

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re

SCOTTISH HOLDINGS, INC., et al.,

Debtors.¹

Chapter 11

Case No. 18-10160 (LSS)

Jointly Administered

Re: D.I. 27, 119, 263, 312 & 342 & 343

**ORDER: (I) APPROVING DEBTORS' DESIGNATIONS OF (A)
WINNING BID AND WINNING BIDDER AND (B) BACKUP BID AND
BACKUP BIDDER; AND (II) GRANTING RELATED RELIEF**

The above-captioned debtors and debtors-in-possession (together, the "Debtors") having filed the *Motion of the Debtors for Entry of an Order (A) Approving Bidding Procedures in Connection with an Auction for Plan Sponsorship; (B) Approving Certain Stalking Horse Protections; and (C) Authorizing and Scheduling a Date and Time for an Auction Pursuant to Such Procedures*, dated January 31, 2018 (D.I. 27) (the "Bidding Procedures Motion");² and the Court having entered the *Order (A) Approving Bidding Procedures in Connection with an Auction for Plan Sponsorship or Other Alternative Transaction; (B) Approving Certain Stalking Horse Protections; and (C) Authorizing and Scheduling a Date and Time for an Auction Pursuant to Such Procedures*, dated February 28, 2018 (D.I. 119) (the "Bidding Procedures Order"); and the Court having entered the *Agreed Order with Respect to Emergency Motion of Official Committee of Unsecured Creditors to (I) Continue Hearing on Disclosure Statement Motion and Approval of Stalking Horse Transaction, (II) Extend Response Deadline, (III) Extend Bid Deadline and (IV) Continue Auction* (D.I. 263) (the "Agreed Order"), pursuant to which, the

¹ The Debtors, along with the last four digits of their federal tax identification numbers, are as follows: Scottish Holdings, Inc. (4408) and Scottish Annuity & Life Insurance Company (Cayman) Ltd. (3285). The Debtors' mailing address for purposes of these Chapter 11 Cases is 14120 Ballantyne Corporate Place, Suite 300, Charlotte, NC 28277.

² Capitalized terms used but not defined herein shall have the meanings given to them in the Bidding Procedures Motion.

Court rescheduled the Auction for May 30, 2018, at 12:00 noon (prevailing Eastern time); and the Auction having been conducted on May 30, 2018, at the conclusion of which the Debtors, in consultation with the Committee, designated (i) the final Bid of Hildene Re Holdings, LLC (“Hildene”) made at the Auction as the “Winning Bid” and Hildene as the “Winning Bidder” and (ii) the final Bid of HSCM Bermuda Fund Ltd. (“Hudson”) made at the Auction as the “Backup Bid” and Hudson as the “Backup Bidder”; and the Debtors having filed the *Notice of Completion of Auction and Selection of Winning Bidder and Backup Bidder*, dated May 31, 2018 (D.I. 312) (as amended, the “Auction Completion Notice”); and the Debtors having amended the Auction Completion Notice, by filing a corrected copy of the Auction transcript, as Exhibit A thereto (D.I. 317) (the “Auction Transcript”); and the Debtors having filed the *Notice of Filing of Fully Executed Winning Bidder SPA*, dated June 11, 2018 (D.I. 342), which attached as Exhibit A thereto a fully executed copy of that certain *Stock Purchase Agreement*, by and among Scottish Annuity & Life Insurance Company (Cayman) Ltd., Scottish Holdings, Inc. and Hildene Re Holdings, LLC, dated as of June 11, 2018 (the “Winning Bidder SPA”); and the Court having conducted a hearing on June 4, 2018, at 10:00 a.m., prevailing Eastern time (the “Winning Bidder Hearing”), to consider the results of the Auction and approve the designations of the Winning Bid and Winning Bidder and the Backup Bid and Backup Bidder, as well as related relief contemplated by the Bidding Procedures Order, as amended, at which time all interested parties were offered an opportunity to be heard with respect to such matters; and the Court having reviewed and considered the Motion, the Bidding Procedures Order and annexed Bidding Procedures, the Agreed Order, the Auction Transcript, the Winning Bidder SPA, the record of the Winning Bidder Hearing; and the Court having heard statements of counsel and the evidence presented in support of the relief requested at the Winning Bidder Hearing; and due notice of the

Motion, the Bidding Procedures Order, the Auction and the Winning Bidder Hearing having been provided; and the Court having determined that the relief requested is in the best interests of the Debtors, their estates, their stakeholders and all other parties in interest; and the Court having jurisdiction over this matter; and the legal and factual bases set forth in the Motion and at the Winning Bidder Hearing establishing just cause for the relief granted herein; and after due deliberation thereon,

THE COURT HEREBY FINDS AND DETERMINES THAT:

A. The Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157(b)(1) and 1334(a) and the Amended Standing Order of Reference from the United States District Court for the District of Delaware, dated as of February 29, 2012. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). Venue is proper in this District and in the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. Neither Hildene nor Hudson has violated section 363(n) of the Bankruptcy Code by any action or inaction. The negotiation and execution of the Winning Bidder SPA and any other agreements or instruments related thereto (collectively, the “Winning Bidder Transaction Documents”) were without collusion or fraud and at arm’s length and in good faith. None of the Debtors, Hildene, nor Hudson has engaged in any conduct that would cause or permit the Winning Bid (or the Backup Bid, if applicable) to be avoided under section 363(n) or any comparable provision of the Bankruptcy Code.

C. Prior to selecting the Winning Bidder and the Winning Bid, the Debtors solicited a wide variety of parties regarding their interest in pursuing (i) transactions to purchase all of the new capital stock of reorganized SALIC to be issued and transferred under plan of reorganization for SALIC and SHI for which the offeror shall serve as the plan sponsor and (ii) alternative

transactions, including but not limited to, transactions to acquire, purchase, finance, restructure or reorganize all or any part of the business, assets, properties, capital stock or capital stock equivalents of one or both Debtors. In addition to such solicitations, the Debtors also conducted the bid and auction process in accordance with the provisions of the Bidding Procedures Order and the Debtors have otherwise complied with the Bidding Procedures Order in all material respects and any deviation therefrom was immaterial or otherwise did not affect the fundamental fairness of the Auction. The bid and auction process conducted pursuant to the Bidding Procedures Order afforded a full, fair and reasonable opportunity for any person or entity to make a higher or otherwise better offer. Such process was duly noticed and conducted in a noncollusive, fair and good faith manner and a reasonable opportunity has been given to any interested party to make a higher or better offer.

D. The consideration provided by Hildene under the Winning Bidder SPA will provide a greater recovery for the Debtors' estates than would be provided by any other available alternative. The Debtors' determination that the Winning Bidder SPA constitutes the highest and best offer constitutes a valid and sound exercise of the Debtors' business judgment consistent with their fiduciary duties.

E. The Winning Bidder SPA represents a fair and reasonable offer under the circumstances of these Chapter 11 Cases. No other person or entity or group of entities has presented an alternative transaction for greater economic value to the Debtors' estate than Hildene.

NOW THEREFORE, IT IS HEREBY ORDERED that:

1. Hildene is hereby designated the Winning Bidder and its Bid as embodied in the Winning Bidder SPA and Winning Bidder Transaction Documents is designated the Winning Bid.

2. Hudson is hereby designated the Backup Bidder and its final bid as reflected in the Stalking Horse SPA and related agreements and documents, as modified as set forth on the record at the Auction, is designated the Backup Bid. The Backup Bid shall remain open on the terms and subject to the conditions set forth in the Bidding Procedures Order.

3. The Debtors' execution of the Winning Bidder SPA and Winning Bidder Transaction Documents is hereby authorized.

4. From and after the date hereof, (a) the Debtors shall reasonably cooperate with Hildene and (b) Hildene shall reasonably cooperate with the Debtors, in each case, in furtherance of the transactions contemplated by the Winning Bidder SPA and Winning Bidder Transaction Documents.

5. Nothing contained in this Order shall be construed as an approval of the Winning Bidder SPA or Winning Bidder Transaction Documents, nor shall this Order affect the rights of any party to object to any plan of reorganization, disclosure statement or other documents or requests for relief to be filed by the Debtors as contemplated by the Winning Bidder SPA and Winning Bidder Transaction Documents. Notwithstanding the provision in the Plan Term Sheet attached to the Winning Bidder SPA that "[t]he Debtors shall appoint the initial trustee of the Distribution Trust" all parties' rights are reserved regarding that issue, and nothing herein shall constitute a determination whether such provision is consistent with the terms of the Winning Bid as stated on the record at the Auction.

6. If the Debtors file and serve on the appropriate notice parties an amended plan of reorganization (the “Amended Plan”), a disclosure statement for the Amended Plan (the “Amended Disclosure Statement”) and a further revised version of the proposed Disclosure Statement Order (the “Revised Disclosure Statement Order”) by overnight courier on or before June 15, 2018, the Court will consider the foregoing matters at a hearing on those matters to be held on June 28, 2018 at 10:00 a.m. (prevailing Eastern time), or such later date and time as the Debtors and the Winning Bidder may agree.

7. Any objections or responses to the Amended Disclosure Statement and/or the granting of the Solicitation Procedures Motion as set forth in the proposed Revised Disclosure Statement Order must be filed with the Court and served so as to be received by the following parties no later than June 25, 2018 at 4:00 p.m. (prevailing Eastern time): (i) co-counsel to the Debtors, (a) Morris, Nichols, Arsht & Tunnell LLP, 1201 N. Market Street, 16th Floor, Wilmington, Delaware 19801 (Attn: Eric D. Schwartz, Gregory G. Werkheiser, and Matthew B. Harvey), and (b) Hogan Lovells LLP, 875 Third Avenue, New York, New York 10022 (Attn: Peter Ivanick); (ii) counsel to Hildene, (a) Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036 (Attn: Stephen Zide and Anupama Yerramalli), and (b) Potter Anderson Corroon LLP, Hercules Plaza, 1313 N. Market Street, 6th Fl., P.O. Box 951, Wilmington, Delaware 19801 (Attn: Jeremy W. Ryan, and R. Stephen McNeill); (iii) counsel to the Official Committee of Unsecured Creditors, (a) Pepper Hamilton LLP, 1313 N. Market Street, Wilmington, Delaware 19801 (Attn: David M. Fournier and John H. Schanne, II), and (b) Pepper Hamilton LLP, The New York Times Building, 37th Floor, 620 Eighth Avenue, New York, New York 10018-1405 (Attn: H. Peter Haveles, Jr.); and (iv) the

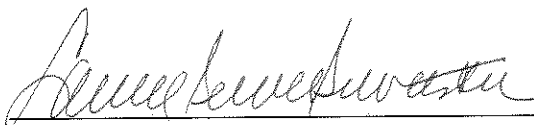
Office of the United States Trustee for the District of Delaware, 844 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801 (Attn: Timothy J. Fox, Jr.).

8. The Debtors and the Winning Bidder may, but are not required to, file replies (“Replies”) in support of approval of the Amended Disclosure Statement and/or granting of the Solicitation Procedures Motion as set forth in the proposed Revised Disclosure Statement Order. Any Replies shall be filed no later than June 27, 2018, at 12:00 noon prevailing Eastern time).

9. Subject to the terms and conditions of the Stalking Horse SPA, as modified by the Bidding Procedures Order, contemporaneously with the closing of the Winning Bidder SPA, the Debtors are authorized and directed to pay the Break-Up Fee and the Expense Reimbursement Amount to HSCM Bermuda Fund Ltd., without further order of the Court.

10. The Court shall retain jurisdiction over any matter or disputes arising from or relating to the interpretation, implementation or enforcement of this Order.

June 12, 2018
Wilmington, Delaware



THE HONORABLE LAURIE SELBER SILVERSTEIN,
UNITED STATES BANKRUPTCY JUDGE