

## **Bidding Procedures**

### *Participation Requirements and Due Diligence*

(a) Notwithstanding anything to the contrary contained herein, the Debtors' marketing and solicitation process regarding the Proposed Transaction (as defined below) shall not commence until after the Bankruptcy Court shall have entered the Bidding Procedures Order.

(b) In order to participate in the bidding process, the Auction (as defined below), or otherwise be considered for any purpose hereunder, a person or entity (such person or entity, a "Potential Bidder") interested in pursuing (i) an alternative transaction to purchase all of the new capital stock (the "Shares") of reorganized Scottish Annuity & Life Insurance Company (Cayman) Ltd ("SALIC") to be issued and transferred under plan of reorganization for SALIC and SHI (the "Plan") for which the offeror shall serve as the Plan sponsor (the "Share Sale Plan Transaction") or (ii) another form of Alternative Transaction (as defined in the Stalking Horse SPA), including but not limited to, a transaction 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 (any such transaction or transactions, an "Alternative Restructuring Transaction") must first deliver the following materials to the Debtors and their advisors:

(i) An executed confidentiality agreement in form and substance satisfactory to the Debtors and their advisors (the "Confidentiality Agreement"). Without limiting the foregoing sentence, the Confidentiality Agreement will provide that all non-public information about the Debtors received by a Potential Bidder will be kept strictly confidential in accordance therewith and used only in connection with analyzing a proposed Share Sale Plan Transaction or Alternative Restructuring Transaction (either, a "Proposed Transaction") ;

(ii) Written evidence that enables the Debtors and their advisors, in consultation with the Committee, to reasonably determine whether a Potential Bidder has the financial, regulatory, operational, and other ability to close the Proposed Transaction and, with respect to a Proposed Transaction, provides adequate assurance of future performance under all contracts and leases to be assumed in connection therewith.

(c) The Debtors or their advisors shall post in the Debtors' data room these Bidding Procedures, together with a WORD copy of the Stock Purchase Agreement (the "Stalking Horse SPA") executed by and between the Debtors and the Stalking Horse and approved by the Bankruptcy Court as the "stalking horse" bid. All Potential Bidders, whether deemed Qualified Bidders (as defined below) or not, consent to the jurisdiction of the Bankruptcy Court to determine matters concerning the Proposed Transaction and their bids (each, a "Bid") (whether or not one is made), the Auction, or the marketing process generally and waive any right to any other venue.

(d) Any Potential Bidder wishing to conduct due diligence concerning the Proposed Transaction and that has complied with the requirements of subparagraph (b) above shall be granted (i) reasonable access to the Debtors' management during normal business hours

and (ii) subject to subparagraph (f) below, access to all relevant information regarding the business of each of the Debtors and any direct or indirect subsidiaries of SALIC reasonably necessary to enable a Potential Bidder to evaluate the Proposed Transaction. The Debtors shall make access available to Potential Bidders through an electronic data room as soon as reasonably practicable following execution of the Confidentiality Agreement. Potential Bidders interested in conducting due diligence should contact Keefe Bruyette & Woods, Inc. (“KBW”) at Keefe, Bruyette & Woods, Insurance Investment Banking Group, 787 Seventh Avenue, 4th Floor, New York, NY 10019 (Joe Beebe, Managing Director, jbeebe@kbw.com, 212-887-7752; Peter Houston, Vice President, phouston@kbw.com; 212-887-6798). Notwithstanding the foregoing, neither the Debtors nor KBW is required to provide confidential, business-sensitive or proprietary information to any person if the Debtors reasonably believe that such disclosure would be detrimental to the interests of the Debtors’ estates. All due diligence must be completed before the Bid Deadline (defined below). No condition(s) allowing or regarding further due diligence will be accepted after the Bid Deadline. Potential Bidders are required to exercise their own discretion before relying on any information provided by the Debtors regarding the Proposed Transaction. Neither the Debtors nor their representatives or advisors are responsible for, and will bear no liability with respect to, any information obtained by Potential Bidders pursuant hereto.

(e) The Debtors and their advisors, in consultation with the Committee, shall: (i) receive and evaluate any Bids from Potential Bidders; (ii) negotiate offers for Proposed Transactions; (iii) request information from Potential Bidders, engage in discussions with Potential Bidders, and take such other actions to determine whether any Bid constitutes or could lead to a Qualified Bid (as defined below); and (iv) take any other actions contemplated under these Bidding Procedures.

(f) Potential Bidders are notified that access to certain diligence information and documents may depend on obtaining the consent of persons or entities other than SALIC and its direct and indirect subsidiaries and that Potential Bidders may be required to execute waivers or other documents as a condition to obtaining the consent of such persons or entities.

#### *Submission of Bids*

(a) Any Potential Bidder interested in submitting a Proposed Transaction must submit a Bid **prior to 4:00 p.m. prevailing Eastern Time on May 17, 2018 (the “Bid Deadline”)**. In order for a Bid to be considered, it must be a “Qualified Bid.” A Potential Bidder will be deemed to be a “Qualified Bidder” if the Debtors in consultation with their advisors, in their sole discretion exercised after consultation with the Committee, determine that such Potential Bidder submitted a Qualified Bid. For the avoidance of doubt, the Stalking Horse shall be automatically deemed a Qualified Bidder and be entitled to participate in the Auction.

(b) Subject to the Bidding Procedures Order, with respect to a Proposed Transaction, a Bid will be considered a “Qualified Bid” only if the Bid fulfills, *inter alia*, at a minimum the following requirements prior to the Bid Deadline (capitalized terms used in this section are defined later in the Bidding Procedures):

(i) Provides that the Bid shall remain irrevocable until entry of the Winning Bidder Order, and (a) if the Bid is selected as the Winning Bid, 180 days after entry of the Winning Bidder Order, or (b) if the Bid is selected as the Backup Bid, until the later of the first business day that is at least (x) sixty (60) days after the date of the entry of the Confirmation Order, and (y) one hundred twenty (120) days after entry of the Winning Bidder Order (the “Bid Expiration Date”);

(ii) Is made by a person or entity that reasonably demonstrates evidence of fully committed and firm financing for each component of debt or equity in support of such Bid and other ability to consummate the Proposed Transaction, in each case acceptable to the Debtors, after consultation with the Committee;

(iii) Provides written evidence that the Qualified Bidder has obtained authorization and approval from its board of directors (or comparable governing body) with respect to the submission of its Bid and the execution of the agreements associated therewith, or a representation that no such authorization or approval is required;

(iv) Provides that the total consideration will be of a value, as determined by the Debtors in consultation with the Committee, equal to or greater than the aggregate of (i) the Purchase Price (as defined in the Stalking Horse SPA), plus (ii) the Expense Reimbursement Amount and the Break-Up Fee (up to a maximum aggregate amount of \$1,250,000), plus (iii) \$350,000 (the “Initial Overbid Amount”);

(v) Provides that any cash portion of the purchase price will be paid in cash, cash equivalents, or such other consideration acceptable to the Debtors;

(vi) Provides by wire transfer of immediately available funds, in the form of cash or a letter of credit, to an escrow agent designated by the Debtors before the Bid Deadline of an earnest money cash deposit of not less than ten percent (10%) of the total value of the purchase price of the competing Qualified Bid, but in no event less than ten percent (10%) of the Initial Overbid Amount (the “Deposit”);

(vii) Provides evidence reasonably satisfactory to the Debtors, after consultation with the Committee, that the Qualified Bidder is reasonably likely to obtain promptly all necessary regulatory approvals to consummate the Proposed Transaction;

(viii) Provides express consent to Debtors’ ability to communicate with Delaware Insurance Commissioner and the Cayman Islands Monetary Authority about the bid for purposes of evaluating the likelihood of the Bidder to obtain the necessary regulatory approval;

(ix) Is submitted in the form of either (a) a legally binding Stock Purchase Agreement in substantially the form of the Stalking Horse SPA, fully executed by the Qualified Bidder in a clean copy and marked to show the proposed changes to the Stalking Horse SPA in a redlined copy or (b) if based on a structure other than the transaction in the Stalking Horse SPA, a legally binding agreement which shall reflect the

structure of the transaction contemplated by the Bid, with such agreement fully executed by the Qualified Bidder, that further:

(1) Identifies the Qualified Bidder and any members of its investor group, if applicable;

(2) Is not subject to any conditions, representations, or terms that the Debtors reasonably determine to be unacceptable after consultation with the Committee;

(3) Describes with specificity the total purchase consideration proposed to be paid for the Proposed Transaction;

(4) Is not conditioned upon the Bankruptcy Court's approval of any bid protections, such as a break-up fee, termination fee, expense reimbursement, working fee or similar type of payment;

(5) Is not conditioned upon tax or other due diligence, or receipt of financing;

(6) Does not contain any condition to closing of the Proposed Transaction relating to the receipt of any third party approvals (excluding required Bankruptcy Court approval and any required governmental and/or regulatory approval or third party consents required under the Stalking Horse SPA);

(7) Expressly acknowledges and represents that the Qualified Bidder: (A) has had an opportunity to conduct any and all due diligence regarding the Proposed Transaction prior to making its Bid, (B) has relied solely upon its own independent review, investigation and/or inspection of any documents in making its Bid or that of any of its legal, financial or other advisors, and (C) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the business of the Debtors or the Proposed Transaction, or the completeness or accuracy of any information provided in connection therewith, except as expressly stated in the representations and warranties contained in the Stock Purchase Agreement ultimately accepted and executed by the Debtors;

(8) Identifies each and every executory contract and unexpired lease that the Qualified Bidder desires the Debtors to assume or reject under at closing of the Proposed Transaction and provides evidence of such Qualified Bidder's ability to provide adequate assurance of future performance of such contracts or leases to be assumed (as required by section 365(b)(1)(C) of the Bankruptcy Code) as part of the Proposed Transaction; and

(9) Contains other information reasonably requested by the Debtors and their advisors.

(c) For the avoidance of doubt, the Stalking Horse’s Bid, as embodied in the Stalking Horse SPA and the Plan Sponsorship Agreement, dated January 28, 2018, together with the exhibits and schedules of each of the foregoing documents, each as amended from time to time, is deemed to be a Qualified Bid.

(d) A Qualified Bidder that desires to make a Bid must deliver written electronic copies of its Bid prior to the Bid Deadline to KBW through [jbeebe@kbw.com](mailto:jbeebe@kbw.com), and [phouston@kbw.com](mailto:phouston@kbw.com), and the following representatives of the Debtors: (i) Hogan Lovells US LLP, [peter.ivanick@hoganlovells.com](mailto:peter.ivanick@hoganlovells.com) and [john.beck@hoganlovells.com](mailto:john.beck@hoganlovells.com) and (ii) Morris, Nichols, Arsht & Tunnell LLP, [eschwartz@mnat.com](mailto:eschwartz@mnat.com), [gwerkheiser@mnat.com](mailto:gwerkheiser@mnat.com), and [mharvey@mnat.com](mailto:mharvey@mnat.com), and to the following representatives of the Committee: (i) Pepper Hamilton LLP, [fournierd@pepperlaw.com](mailto:fournierd@pepperlaw.com), [havelesp@pepperlaw.com](mailto:havelesp@pepperlaw.com) and [schannej@pepperlaw.com](mailto:schannej@pepperlaw.com), and (ii) Alvarez & Marsal, [mgreenberg@alvarezandmarsal.com](mailto:mgreenberg@alvarezandmarsal.com) and [rnewman@alvarezandmarsal.com](mailto:rnewman@alvarezandmarsal.com). The Debtors shall deliver copies of any such Bids to the Office of the U.S. Trustee.

(e) After the Bid Deadline, the Debtors, in consultation with the Committee, shall determine which Qualified Bid represents the then-highest or otherwise best bid (the “Initial Highest Bid” and the entity submitting such Bid, the “Initial Highest Bidder”). At least one business day prior to the Auction, each Qualified Bidder that timely submitted a Qualified Bid and the Committee will be advised of such Initial Highest Bid and the Debtors shall distribute copies of such Initial Highest Bid to other Qualified Bidders.

(f) For the avoidance of doubt, these Bidding Procedures, including the Qualified Bid and Qualified Bidder requirements, are not intended to, and do not, foreclose bidders from making and the Debtors from accepting any bid for an Alternative Restructuring Transaction.

*Due Diligence From Potential Bidders or Qualified Bidders*

(a) Each Potential Bidder shall comply with all reasonable requests for additional information by the Debtors or their advisors regarding such Potential Bidder’s financial wherewithal to consummate and perform obligations in connection with the Proposed Transaction. Failure by a Potential Bidder to comply with reasonable requests for additional information may be a basis for the Debtors and their advisors to determine, in consultation with the Committee, that a Potential Bidder is not a Qualified Bidder. Similarly, each Qualified Bidder shall comply with all reasonable requests for additional information by the Debtors or their advisors regarding such Qualified Bidder’s financial wherewithal to consummate and perform obligations in connection with the Proposed Transaction as the Auction progresses. Failure by a Qualified Bidder to comply with reasonable requests for additional information may be a basis for the Debtors and their advisors to determine, in consultation with the Committee, that the Qualified Bidder may no longer participate in the Auction. The Debtors may, after consultation with the Committee, disqualify any Qualified Bidder and Qualified Bid from participation in the Auction in the Debtors’ discretion.

*“As Is, Where Is”*

(a) The Proposed Transaction shall be without representations or warranties of any kind, nature or description by the Debtors, their advisors, agents or estates or any other party, except to the extent set forth in the Stock Purchase Agreement between the Debtors and the Winning Bidder (as defined below). Except as otherwise provided in the Winning Bidder’s Bid and Proposed Transaction, the Shares or any assets sold or transferred by the Debtors shall be sold and transferred free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests therein (collectively, the “Claims”) pursuant to section 363(f) of the Bankruptcy Code, such Claims to attach to the net proceeds of the such sale or transfer, with the same validity and priority as existed immediately prior to such sale.

*The Auction*

(a) If one or more Qualified Bids has been submitted in accordance with these Bidding Procedures, the Debtors will conduct an **Auction on May 21, 2018, at 10:00 a.m. prevailing Eastern time**, with respect to such Qualified Bids in order to determine the highest and best Bid (the “Winning Bid”). The Auction shall be organized and conducted by the Debtors at the offices of their counsel, Hogan Lovells US LLP, 875 Third Avenue, New York, NY 10022 or such other location as may be announced prior to the Auction to the Auction Participants. The Auction will be recorded by stenographic means by an authorized court reporter.

(b) The only persons or entities who will be permitted to Bid at the Auction are the authorized representatives of each Qualified Bidder (the “Auction Participants”). While only the Auction Participants may make Qualified Bids at the Auction, the Auction may be attended and viewed also by the Debtors, the Committee or any party in interest, and their respective advisors and/or other authorized representatives. Any party in interest wishing to attend the Auction must provide the Debtors with notice of their intent to attend at least three (3) business days prior to the Auction, and therein identify all individuals anticipated to be attending the Auction on such party’s behalf.

(c) Each Qualified Bidder shall be required to represent that it has not engaged in any collusion with respect to the marketing process or the Proposed Transaction.

(d) The Auction shall be conducted by the Debtors in accordance with such procedures and requirements as may be established at the discretion of the Debtors and their advisors, in consultation with the Committee, to result in the highest and best offer as determined by the Debtors, in consultation with the Committee, which rules shall be announced prior to commencement of the Auction and may include the determination of the amount of time between Qualified Bids, the conducting of multiple rounds of open bidding, and to declare that the Auction has ended when no further Bids are timely made or otherwise. The Debtors, in consultation with the Committee, may waive and/or employ and announce at the Auction additional rules that are reasonable under the circumstances for conducting the Auction provided that such rules are (i) not inconsistent with the Bidding Procedures Order, the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules of the Bankruptcy Court, or any order of the Bankruptcy Court entered in connection with the Chapter 11 cases and (ii) disclosed to each Qualified Bidder.



(e) The first Qualified Bid at the Auction shall be deemed to have been made by the Initial Highest Bidder in the amount of the Initial Highest Bid. Thereafter, the Auction will continue in the manner determined by the Debtors above; provided, however, (i) additional Bids must be Qualified Bids (except that subsequent Qualified Bids made at the Auction, although received from a Qualified Bidder prior to the Bid Deadline, need not be received by the Bid Deadline) and (ii) with respect to a Proposed Transaction, additional Qualified Bids must be made in higher increments of at least \$250,000 in cash (the “Minimum Bid Increment”). Any Qualified Bids by the Stalking Horse during the Auction will be entitled to a credit equal to \$1,250,000 (the maximum amount of the Expense Reimbursement Amount and Break-Up Fee).

(f) The Debtors shall determine, in consultation with the Committee and subject to final determination by the Bankruptcy Court, whether a Qualified Bid by a Qualified Bidder at the Auction matches or is higher and better than the prior Qualified Bid.

(g) At the conclusion of the Auction, the Debtors may, in their sole discretion and in consultation with the Committee: (i) select the Winning Bid and second highest and best Bid (the “Backup Bid”); (ii) notify the person that made the Winning Bid (the “Winning Bidder”) that such person’s offer has been determined by the Debtors to be the Winning Bid, subject only to Bankruptcy Court approval; (iii) notify the person that made the Backup Bid (the “Backup Bidder”) that such person’s offer has been determined by the Debtors to be the Backup Bid, subject only to Bankruptcy Court approval; and (iv) file a notice with the Bankruptcy Court announcing the Winning Bidder and Backup Bidder and conduct a hearing for approval of same, which hearing may be the Disclosure Statement hearing (such order approving the Winning Bidder, the “Winning Bidder Order”). Prior to the commencement of the hearing, the Winning Bidder shall complete and sign all agreements and documents as necessary to bind the Winning Bidder to all of the terms and conditions contemplated by the Winning Bid. In the event the Stalking Horse is not selected as the Winning Bidder or the Backup Bidder at the conclusion of the Auction, its Deposit shall be returned in accordance with the terms of the Stalking Horse SPA.

(h) If the Stalking Horse is designated by the Debtors as the Winning Bidder the hearing for approval of the Debtors’ designation of the Winning Bidder and the Winning Bid shall be held on **May 23, 2018, at 10:00 a.m.**, prevailing Eastern time, or such later date as the Debtors and the Stalking Horse may agree. If a Qualified Bidder, other than the Stalking Horse is the Winning Bidder, the hearing for approval of the Debtors’ designation of the Winning bidder and the Winning Bid shall be held on a date to be determined, which, unless otherwise agreed by the Debtors and the putatively designated Winning Bidder, shall be no earlier than seven (7) days after the date of conclusion of the Auction and no later than twenty-one (21) days after the conclusion of the Auction.

(i) The Backup Bid shall remain irrevocable until the Effective Date of the Plan or the Bid Expiration Date; provided, that if the Stalking Horse is the Backup Bidder, its offer will remain open on the terms set forth in the Stalking Horse SPA. The Debtors, in their sole discretion exercised in consultation with the Committee, may consummate the Proposed Transaction with the Backup Bidder.

(j) If no Qualified Bids other than the Stalking Horse SPA are received by the Debtors by the Bid Deadline, the Debtors shall not hold an Auction and the Stalking Horse SPA shall be the Winning Bid.

(k) The Deposit of the Winning Bidder shall be applied by the Debtors against the purchase price to be paid by the Winning Bidder or held by the Debtors and forfeited, as the case may be, in accordance with the terms of the Stock Purchase Agreement associated with the Winning Bid.

*Deposits*

(a) No later than three (3) business days after the Auction, the Debtors (or escrow agent) shall return to each Qualified Bidder(s) other than the Winning Bidder their respective Deposit(s).