IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	Chapter 11
SCOTTISH HOLDINGS, INC., *et al.*,	Case No. 18-10160 (LSS)
Debtors.[1]	Jointly Administered
	Re: D.I. 437

DECLARATION OF GREGG KLINGENBERG IN SUPPORT OF CONFIRMATION OF THE DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION

I, Gregg Klingenberg, hereby declare as follows:

1. I have served as Chief Executive Officer of the above-captioned debtors and debtors in possession, Scottish Holdings, Inc. ("SHI") and Scottish Annuity & Life Insurance Company (Cayman) Ltd. ("SALIC," and together with SHI, the "Debtors") and/or certain of their non-debtor affiliates (the Debtors with their non-debtor affiliates are collectively referred to as "Scottish Re") since May 2015. Prior to being appointed as CEO, I served in various other capacities at certain of the Scottish Re entities as detailed below. In these capacities, I have become familiar with the Debtors' day-to-day operations, business, and financial affairs.

2. I make this declaration (the "Declaration") in support of the *Third Amended Joint Chapter 11 Plan of Reorganization of Scottish Holdings, Inc., and Scottish Annuity & Life Insurance Company (Cayman) Ltd.*, dated August 9, 2018 (D.I. 437) (as may be amended, supplemented or otherwise modified, and together with the exhibits thereto, including 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.

documents in the Plan Supplement, the "Plan"),[2] pursuant to section 1129 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code").

3. The statements in this Declaration are, except where specifically noted, based on my personal knowledge or opinion, on information that I have received from the employees or advisors for the Debtors, or on information obtained from the Debtors' books and records maintained in the ordinary course of business. If I were called upon to testify, I could and would competently testify to the facts set forth herein on that basis. I am authorized to submit this Declaration on behalf of the Debtors.

A. Background and Experience

4. I joined Scottish Re in February 2006 as Vice President, Legal Counsel for Scottish Re's North American operating subsidiaries. I also served as Scottish Re's Senior Vice President, Associate General Counsel, before assuming the role of Executive Vice President, General Counsel from January 2009 until my appointment as Chief Executive Officer in May 2015. Prior to joining Scottish Re, I was associated with Cadwalader, Wickersham & Taft LLP and with Kutak Rock, LLP, where my legal practice focused primarily on capital markets transactions and general corporate matters, was in-house counsel to the investment division of Great-West Life & Annuity Insurance Company, and was a Deputy District Attorney for the State of Colorado, 18th Judicial District. I hold a B.A. in Political Science from Nazareth College and a J.D. from the University of Denver, College of Law.

5. In addition to my role as Chief Executive Officer to the Debtors, I serve or have served in a director and/or officer capacity for the following non-Debtor affiliates: (a) Scottish Re Life (Bermuda) Limited (Director); (b) Scottish Re (U.S.), Inc. (Director; President; Chief

[2] Capitalized terms used but not defined in this Declaration are defined in the Plan.

Executive Officer; General Counsel; Secretary); (c) Scottish Re (Dublin) dac (Director); and (d) Scottish Financial (Luxembourg) S.à.r.l. ("SFL") (Manager; General Counsel).[3] I also previously held positions at Scottish Re Group Limited ("SRGL"),[4] the non-debtor direct parent of SALIC and indirect parent of SHI, as Executive Vice President, General Counsel and Secretary, and Chief Executive Officer.

B. Overview of Scottish Re's Business and the TruPS Transactions

6. Founded in 1998, the Scottish Re companies are engaged in the reinsurance of life insurance, annuities and annuity-type products. These products are written by life insurance companies and other financial institutions primarily located in the United States. Scottish Re's reinsurance companies are subject to insurance laws and regulation in the jurisdiction in which they operate, which include Bermuda, the Cayman Islands, Ireland, and the United States.

7. In early 2008, the Scottish Re companies ceased writing new business and notified existing clients that they would not be accepting any new reinsurance risks under existing reinsurance treaties, thereby placing their remaining treaties into run-off. Scottish Re's business today consists of managing a legacy reinsurance portfolio.

[3] As of the date hereof, SFL is a debtor in a bankruptcy proceeding in Luxembourg, and Mr. Max Mailliet has been appointed as SFL's insolvency receiver in that proceeding.

[4] As of the date hereof, SRGL is the subject of winding up proceedings in Bermuda and the Cayman Islands, and John C. McKenna of Finance & Risk Services Ltd., and Eleanor Fisher of Kalo (Cayman) Limited have been appointed as full-powers Joint Liquidators of SRGL. Pursuant to an order of the Bermuda Court dated March 29, 2018, and effective April 19, 2018, the liquidation of SRGL in Bermuda was permanently stayed and the Joint Liquidators were released in Bermuda. Accordingly, the Joint Liquidators will proceed with the winding up of SRGL in the Cayman Islands subject to the jurisdiction of the Cayman Islands Court.

8. From 2002 to 2004, Scottish Re raised capital through five offerings of trust preferred securities, or "TruPS".[5] In each TruPS transaction, a Scottish Re entity—in all cases either SHI or SFL—created a statutory business trust, and held all of the common shares of that trust. The trust then sold preferred shares—the TruPS—to investors in privately offered transactions. The funds raised through the sale of the TruPS were then used by the trust to purchase debentures from the applicable entity (i.e., SHI or SFL). The sole asset of each trust consists of the applicable debentures purchased with the TruPS proceeds.

9. In each transaction, the debentures have substantially the same features as the TruPS from the same transaction, including maturity date and interest payable. Quarterly interest payments by the applicable entity to the relevant trust are used by the trust to fund equal quarterly interest payments to the holders of the TruPS issued by such trust. In each transaction, interest may be deferred without penalty or acceleration for up to five years (20 consecutive quarters).

10. SALIC issued a parent guarantee of the principal and interest due on the debentures in each transaction.

11. As permitted by the applicable transaction documents, SHI and SFL began deferring quarterly interest payments on the Debentures in the first quarter of 2013.

C. Events Leading to Chapter 11

12. Starting in 2015, Scottish Re began to experience significant negative financial results led primarily by unforeseeable and unprecedented adverse mortality experience on the yearly renewable term ("YRT") segment of its business. On a consolidated US GAAP basis,

[5] Additional details on the structure of the TruPS are located in my declaration in support of first day relief (D.I. 3), the Plan, and the solicitation version of the disclosure statement (D.I. 382) (the "Disclosure Statement"), which descriptions are adopted and incorporated herein by reference.

Scottish Re incurred a net loss of $260.8 million for the year ended December 31, 2015, and a net loss of $202.8 million for the year ended December 31, 2016. Scottish Re took steps to improve its financial results, including by increasing the premiums it charges on its existing block of YRT reinsurance. However, these steps did not result in improvement significant or immediate enough to avoid the need to restructure Scottish Re.

13. As part of its ongoing efforts to address its financial situation prior to commencing the Chapter 11 Cases, Scottish Re engaged Keefe Bruyette & Woods, Inc. ("KBW") in April 2017 as its exclusive investment banker to market the company for a potential out-of-court sale.[6] Despite an extensive and robust marketing process, no potential buyer was willing to move forward with the Debtors given their indicative valuation, current capital structure, financial distress, and other factors.

14. A small number of interested parties, however, were willing to consider a potential transaction with the Debtors, conditioned on the Debtors seeking bankruptcy relief to right-size the Debtors' balance sheet as part of such a transaction. In the initial round of bidding, Scottish Re received three bids. Two of those bidders submitted revised proposals in a second round of bidding. Ultimately, in the fall of 2017, the Debtors, in consultation with KBW and their legal advisors, identified a bid made by Hudson Structured Capital Management Ltd. ("Hudson") as the proposal most likely to maximize the value achievable for the Debtors'

[6] I adopt and incorporate by reference herein my prior declarations in support of first day relief (D.I. 3) and in support of the bidding procedures motion (D.I. 28), which detail the Debtors' prepetition marketing efforts and the selection of the stalking horse bid. I further adopt and incorporate by reference my testimony from the hearing held on February 27, 2018 in these Chapter 11 Cases, where I testified at length under direct- and cross-examination regarding the Debtors' prepetition marketing efforts in the context of a contested hearing on KBW's retention application.

creditors under the circumstances. The Hudson bid contemplated an in-court restructuring of the Debtors that would result in Hudson acquiring ownership of Reorganized SALIC.

D. Chapter 11 Proceedings

15. As a result of these events and other challenges facing the Debtors, on January 28, 2018 (the "Petition Date"), the Debtors each filed voluntary petitions (the "Petitions") for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

16. On the Petition Date and prior to filing the Petitions, the Debtors and Hudson executed a stock purchase agreement (the "Stalking Horse Stock Purchase Agreement"). By order entered on February 28, 2018, the Bankruptcy Court approved certain bid protections for Hudson pursuant to the Stalking Horse Stock Purchase Agreement (D.I. 119). The Debtors and Hudson also entered into a plan sponsorship agreement on the Petition Date and prior to filing the Petitions, which set forth the terms on which the Debtors and Hudson agreed to pursue confirmation and consummation of the Plan consistent with the Stalking Horse Stock Purchase Agreement. By order entered on February 27, 2018, the Bankruptcy Court authorized the Debtors to assume and perform under the plan sponsorship agreement (D.I. 115).

17. Additionally, just prior to filing the Petitions, the Debtors and SRGL executed a restructuring implementation agreement (the "Restructuring Implementation Agreement") to ensure that the Debtors would have the cooperation of SRGL, acting through the Joint Liquidators, in connection with pursuing the Debtors' reorganization. As described in more detail in certain of my prior declarations, securing the support of SRGL, acting through its Joint Liquidators, was an essential step to any restructuring of SALIC due to requirements of Cayman Islands law. Consistent with the Debtors' intent to subject Hudson's stalking horse purchase offer to higher and better bids, the Restructuring Implementation Agreement was structured in a

manner that would allow a higher and better bidder to step into the shoes of Hudson under its terms. By order (D.I. 170) entered on March 19, 2018, the Bankruptcy Court authorized the Debtors to enter into and perform under the Restructuring Implementation Agreement, with certain modifications set forth in such order.

18. On January 31, 2018, the Debtors filed a motion (D.I. 27) (the "Bidding Procedures Motion") to establish bidding procedures (the "Bidding Procedures") for the purpose of soliciting higher or better offers to serve as plan sponsor or for an alternative transaction that maximizes value. On February 28, 2018, the Bankruptcy Court entered an order (D.I. 119) (the "Bidding Procedures Order") approving the relief requested in the Bidding Procedures Motion, as modified in agreement with the U.S. Trustee, the Official Committee and Hudson. Following the Bankruptcy Court's approval of the Bidding Procedures, KBW, on behalf of the Debtors, engaged in a postpetition marketing process that resulted in two Qualified Bids (comprising Hudson's stalking horse offer and a competing offer from Hildene Re Holdings, LLC ("Hildene")), as that term is defined in the Bidding Procedures Order.

19. The Debtors commenced an Auction on May 30, 2018. At the conclusion of the Auction, in consultation with the Official Committee, the Debtors designated Hildene as the Winning Bidder (Hildene or its designee, in such capacity, the "Purchaser") and Hudson as the Backup Bidder.

20. The Purchaser's Winning Bid provides for, among other value, a committed Plan Funding Payment of $21.5 million, an amount that is nearly double the value to the Debtors' Estates and Creditors from the amount set forth in the stalking horse bid. The Winning Bid further provides for a Recapitalization Funding Payment of $12.5 million and funding of $100,000 for any cure amounts relating to contracts to be assumed as part of the transaction. In

addition, the Purchaser's Winning Bid affords all beneficial holders of TruPS, and SFL with respect to the SFL Note Claim, the opportunity, in their discretion, to a pro rata share of 30% of the voting capital stock of reorganized SALIC, in lieu of a cash payout.[7]

21. Following the Auction, the Debtors and the Purchaser entered into the certain Stock Purchase Agreement dated June 11, 2018 (as amended, the "Stock Purchase Agreement"). The Debtors filed the fully executed Stock Purchase Agreement with the Bankruptcy Court on June 11, 2018, at Docket Item 342. On June 12, 2018, the Bankruptcy Court entered an order (D.I. 346) (the "Winning Bidder Order") approving the Debtors' designations of the (i) Winning Bid and Winning Bidder and (ii) Backup Bid and Backup Bidder. I believe, based on consultations with the Debtors' advisors and my personal conversations with the Purchaser that the Purchaser and Debtors have continued to act in good faith under the Stock Purchase Agreement, the Plan, and related documents, consistent with the findings in the Winning Bidder Order.

22. The Plan and the transactions contemplated thereby are the product of two extensive marketing processes, occurring both pre- and post-petition, and several months of negotiations between the Debtors' and their creditors and other parties in interest.

E. The Plan Satisfies All Requirements for Confirmation

23. On the basis of the terms of the Plan, the events that have occurred prior to and during these Chapter 11 Cases, and discussions I have had with the Debtors' advisors regarding various orders entered during these Chapter 11 Cases and the requirements of the Bankruptcy

[7] As noted below, I understand that no eligible Creditor other than affiliates of Hildene made the election under the Plan to receive stock in lieu of cash. Furthermore, while such Hildene affiliates elected New Equity, for administrative and convenience purposes, they will be deemed to have made the election to receive Cash to simplify the administration and implementation of Distributions by the Distribution Trust.

Code, I believe that the Plan satisfies all of the applicable requirements of section 1129(a) of the Bankruptcy Code.

24. The Plan Complies with All Applicable Provisions of the Bankruptcy Code (Section 1129(a)(1)). As set forth immediately below, I believe the Plan complies with section 1129(a)(1) of the Bankruptcy Code because the Plan complies with Bankruptcy Code sections 1122 and 1123.

25. The Classification of Claims and Interests in the Plan Satisfies the Requirements of Section 1122 of the Bankruptcy Code. I am familiar with the Plan's classification of Claims and Interests, and I believe after discussions with Debtors' advisors that valid business, factual, and legal reasons exist for separately classifying the various Classes of Claims or Interests created under the Plan. Further, each Class contains only Claims or Interests that are substantially similar to other Claims and Equity therein.

26. The Plan Satisfies the Requirements of Section 1123(a) of the Bankruptcy Code. I believe that the Plan complies with section 1123(a) of the Bankruptcy Code, which I understand to set forth seven requirements with which every plan under chapter 11 of the Bankruptcy Code must comply. Specifically, I believe, after discussions with the Debtors' advisors, the Plan complies with each such requirement as follows:

(a) Section 1123(a)(1). Section 3.3 of the Plan designates all Claims and Interests that I understand to require classification under section 1123(a)(1) of the Bankruptcy Code.

(b) Section 1123(a)(2). Section 4.2 of the Plan specifies the Classes of Claims or Interests that are Unimpaired under the Plan. Specifically, Section 4.2 of the Plan provides

that Classes 1 (Secured Claims), 2 (Priority Non-Tax Claims), 3 (Intercompany Claims), and 10 (SALIC Existing Equity Interests) are Unimpaired under the Plan.

(c) Section 1123(a)(3). Sections 4.3 and 4.4 of the Plan specify the Classes of Claims or Interests that are Impaired under the Plan. In particular, Section 4.3 of the Plan specifies the treatment of Impaired voting Classes: Classes 4 (SHI TruPS Claims), 5 (SHI General Unsecured Claims), 6 (SALIC TruPS Claims & SFL Claims), and 7 (SALIC General Unsecured Claims); and Section 4.4 specifies the treatment of Impaired non-voting Classes: Class 8 (Subordinated Claims) and 9 (SHI Existing Equity Interests).

(d) Section 1123(a)(4). The Plan provides the same treatment for each Claim or Interest in a given Class unless the Holder of such Claim or Interest agrees to less favorable treatment.

(e) Section 1123(a)(5). I believe that the Plan, including the various documents and agreements set forth in the Plan Supplement, provides adequate means for the Plan's implementation, including by, among other things, providing for all of the actions set forth in Article VI of the Plan. Specifically, the Plan, among other things, (a) provides for the closing of the Stock Purchase Agreement; (b) authorizes the funding and use of the Plan Funding Payment and the funding of the Recapitalization Funding Payment; (c) authorizes New Equity to be issued and distributed by a newly-formed entity created by the Purchaser, Ludlow Holdings (Cayman) Ltd ("Ludlow") as New Holdco; (d) authorizes the Debtors to execute the Distribution Trust Agreement; (e) provides for the appointment of the officers and directors of the Reorganized Debtor; (f) authorizes the cancellation of agreements, securities and other documents relating to TruPS transaction and the SFL Note; and (g) is a compromise and settlement with the parties in interest in these Chapter 11 Cases and has been negotiated by all

parties in good faith. Accordingly, I believe the Plan satisfies the requirements set forth in section 1123(a)(5) of the Bankruptcy Code.

(f) Section 1123(a)(6). Pursuant to the Plan, Ludlow is acquiring the Debtors (and certain of their non-Debtor affiliates as specified in the Plan). Following the Effective Date, Ludlow will be the immediate parent company of Reorganized SALIC. New Equity issued under the Plan is being issued in Ludlow, rather than by Reorganized SALIC. Ludlow's corporate organizational document,[8] a copy of which is included in the Plan Supplement as Exhibit B-2, contains a prohibition on the issuance of non-voting securities, which I understand to satisfy the requirements of section 1123(a)(6) of the Bankruptcy Code. Furthermore, as no eligible creditors other than affiliates of the Purchaser made the New Equity Election under the Plan, any concerns about the allocation of voting power, which I am informed is the focus of section 1123(a)(6)'s prohibition on the issuance of non-voting securities, do not arise under the Plan.

(g) Section 1123(a)(7). It is my understanding that the Plan satisfies the requirements set forth in 1123(a)(7) of the Bankruptcy Code because Section 6.4(b) of the Plan and the New Corporate Governance Documents, attached as Exhibit B to the Plan Supplement, outline the manner of selecting the directors and officers of the Reorganized Debtors and Ludlow, which accords with applicable law, the Bankruptcy Code, the interests of creditors and equity security holders, and public policy.

(h) The Plan Complies with the Requirements of Section 1123(b) of the Bankruptcy Code. It is my understanding that the Plan employs various provisions in

[8] Ludlow is organized under the law of the Cayman Islands, and the formal title of its organizational document is the Companies Law (As Amended) Company Limited by Shares Amended and Restated Articles of Association of Ludlow Holdings (Cayman) Ltd. *See* Plan Supplement, Exhibit B-2.

accordance with the discretionary authority under section 1123(b) of the Bankruptcy Code, as follows:

(i) As I understand is permitted by section 1123(b)(1), the Plan impairs and leaves unimpaired the Classes of Claims and Interests as set out above and in the Plan;

(ii) As I understand is permitted by section 1123(b)(2), Article VIII of the Plan provides for the assumption of all Executory Contracts and Unexpired Leases under section 365 of the Bankruptcy Code (other than those designated for rejection on the Rejection Schedule (as may be amended through the Effective Date) attached as Exhibit F to the Plan Supplement, previously rejected by order of this Court, or subject of a motion to reject filed with this Court on or before the Confirmation Hearing) as of the Effective Date of the Plan;

(iii) As I understand is permitted by section 1123(b)(3), and as described in further detail below, Section 10.2 of the Plan provides for a release of certain claims and causes of action owned by the Debtors and for the retention of certain claims and causes of action owned by the Debtors all as specified therein;

(iv) As I understand is permitted by section 1123(b)(4), the Plan provides for the sale of the Debtors to the Purchaser in exchange for, among other things, the Plan Funding Payment, and the Plan provides that the Plan Funding Payment, less certain deductions as provided in the Plan, will be placed in the Distribution Trust for distribution to the holders of Claims against the Debtors;

(v) As I understand is permitted by section 1123(b)(5), the Plan modifies the rights of Holders of Claims or Interests in the Impaired Classes, and leaves unaffected the rights of Holders of Claims or Interests in the Unimpaired Classes;

(vi) As I understand is permitted by section 1123(b)(6) and section 1145, I understand that the New Equity, the New SHI Equity and any beneficial interests in the Distribution Trust, will be offered in accordance with section 1145(a) of the Bankruptcy Code or another applicable exemption without registration under the Securities Act; and

(vii) As I understand is permitted by section 1123(b)(6), Article X of the Plan provides for certain releases, exculpations and injunction as described further below.

27. The Debtors Have Complied with the Applicable Provisions of the Bankruptcy Code (Section 1129(a)(2)). Based on my review of the Plan and my discussions with the advisors for the Debtors, it is my understanding that the Debtors have complied with all solicitation and disclosure requirements set forth in the Bankruptcy Code, the Bankruptcy Rules, and the Disclosure Statement Order governing notice, disclosure, and solicitation in connection with the Plan and the Disclosure Statement. It is also my understanding that, as evidenced by the Affidavit Of Service Of Solicitation Materials (D.I. 395), the Debtors have complied with all previous orders of the Court regarding solicitation of votes, including the Disclosure Statement Order, and that the Debtors have complied with the Bankruptcy Code, the Bankruptcy Rules, and other applicable law with respect to the foregoing.

28. The Plan Has Been Proposed in Good Faith and Not by Any Means Forbidden by Law (Section 1129(a)(3)). I believe that the Debtors have proposed the Plan in good faith and not by any means forbidden by law. Good faith is evidenced by the unanimous acceptance by all voting Creditors. Further, as I described above and in my prior declarations and testimony, the Plan is the result of months of good-faith, arm's length negotiations between the Debtors, the Official Committee, Purchaser, the Indenture Trustees, the Joint Liquidators, and the SFL Receiver, among other creditors and interested parties. The Plan negotiation process exhibits the

Debtors' dedication to achieving the best possible result for all parties in interest, as the Debtors examined and accepted input from various parties, and amended their Plan multiple times after its initial filing, to secure the optimal treatment for all parties in interest. I believe that the Plan is fundamentally fair to all stakeholders and has been proposed with the legitimate purpose of reorganizing the Debtors.

29. The Plan Provides that Payments Made by the Debtors for Services or Costs and Expenses Are Subject to Approval (Section 1129(a)(4)). Based on my review of the Plan and my discussions with the advisors of the Debtors, it is my understanding that no payment for services or costs and expenses in or in connection with these Chapter 11 Cases, or in connection with the Plan and incidental to these Chapter 11 Cases, including Professional Fee Claims, has been or will be made by the Debtors other than payments that have been authorized by order of the Bankruptcy Court. Section 4.1 of the Plan provides for the payment of various Administrative Claims and Professional Fee Claims, which are subject to Bankruptcy Court approval and the standards of the Bankruptcy Code. Therefore, it is my understanding that the provisions of the Plan comply with section 1129(a)(4) of the Bankruptcy Code.

30. Furthermore, I understand and believe, after consultation with the Debtors' advisors, that the payment of Indenture Trustee Fees as set out in Section 4.1(d) of the Plan is not subject to section 1129(a)(4) (or sections 503(b)(3) and (4)) because the Indenture Trustee Fees are not being paid by the Debtors, by any proponent of the Plan (here, the Debtors), or by any person issuing securities or acquiring property under the Plan. Rather, the Indenture Trustee Fees are deducted and paid from the distributions to be made pursuant to the applicable TruPS Indentures consistent with and implementation of the Indenture Trustees' respective charging liens and intercreditor subordination rights under the TruPS Indentures.

31. The Debtors Have Disclosed the Identity of Directors and Officers and the Nature of Compensation of Insiders (Section 1129(a)(5)). In Exhibit D to the Plan Supplement, the Debtors have disclosed that the initial Boards to the Reorganized Debtors will consist of the same individuals as the Debtors' current Boards. The Debtors have also disclosed that, as of the Effective Date, the Debtors' current officers shall also become the Reorganized Debtors' officers. Thus, upon the Effective Date, I will continue as Chief Executive Officer, and Thomas J. Keller will continue as Chief Financial Officer. In Exhibit E to the Plan Supplement, the Debtors have also disclosed that Mr. Keller and I will also be employees of Ludlow. Further, the Debtors have disclosed that, following the Effective Date, Mr. Keller's and my respective base salaries and benefits are expected to be substantially consistent with our respective current compensation terms. Therefore, it is my understanding, in consultation with the Debtors' advisors, that the Plan satisfies the requirements of section 1129(a)(5) of the Bankruptcy Code.

32. The Plan Does Not Contain Any Rate Changes Subject to the Jurisdiction of Any Governmental Regulatory Commission (Section 1129(a)(6)). Based on my review of the Plan and my discussions with the advisors of the Debtors, it is my understanding that the Plan does not provide for any rate changes subject to the jurisdiction of any governmental regulatory commission.

33. The Plan Is in the Best Interests of Creditors (Section 1129(a)(7)). I understand from the Debtors' advisors that the Bankruptcy Code requires, and I believe that, with respect to each Impaired Class of Claims and Interests, each Holder of such Claim or Interest (a) accepted the Plan or (b) received or will retain under the Plan on account of such Claim or Interest property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

34. In consultation with other employees and management of the Debtors, including, in particular, Mr. Keller, I supervised the Debtors' preparation of the Liquidation Analysis annexed as Exhibit 2 to the Disclosure Statement. I am familiar with the Liquidation Analysis, the underlying financial and asset data, and the assumptions upon which the Liquidation Analysis is based.

35. I believe that the Liquidation Analysis incorporates reasonable assumptions and estimates regarding (i) the liquidation values of the Debtors' assets and the satisfaction of their claims, and (ii) the ultimate amount of Allowed Claims against, and expenses of, the hypothetical chapter 7 estates. The Liquidation Analysis was prepared in connection with the Disclosure Statement, and assumes that the Debtors would convert their cases from chapter 11 cases to chapter 7 cases on or about September 30, 2018 (the "Conversion Date"). I believe that the Liquidation Analysis provides a fair and reasonable assessment of the effects that a conversion of the Debtors' chapter 11 cases to cases under chapter 7 of the Bankruptcy Code would have on the proceeds available for distribution to Holders of Claims and Interests of the Debtors.

36. Together with the Debtors' counsel, I have reviewed the requirements for confirmation of the Plan under section 1129(a)(7) of the Bankruptcy Code. The Liquidation Analysis demonstrates that each Holder of an Allowed Claim or Interest will receive or retain under the Plan on account of such Claim or Interest property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Accordingly, I believe that the Plan satisfies section 1129(a)(7) of the Bankruptcy Code.

37. The Plan Has Been Accepted by Certain Impaired Voting Class (Section 1129(a)(8)). I believe, after consultation with the Debtors' advisors, that the Plan satisfies section 1129(a)(8) of the Bankruptcy Code because Classes 1, 2, 3 and 10 are Unimpaired under the Plan and Classes 4, 5, 6 and 7 have voted to accept the Plan. Classes 8 and 9 are Impaired and deemed to reject the Plan because they will not receive or retain any property on account of their Claims or Interests. Based on discussions with the Debtors' advisors, it is my understanding that the Plan is nonetheless confirmable because it satisfies section 1129(a)(10) and section 1129(b) of the Bankruptcy Code as to Classes 8 and 9.

38. The Plan Provides for Payment in Full of All Allowed Priority Claims (Section 1129(a)(9)). Based on my discussions with the advisors of the Debtors, it is my understanding that the Plan meets the requirements of section 1129(a)(9) of the Bankruptcy Code with respect to Administrative Claims, Fee Claims, Priority Tax Claims, and U.S. Trustee Fees.

39. At Least One Impaired, Non-Insider Class Has Accepted the Plan (Section 1129(a)(10)). Based on my discussions with the advisors of the Debtors, it is my understanding that each of the Impaired Classes have voted unanimously to accept the Plan, thereby satisfying section 1129(a)(10).

40. The Plan Is Feasible (Section 1129(a)(11)). I understand from the Debtors' advisors that to satisfy the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code, a debtor must demonstrate that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization, of a debtor or any successor to such debtor. I believe that the Plan is feasible under section 1129(a)(11) of the Bankruptcy Code. First, the distributions contemplated by the Plan are to be funded and provided for by the Debtors' unencumbered cash on hand as of the Effective Date and the Plan

Funding Payment, and the Plan Funding Payment (and therefore distributions to Creditors) is not subject to future events apart from occurrence of the Effective Date. Also, although occurrence of the Effective Date is subject to, among other things, regulatory approvals, based on steps taken to date by the Debtors and the Purchaser to obtain such approvals, I have no reason to believe that the transactions contemplated by the Plan will not obtain regulatory approval. Therefore, it is my understanding and belief that the Plan is feasible.

41. All Statutory Fees Have or Will Be Paid (Section 1129(a)(12)). Based on my review of the Plan, and my discussions with the advisors of the Debtors, Section 12.13 of the Plan provides for the payment, on or before the Effective Date of the Plan, of any fees due pursuant to section 1930 of title 28 of the United States Code or other statutory requirement, and there is sufficient cash to pay these fees on the Effective Date.

42. Section 1129(a)(13) of the Bankruptcy Code Is Inapplicable. Based on my discussions with the advisors of the Debtors, section 1129(a)(13) is inapplicable to the Plan because the Debtors do not have any "retiree benefits" as that term is defined in section 1114(a) of the Bankruptcy Code.

43. Sections 1129(a)(14)–(a)(16) of the Bankruptcy Code Are Inapplicable. Based on my review of the Plan and my discussions with the advisors of the Debtors, I am informed and believe that the Debtors are not (a) required to pay any domestic support obligations, (b) an individual, or (c) a nonprofit corporation or trust. Therefore, sections 1129(a)(14)–(a)(16) of the Bankruptcy Code are inapplicable to the Plan.

44. The "Cramdown" Provision of Section 1129(b) of the Bankruptcy Code is Appropriate under the Plan. Based on my discussions with the advisors of the Debtors, it is my understanding and belief that the Plan does not discriminate unfairly and I believe the Plan is fair

and equitable with respect to each Class of Claims or Interests that is Impaired under, and has not accepted or is deemed to reject, the Plan. Specifically, I understand that Classes 8 and 9 are the only Classes of Claims or Interests that are Impaired under and are deemed to reject the Plan. I understand Class 8 is a "placeholder" class created to absorb any Claims subject to subordination under the provisions of the Bankruptcy Code; however, I am not aware that any such Claims were filed or exist. Accordingly, based on discussions with the Debtors' advisors, I understand that such Class can be eliminated under the terms of the Plan (which provides for elimination of vacant classes at Section 5.6), and disregarded for purposes of the present analysis.

45. Class 9 comprises SHI Existing Equity Interests. Based on discussions with the Debtors' advisors, I understand that the Plan is fair and equitable with respect to, and does not discriminate unfairly against, Class 9. Specifically, the Plan is fair and equitable with respect to Class 9 because no holder of any Interest that is junior to the Interests of such Class will receive or retain property under the Plan on account of such Interest. Further, there is no Class of equal priority to Class 9, and therefore the Plan does not discriminate between Class 9 and any class of equal priority.

46. The Plan Is Not an Attempt to Avoid Tax Obligations (Section 1129(d)). Based on my review of the Plan, my knowledge of the circumstances leading up to its development, and my discussions with the advisors of the Debtors, I submit that the principal purpose of the Plan is not the avoidance of taxes or the avoidance of the application of the Securities Act, and no party in interest has filed an objection alleging otherwise.

47. The Plan Contains Certain Releases, Exculpations, and Related Injunction Provisions That Are Integral Components of the Plan. Article X of the Plan seeks to implement release, exculpation and injunction provisions. Based upon my review of the Plan, my personal

knowledge of the circumstances leading up to its development, and my discussions with the advisors of the Debtors, I believe that these provisions are appropriate because they are integral to the success of the Plan and the restructuring transactions underlying the Plan, as evidenced by the facts and circumstances of these Chapter 11 Cases. The release, exculpation and injunction provisions are given for valuable consideration, are fair and equitable and in the best interests of the Debtors' Estates. Additionally, the Plan, including the release, exculpation and injunction provisions, has been overwhelmingly accepted by the Classes entitled to vote on the Plan.

48. I believe that the Released Parties' contributions were and are substantial and necessary to the reorganization, such that without the Released Parties' contributions, the Debtors would not be in a position to confirm this Plan or any plan. The Released Parties have expended substantial time and effort to bring this Plan before the Court for confirmation. Accordingly, I understand that these parties will all receive the benefit of the release provisions, and the Exculpated Parties will also receive the benefit of the exculpation provision, enforceable pursuant to the injunction provisions of the Plan.

49. Additionally, I note that there is a substantial identity of interest between the Released Parties and the Debtors. The Released Parties include individuals who served as officers and directors of the Debtors at any time since the Petition Date. As current or former officers and directors of the Debtors, these individuals may hold rights or claims against the Debtors for advancement, indemnification or contribution. There is a not insubstantial risk that, without the benefit of the release, injunction, exculpation and related provisions, the Reorganized Debtors could be burdened with potentially costly advancement, indemnification and contribution claims going forward. Moreover, the management of the Reorganized Debtors could be burdened and distracted by the overhang of such litigation in a way that would make it

difficult for them to focus their full attention on the day-to-day operations of the Reorganized Debtors.

50. Furthermore, these release, exculpation and injunction provisions are necessary to implement the good-faith compromise and settlement of (i) any disputes regarding the appropriate allocation of general and administrative costs across the Debtors' assets, (ii) any disputes regarding the allocation of the Plan Funding Payment and any other value received by the Debtors under the Stock Purchase Agreement between the Debtors' Estates, and (iii) any disputes regarding whether and, if so, to what extent the Debtors' assets and liabilities should be pooled for voting, distribution and other purposes into a single, substantively consolidated estate.

51. Litigation over these matters likely would be expensive and protracted, thereby jeopardizing the Debtors' ability to successfully reorganize and substantially reducing any prospect of meaningful distributions for the Debtors' Creditors. Further, the Debtors acknowledge the existence of colorable arguments that could be made by parties in interest to support differing positions with respect to the foregoing matters. Although such arguments each have various factual and legal strengths and weaknesses, the timing and outcome of any attempt to litigate such disputes is not free from doubt.

52. An essential component of the Plan is resolution of all potential disputes as to the allocation of the consideration being received by the Estates under the Stock Purchase Agreement and other estate property. As discussed in more detail in the Disclosure Statement, allocating asset value between the Debtors' Estates is a complex and difficult task that, in the absence of the proposed settlements embodied in the Plan, would put the Debtors' reorganization at risk. On the one hand, arguments exist that significant value from the restructuring transactions should be allocated to SHI's estate because SHI is the direct holder of 100% of the

Interests in SRUS, a Delaware chartered reinsurance company. On the other hand, arguments exist that the existing Interests in SRUS have value only because of the existence of SALIC and the retrocession arrangements that exist between SALIC and SRUS.

53. After due deliberation and consideration of various alternatives for implementing Distributions to Holders of Allowed Claims under the Plan, I believe that it would be prohibitively difficult and expensive to attempt an allocation of the Plan Funding Payment and other available assets between the Debtors' Estates. Taking into account the time constraints under which these Chapter 11 Cases are being conducted, the relatively small amount of funds relative to the size of the overall pools of Claims subject to compromise under the Plan and the aforementioned expense and difficulty of attempting an allocation of distributable value between the Debtors' Estates, the Debtors proposed the Plan settlement.

54. Assumption of Executory Contracts and Unexpired Leases. Based on my review of the Plan and my personal knowledge of the Debtors' business operations, I am informed and believe that the assumption with a zero cure amount, unless otherwise specified in the Assumption Notice, by the Debtors on the Effective Date of all of the Debtors' Executory Contracts and Unexpired Leases that are not rejected is a sound exercise of the Debtors' business judgment and is in the best interest of the Debtors, their Estates and Creditors. I am further informed and believe that the Reorganized Debtors will be able to perform under all of the Debtors' Executory Contracts and Unexpired Leases that are assumed as of the Effective Date.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Executed on August 17, 2018

/s/ Gregg Klingenberg

Gregg Klingenberg