Enstar shareholders are not entitled to dissenters rights in connection with the merger.

**Table of Contents**

**Information about the Enstar Annual Meeting and Voting (see page 37)**

Enstar's Annual Meeting of Shareholders, or the Annual Meeting, will be held on January 30, 2007, at 9:00 a.m., local time, at Flowers Hall, Huntingdon College at 1500 East Fairview Avenue, Montgomery, Alabama 36106, for the following purposes:

to consider and vote upon a proposal to approve the merger agreement and the transactions contemplated by the merger agreement;

to elect two directors for three-year terms expiring at the annual meeting of shareholders of Enstar in 2009 or until their successors are duly elected and qualified;

to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar to serve for 2006; and

to transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Enstar will not be able to consummate the merger unless its shareholders approve the merger agreement and the transactions contemplated by the merger agreement.

If the merger is consummated, the composition of the board of directors of New Enstar will be different from the current composition of Enstar's board of directors. Following the merger, the board of directors of New Enstar will consist of ten individuals. Four of these individuals—Messrs. T. Whit Armstrong, Paul J. Collins, Gregory L. Curl and T. Wayne Davis—are current directors of Enstar, three of these individuals—Messrs. J. Christopher Flowers, Nimrod T. Frazer and John J. Oros—are current directors of both Enstar and Castlewood, and the other three individuals—Messrs. Nicholas A. Packer, Paul J. O'Shea and Dominic F. Silvester—are current directors and/or executive officers of Castlewood. In addition, New Enstar, as the sole shareholder of Enstar, will be able to determine the composition of Enstar's board of directors and select independent auditors of Enstar after the merger.

**Enstar Shareholder Votes Required**

Approval of the merger agreement and the transactions contemplated by the merger agreement requires the affirmative vote of the holders of a majority of the outstanding voting power of Enstar's common stock on the close of business on December 12, 2006, or the Record Date.

As of the Record Date, Enstar's directors and executive officers owned 1,904,763 shares of Enstar common stock, representing approximately 33.2% of the voting power of Enstar common stock on that date. Three of those directors, who owned Enstar common stock representing 30.1% of the voting power on that date, have entered into a support agreement with Castlewood pursuant to which such directors have agreed to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement. All other Enstar directors and officers have also indicated that they intend to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement.

**Recent Developments (see page 118)**

On June 16, 2006, a wholly-owned subsidiary of Castlewood entered into a definitive agreement with Dukes Place Holdings, L.P., a portfolio company of GSC Partners, for the purchase of a minority interest in a U.S. holding company that owns two property and casualty insurers based in the United States, both of which are in run-off.

Completion of the transaction is conditioned on, among other things, governmental and regulatory approvals and satisfaction of various other closing conditions. As a consequence, Castlewood cannot predict if or when this transaction will be completed.

**Table of Contents**

Also on June 16, 2006, a wholly-owned subsidiary of Castlewood entered into a definitive agreement for the purchase of Cavell Holdings Limited, or Cavell, a U.K. company, from Dukes Place Holdings, L.P. for a purchase price of approximately £31.8 million (approximately \$59.5 million). Cavell owns a U.K. reinsurance company and a Norwegian reinsurer, both of which are currently in run-off. Cavell had total consolidated assets of approximately £101 million at March 31, 2006, as reported in its U.K. regulatory statements. Castlewood completed this transaction on October 4, 2006. A wholly-owned subsidiary of Castlewood borrowed \$24.5 million under a facility loan agreement with a London-based bank to partially fund this acquisition. The interest rate on the loan is LIBOR plus 2% and the loan is repayable within four years.

On November 20, 2006, a wholly-owned subsidiary of Castlewood completed the acquisition of Unione Italiana (U.K.) Reinsurance Company Limited, a U.K. company, for a purchase price of \$17.2 million. The purchase price was funded from cash on hand.



**Table of Contents****SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA**

Castlewood and Enstar are providing the following financial data to assist you in your analysis of the financial aspects of the proposed merger. The information is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes included or incorporated by reference in this proxy statement/prospectus, as well as the Unaudited Pro Forma Condensed Combined Financial Information for New Enstar beginning on page 166.

**Castlewood Summary Historical Financial Data**

The following selected historical financial information of Castlewood for each of the past five fiscal years has been derived from Castlewood's audited historical financial statements. The financial information as of September 30, 2006 and 2005, and for each of the three and nine month periods then ended, has been derived from Castlewood's unaudited financial statements which include, in management's opinion, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of operations and financial position of Castlewood for the periods and dates presented. This information is only a summary and should be read in conjunction with management's discussion and analysis of results of operations and financial condition of Castlewood and the audited and unaudited consolidated financial statements and notes thereto of Castlewood included elsewhere in this proxy statement/prospectus. The selected historical financial information has been revised for the effects of the restatement discussed in Note 24 to the consolidated financial statements of Castlewood on page F-30.

Since its inception, Castlewood has made several acquisitions which impact the comparability of the information reflected in the Castlewood Summary Historical Financial Data. See Information About Castlewood Business Acquisitions to Date beginning on page 85 for information about Castlewood's acquisitions.

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>			<b>Year Ended December 31,</b>				<b>200</b>
	<b>September 30, 2006</b>	<b>2005</b>	<b>September 30, 2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>		
	<b>(in thousands of U.S. dollars, except per share data)</b>									
<b>Primary</b>										
<b>Component of</b>										
<b>Financials Data:</b>										
Operating fee	\$ 9,350	\$ 5,180	\$ 20,950	\$ 13,525	\$ 22,006	\$ 23,703	\$ 24,746	\$ 20,627	\$	
Investment										
and net										
and gain	12,712	7,866	33,438	21,149	29,504	10,502	7,072	8,927		
Reduction in										
and loss										
Management expense										
ies	3,920	1,043	10,700	6,466	96,007	13,706	24,044	48,758		
Other expenses	(12,599)	(9,880)	(26,942)	(31,938)	(57,299)	(35,160)	(21,782)	(27,772)	(2	
ity interest	(2,619)	(439)	(7,805)	(1,430)	(9,700)	(3,097)	(5,111)	0		
	232	63	495	142	192	6,881	1,623	10,079		

of income of owned panies									
come from uing ions	10,996	3,833	30,836	7,914	80,710	16,535	30,592	60,619	
rdinary gain ve goodwill minority (t)	0	0	4,347	0	0	21,759	0	0	
come	\$ 10,996	\$ 3,833	\$ 35,183	\$ 7,914	\$ 80,710	\$ 38,294	\$ 30,592	\$ 60,619	\$
<b>Share Data(2):</b>									
e per ordinary before rdinary gain	\$ 587.02	\$ 208.47	\$ 1,660.33	\$ 431.62	\$ 4,397.89	\$ 914.49	\$ 1,699.56	\$ 3,367.72	\$ (2
rdinary gain			234.06			1,203.42			
come per ry share	\$ 587.02	\$ 208.47	\$ 1,894.39	\$ 431.62	\$ 4,397.89	\$ 2,117.91	\$ 1,699.56	\$ 3,367.72	\$ (2

**Table of Contents**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>			<b>Year Ended December 31,</b>				<b>2001(1)</b>
	<b>September 30, 2006</b>	<b>2005</b>	<b>September 30, 2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>		
<b>(in thousands of U.S. dollars, except per share data)</b>										
Income per share before extraordinary										
Income diluted	\$ 580.64	\$ 204.73	\$ 1,637.54	\$ 422.70	\$ 4,304.30	\$ 906.13	\$ 1,699.56	\$ 3,367.72	\$ (22.61)	
Income diluted			230.85			1,192.40				
Net income per ordinary share diluted	\$ 580.64	\$ 204.73	\$ 1,868.39	\$ 422.70	\$ 4,304.30	\$ 2,098.53	\$ 1,699.56	\$ 3,367.72	\$ (22.61)	
Weighted average ordinary shares outstanding	18,732	18,387	18,572	18,335	18,352	18,081	18,000	18,000	18,000	18,000
Weighted average ordinary shares outstanding diluted	18,938	18,722	18,831	18,722	18,751	18,248	18,000	18,000	18,000	18,000
Cash dividends paid per share	\$ 0	\$	\$ 1,552.67	\$	\$	\$ 645.83	\$ 4,483.41	\$	\$	\$

	<b>As of September 30,</b>		<b>As of December 31,</b>				
	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>(in thousands of U.S. dollars, except per share data)</b>							

**Summary Balance Sheet****Data:**

Cash and cash equivalents	\$ 466,703	\$ 345,329	\$ 350,456	\$ 127,228	\$ 85,916	\$ 71,906
Investments	618,001	539,568	591,635	268,417	258,429	175,068
Reinsurance recoverable	315,223	250,229	341,627	175,091	122,937	238,162
Total assets	1,466,646	1,199,963	1,347,853	632,347	514,597	527,845
	1,003,825	806,559	1,047,313	381,531	284,409	419,717

Reserves for losses and loss adjustment expenses						
Total shareholder equity	267,448	260,906	177,338	147,616	167,473	63,696
<b>Book Value per Share:</b>						
Basic	14,277.60	14,189.70	9,721.41	8,200.89	9,304.06	3,538.67
Diluted	14,122.29	13,921.67	9,461.05	8,200.89	9,304.06	3,538.67

- (1) For the period between August 16, 2001 (date of incorporation) and December 31, 2001.
- (2) Earnings per share is a measure based on net earnings divided by weighted average ordinary shares outstanding. Basic earnings per share is defined as net earnings available to ordinary shareholders divided by the weighted average number of ordinary shares outstanding for the period, giving no effect to dilutive securities. Diluted earnings per share is defined as net earnings available to ordinary shareholders divided by the weighted average number of shares and share equivalents outstanding calculated using the treasury stock method for all potentially dilutive securities. When the effect of dilutive securities would be anti-dilutive, these securities are excluded from the calculation of diluted earnings per share.
- (3) Basic book value per share is defined as total shareholders' equity available to ordinary shareholders divided by the number of ordinary shares outstanding as at the end of the period, giving no effect to dilutive securities. Diluted book value per share is defined as total shareholders' equity available to ordinary shareholders divided by the number of ordinary shares and ordinary share equivalents outstanding at the end of the period, calculated using the treasury stock method for all potentially dilutive securities. When the effect of dilutive securities would be anti-dilutive, these securities are excluded from the calculation of diluted book value per share.

**Table of Contents****Enstar Summary Historical Financial Data**

The following selected historical financial information of Enstar for each of the past five fiscal years has been derived from Enstar's audited historical financial statements. The financial information as of September 30, 2006 and 2005, and for each of the three-month and nine-month periods then ended, has been derived from Enstar's unaudited financial statements which include, in management's opinion, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of operations and financial position of Enstar for the periods and dates presented. This information is only a summary and should be read in conjunction with management's discussion and analysis of results of operations and financial condition of Enstar and the audited and unaudited consolidated financial statements and notes thereto of Enstar incorporated by reference into this proxy statement/prospectus.

<b>Three Months Ended</b>		<b>Nine Months Ended</b>			<b>Year Ended December 31,</b>												
<b>September 30,</b>		<b>September 30,</b>		<b>2005</b>			<b>2004</b>			<b>2003</b>			<b>2002</b>				
<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
(in thousands of U.S. dollars, except per share data)																	
\$	2,243	\$	970	\$	5,203	\$	1,805	\$	19,045	\$	5,977	\$	13,226	\$	21,526	\$	
					875						4,415						
																	967
\$	2,243	\$	970	\$	6,078	\$	1,805	\$	19,045	\$	10,392	\$	13,226	\$	22,493	\$	
\$	0.39	\$	0.18	\$	0.92	\$	0.33	\$	3.45	\$	1.09	\$	2.42	\$	3.94	\$	

e  
ry

ary  
c  
e

e  
n  
ic

g  
r

e  
ry

ary  
ted  
e

0.16

0.80

0.18

\$ 0.39 \$ 0.18 \$ 1.08 \$ 0.33 \$ 3.45 \$ 1.89 \$ 2.42 \$ 4.12 \$

5,739,384 5,517,909 5,621,279 5,517,909 5,517,909 5,496,819 5,465,753 5,465,753

\$ 0.37 \$ 0.17 \$ 0.87 \$ 0.31 \$ 3.25 \$ 1.03 \$ 2.25 \$ 3.74 \$

0.15

0.76

0.17

e  
n  
ated \$ 0.37 \$ 0.17 \$ 1.02 \$ 0.31 \$ 3.25 \$ 1.79 \$ 2.25 \$ 3.91 \$

g  
6,002,448 5,862,172 5,939,750 5,852,596 5,856,144 5,800,993 5,881,410 5,753,553

are

**Table of Contents**

**As of  
September 30,  
2006**

**As of December 31,  
2005**