

**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. 29

**ORDER AUTHORIZING DEBTORS TO ASSUME PLAN SPONSORSHIP
AGREEMENT AND GRANTING RELATED RELIEF**

Upon the Debtors' Motion For: (A) Order Authorizing Debtors' Assumption Of Restructuring Implementation Agreement And Granting Related Relief; And (B) Order Authorizing Debtors' Assumption Of Plan Sponsorship Agreement And Granting Related Relief [D.I. 29] (the "Motion"), insofar as such Motion seeks authorization for the above-captioned debtors and debtors-in-possession (together, the "Debtors") to assume the Plan Sponsorship Agreement attached hereto as Exhibit 1 (the "PSA");² and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and venue being proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion being adequate and appropriate under the particular circumstances; and a hearing having been held to consider the relief requested in the Motion (the "Hearing"); and upon consideration of the First Day Declaration,

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 otherwise defined herein shall have the meanings ascribed to them in the Motion.

the supplemental declaration of Gregg Klingenberg in support of, among other things, the Motion [D.I. 28], the record of the Hearing and all proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors' estates, their creditors and other parties in interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and any objections to the requested relief having been withdrawn, resolved as set forth in this Order or on the record at the Hearing, or overruled on the merits; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED, as set forth herein.
2. The Debtors are authorized to: (a) assume the PSA, as modified by this Order, in its entirety and, effective as of the date of entry of this Order, the PSA is hereby assumed pursuant to section 365(a) of the Bankruptcy Code; (b) comply with the terms of the PSA; and (c) take any and all actions necessary to implement the terms of the PSA (except for actions that require further orders of the Court); *provided* that such actions shall not constitute a solicitation of acceptances or rejections of a plan pursuant to section 1125 of the Bankruptcy Code.
3. The PSA shall be binding and specifically enforceable against the parties thereto in accordance with its terms.
4. The failure to describe specifically or include any particular provision of the PSA in the Motion or this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the PSA, as modified by this Order, be assumed by the Debtors in its entirety, including, but not limited to, Section 18 (*Fiduciary Duties*) of the PSA, as modified by this Order.

5. The Debtors are authorized, but not directed, to enter into amendments to, modifications of or waivers of terms of the PSA, from time to time as necessary, subject to the terms and conditions set forth in the PSA and without further order of the Court; *provided, however,* that any such amendment, modification or waiver shall be effective only upon further order of the Court if such amendment, modification or waiver (a) is or reasonably should be anticipated by the Debtors to have a material adverse effect on the Debtors' estates, or (b) is an amendment to or modification or waiver of Section 18 (*Fiduciary Duties*) of the PSA, as modified by this Order. Within two (2) Business Days of the effective date of each such amendment, modification or waiver for which a further Order of the Court is not required, the Debtors will file a notice attaching a copy of any such amendment, modification or waiver with the Court.

6. Nothing set forth in this Order constitutes an assumption or approval of any other Restructuring Documents. For the avoidance of doubt, notwithstanding anything set forth in the PSA, the Debtors shall be permitted to solicit and consider competing offers for a transaction or transactions to acquire, purchase, finance, restructure or reorganize all or any part of the business, assets, properties, capital stock or capital stock equivalents of the Debtors pursuant to a plan of reorganization (the "Plan") or otherwise, all as more fully set forth in 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* (the "Bidding Procedures Order").

7. Section 18 (*Fiduciary Duties*) of the PSA shall be stricken in its entirety and replaced with the following:

Notwithstanding anything to the contrary in this Agreement, (i) nothing in this Agreement shall require the SALIC Parties or any directors or officers of the SALIC Parties (in such person's capacity as a director or officer of the SALIC Parties) to take any action, or to refrain from taking any action, to the extent such action or forbearance would violate its or their fiduciary obligations under applicable law, as determined after consultation with its or their legal advisors, and (ii) in the event the SALIC Parties or their boards of directors reasonably determine, consistent with their fiduciary obligations and in consultation with their legal advisors, that any condition to effectiveness of the Restructuring cannot be satisfied or proceeding with any of the terms or conditions of the Restructuring would violate their fiduciary duties, they may cause the SALIC Parties to terminate this Agreement without incurring any liability to any Party under this Agreement, but subject to the Plan Sponsor's rights to the Break-Up Fee and Expense Reimbursement as set forth in the Stalking Horse SPA and the Bidding Procedures Order.

8. Notwithstanding anything set forth in the PSA, including section 3.1 of the PSA, the Debtors may, but shall not be obligated by reason of their assumption of the PSA pursuant to this Order, to pursue releases for insiders or affiliates through a Plan or otherwise. Nothing set forth in this Order constitutes an approval of any releases.

9. Notice of the Motion as provided therein shall be deemed good and sufficient and the requirements of the Bankruptcy Rules and the Local Rules are satisfied by such notice.

10. To the extent the automatic stay provisions of section 362 of the Bankruptcy Code would otherwise apply, such provisions are vacated and modified to permit the delivery of any notice of termination pursuant to the PSA or the Stock Purchase Agreement.

11. Except for the rights of the Joint Liquidators and the Plan Sponsor and except as expressly stated within the PSA, the PSA shall be solely for the benefit of the parties thereto and no other person or entity shall be a third-party beneficiary to the PSA. Except as expressly provided in the PSA, no entity, other than the parties to the PSA shall have any right to seek or enforce specific performance under the PSA.

12. The reference to the Stock Purchase Agreement in Section 16 of the PSA shall be construed to mean the Stock Purchase Agreement, as it may be amended, modified or supplemented by the Bidding Procedures Order.

13. The failure of any Party to seek relief or otherwise exercise its rights and remedies under this Order, the PSA, or applicable law, as the case may be, shall not constitute a waiver of any of the rights hereunder, thereunder, or otherwise of any of the Parties.

14. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062, 9014 or otherwise, this Order shall be immediately effective and enforceable upon its entry.

15. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

16. The Court retains jurisdiction with respect to all matters arising from or related to the interpretation or implementation of this Order.

Date: February 27, 2018


THE HONORABLE LAURIE S. SILVERSTEIN
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

PSA

EXECUTION VERSION

THIS PLAN SPONSORSHIP AGREEMENT IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF VOTES WITH RESPECT TO A PLAN OF REORGANIZATION. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.

PLAN SPONSORSHIP AGREEMENT

January 28, 2018

This PLAN SPONSORSHIP AGREEMENT (including all exhibits and schedules attached hereto, and as may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof, this "**Agreement**") is entered into by and among the following parties as of the date set forth immediately above:

- (a) **Scottish Annuity & Life Insurance Company (Cayman) Ltd.**, an exempted company limited by shares incorporated and existing under the laws of the Cayman Islands ("**SALIC**");
- (b) **Scottish Holdings, Inc.**, a Delaware corporation ("**SHI**," and together with SALIC, the "**SALIC Parties**"); and
- (c) **HSCM Bermuda Fund Ltd.**, a Bermuda limited company ("**Plan Sponsor**," and collectively with the SALIC Parties, the "**Parties**")

RECITALS

- (A) SALIC and certain of its direct and indirect subsidiaries, including Scottish Re (U.S.), Inc. ("**SRUS**"), are engaged in the reinsurance of life insurance, annuities and annuity-type products (the "**SALIC Group Business**").
- (B) Scottish Re Group Limited, an exempted company limited by shares incorporated and existing under the laws of the Cayman Islands ("**SRGL**"), SALIC, SHI and certain of their affiliates have undertaken an evaluation of strategic alternatives and have determined to effectuate a restructuring of themselves and the SALIC Group Business with the assistance of their legal and financial advisors on the terms set forth in the Restructuring Documents (as defined below) (the "**Restructuring**").
- (C) On May 17, 2017, SRGL (i) commenced a winding up proceeding (the "**Bermuda Winding Up Proceeding**") in the Supreme Court of Bermuda (the "**Bermuda Court**") by filing a petition (the "**Bermuda Winding Up Petition**") seeking its winding up pursuant to Part XIII of the Bermuda Companies Act 1981 and other applicable Bermuda law, and (ii) commenced a parallel winding up proceeding (the "**Cayman Islands Winding Up Proceeding**," and together with the Bermuda Winding Up Proceeding, the "**Winding Up Proceedings**") in the Grand Court of the Cayman Islands, Financial Services Division (the "**Cayman Islands Court**") by filing

a petition (the “Cayman Islands Winding Up Petition,” and together with the Bermuda Winding Up Petition, the “Winding Up Petitions”) seeking its winding up under Cayman Islands law.

- (D) Simultaneous with SRGL’s filing of the Bermuda Winding Up Petition, SRGL filed an application to the Bermuda Court for the appointment of joint provisional liquidators in connection with the Bermuda Winding Up Proceeding.
- (E) On May 18, 2017, the Bermuda Court appointed John C. McKenna of Finance & Risk Services Ltd., and Eleanor Fisher of Kalo (Cayman) Limited as joint provisional liquidators for SRGL in connection with the Bermuda Winding Up Proceeding (the “Joint Provisional Liquidators”).
- (F) The Parties contemplate that, following the execution of this Agreement, (i) upon the application by SRGL, the Bermuda Court will make a winding up order for SRGL and will grant the Joint Provisional Liquidators wider powers as set forth in the Bermuda Act, and (ii) the Cayman Islands Court will make a winding up order and appoint Mr. McKenna and Ms. Fisher as joint official liquidators in the Cayman Islands Winding Up Proceeding (in such capacity following the making of the winding up orders in the Bermuda Winding Up Proceeding and the Cayman Islands Winding Up Proceeding, and without personal liability, the “Joint Official Liquidators”), the effect of which will be to displace the powers of the Board of SRGL.
- (G) On January 19, 2018, pursuant to a duly authorized written shareholder resolution from SRGL, each US\$1.00 par value Ordinary Share (as defined herein) was subdivided into 1,000 US\$0.001 par value Ordinary Shares (such event, the “SALIC Share Subdivision”). After giving effect to the SALIC Share Subdivision, as of the Agreement Date, SALIC’s authorized share capital is US\$20,000,000 divided into 20,000,000 Ordinary Shares having a par value of US\$0.001 each.
- (H) As of the Agreement Date, SRGL owns one-hundred percent (100%) of the Ordinary Shares.
- (I) As of the Agreement Date, SALIC owns one-hundred percent (100%) of the issued and outstanding common stock of SHI.
- (J) As of the Agreement Date, SHI owns one-hundred percent (100%) of the issued and outstanding common stock of SRUS.
- (K) In furtherance of the Restructuring, contemporaneously with the Parties’ entry into this Agreement, SRGL, SALIC, SHI and the Joint Provisional Liquidators (to give their consent, not as a separate party thereto) have entered into that certain Restructuring Implementation Agreement, dated as of January 28, 2018 (as may be amended, restated, supplemented, or otherwise modified from time to time in accordance with the terms thereof, together with the exhibits and schedules attached thereto (as each

may be amended, restated, supplemented, or otherwise modified from time to time, in accordance with the terms thereof, the "**Restructuring Implementation Agreement**"), a copy of which is attached hereto as **Exhibit A**.

- (L) In furtherance of the Restructuring, the SALIC Parties have engaged in extensive good faith and arms'-length negotiations with the Plan Sponsor, with all parties represented by their own legal and other professional advisors.
- (M) As a result of such good faith and arms'-length negotiations, the Parties have reached agreement on the material terms of the Restructuring, including the following: (i) this Agreement; (ii) that certain stock purchase agreement by and among SALIC and the Plan Sponsor, as executed on the date hereof (including all exhibits and schedules attached thereto, and as may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms, the "**Stock Purchase Agreement**"), a copy of which is attached hereto as **Exhibit B**; (iii) the proposed Bidding Procedures Order and Bidding Procedures (each as defined in the Stock Purchase Agreement and attached thereto as Exhibit A); and (iv) the Plan Term Sheet (as defined in the Stock Purchase Agreement and attached thereto as Exhibit C).
- (N) In furtherance of the Restructuring, SALIC and SHI each contemplate filing a voluntary petition for relief under Chapter 11 of title 11 of the United States Code (as amended, the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**").
- (O) The Parties desire to express to one another their mutual support and commitment in respect of the matters addressed by this Agreement.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Party, intending to be legally bound hereby, agrees as follows:

AGREEMENT

Section 1. **Certain Definitions; Rules of Construction**

1.1 As used in this Agreement, the following terms have the meanings set forth below:

- (a) "**Agreement**" has the meaning set forth in the Preamble.
- (b) "**Agreement Date**" means the later of (x) the date set forth in the Preamble and (y) the first day on which all execution pages for the Parties have been executed and delivered to the other Parties to this Agreement.
- (c) "**Organizational Documents**" means the certificate or articles of incorporation, bylaws, or comparable organizational documents for Reorganized SALIC,

Reorganized SHI and other SALIC Group Companies to be effective on or after the Effective Date.

- (d) “**Parties**” has the meaning set forth in the Preamble.
- (e) “**Plan Sponsor**” has the meaning set forth in the Preamble.
- (f) “**Plan Sponsor Advisors**” means (i) Sidley Austin LLP, as lead counsel to the Plan Sponsor, (ii) Young, Conaway, Stargatt & Taylor LLP, as Delaware counsel to the Plan Sponsor, (iii) Walkers, as Bermuda and Cayman Islands counsel to the Plan Sponsor, and (iv) Willis Towers Watson, advisor to the Plan Sponsor.
- (g) “**Plan Sponsor Period**” means the period commencing on the Agreement Date and ending the earliest of (x) the date on which this Agreement is terminated in accordance with Section 5 hereof, and (y) the Effective Date.
- (h) “**Purchased Shares**” means 19,999,999,999 Ordinary Shares with a par value US\$0.001 per share to be issued to Plan Sponsor through the New SALIC Shares Issuance.
- (i) “**Restructuring**” has the meaning set forth in the Recitals.
- (j) “**Restructuring Documents**” has the meaning set forth in Section 2.1 of this Agreement.
- (k) “**SALIC Share Subdivision**” has the meaning ascribed to such term in the Recitals.
- (l) “**Stock Purchase Agreement**” has the meaning set forth in the Recitals.

1.2 Capitalized terms not otherwise defined in this Agreement have the meanings ascribed to such terms in the Stock Purchase Agreement or, if not defined therein, in the Restructuring Implementation Agreement.

1.3 When a reference is made in this Agreement to a Section, Exhibit, Schedule, or Annex, such reference shall be to a Section, Exhibit, Schedule, or Annex, respectively, of or attached to this Agreement unless otherwise indicated. Unless the context of this Agreement otherwise requires, (a) words using the singular or plural number also include the plural or singular number, respectively, (b) the terms “hereof,” “herein,” “hereby” and derivative or similar words refer to this entire Agreement, (c) the words “include,” “includes” and “including” when used herein shall be deemed in each case to be followed by the words “without limitation,” and (d) the word “or” shall not be exclusive and shall be read to mean “and/or.”

Section 2. **Definitive Documentation.**

2.1 The definitive documents and agreements governing the Restructuring (collectively, the "**Restructuring Documents**") shall consist of:

- (a) This Agreement;
- (b) The Restructuring Implementation Agreement (**Exhibit A** hereto);
- (c) The Stock Purchase Agreement (**Exhibit B** hereto);
- (d) The Plan Term Sheet (in form and substance as attached to the Stock Purchase Agreement);
- (e) The RIA/PSA Assumption Motion;
- (f) The RIA Order;
- (g) The PSA Order;
- (h) The Bidding Procedures Motion;
- (i) The Bidding Procedures Order, including the Bidding Procedures (in form and substance as attached to the Stock Purchase Agreement);
- (j) The Share Surrender Documents;
- (k) The New SALIC Share Issuance Documents;
- (l) The Organizational Documents;
- (m) The Chapter 11 Plan (and all exhibits and schedules thereto);
- (n) The Plan Supplement;
- (o) The Disclosure Statement;
- (p) The Disclosure Statement Order;
- (q) The Winning Bidder Order (which may be part of the Disclosure Statement Order);
- (r) The Confirmation Order;
- (s) The Sale Order (which may be part of the Confirmation Order);
- (t) Any document or agreement executed or delivered in connection with any of the above.

2.2 Except for the Stock Purchase Agreement, the Restructuring Implementation Agreement, the Plan Term Sheet (in the form attached to the Stock Purchase Agreement), and the Bidding Procedures Order and Bidding Procedures (each in the form attached to the Stock Purchase Agreement), each of the Restructuring Documents remains subject to negotiation and completion and shall, upon completion, contain terms, conditions, representations, warranties, and covenants consistent with this Agreement and the Exhibits hereto and that: (a) with respect to the Specified Restructuring Documents, are reasonably acceptable to the SALIC Parties, the Plan Sponsor and, to the extent the SRGL Consent Rights apply, the Joint Official Liquidators; and (b) with respect to Restructuring Documents, other than the Specified Restructuring Documents, are reasonably acceptable to the SALIC Parties and the Plan Sponsor.

Section 3. **Implementation of the Restructuring.**

3.1 **US Restructuring.** The Restructuring will be implemented as to the SALIC Parties through each SALIC Party's filing of a voluntary petition for relief under chapter 11 of the Bankruptcy Code, the filing any and all other documents necessary to commence its Chapter 11 Case, and each SALIC Party's prosecution of its Chapter 11 Case in accordance with this Agreement, the Stock Purchase Agreement, and its fiduciary obligations under Applicable Law. The Plan Sponsor will support confirmation of the Chapter 11 Plan on terms consistent with those set forth in the Plan Term Sheet, including but not limited to the release and exculpation provisions of the Chapter 11 Plan for the benefit of the SALIC Group Companies, the Purchaser, SRGL, the Joint Liquidators and their respective Affiliates and Representatives.

3.2 **Bermuda/Cayman Restructuring.** The Restructuring will be implemented as to SRGL through the continued prosecution of the Bermuda Proceeding and the Cayman Islands Proceeding in accordance with the Restructuring Implementation Agreement. The SALIC Parties shall cooperate fully and in good faith in connection with the Foreign Proceedings and use commercially reasonable efforts to support SRGL's requests for entry of the Winding Up Orders and the Foreign Court Approvals.

Section 4. **Further Agreements of the Parties in Connection with the Chapter 11 Cases.**

4.1 **Further Agreements of the Plan Sponsor.**

(a) Following the Effective Date, the Plan Sponsor agrees that it will defer, and will cause Reorganized SALIC and Reorganized SHI to defer, to the Distribution Trustee as to the timing and circumstances of closing of the Chapter 11 Cases and will cooperate with the Distribution Trustee, and cause Reorganized SALIC and Reorganized SHI to cooperate with the Distribution Trustee, in connection with the closing of the Chapter 11 Cases (including by filing a motion to close one or both of the Chapter 11 Cases at the request of the Distribution Trustee, the reasonable cost of which will be borne by the Distribution Trust); provided, however, that if the Distribution Trustee shall fail to pay from the assets of the Distribution Trust any statutory fees incurred pursuant to 28 U.S.C. § 1930(a)(6) in connection with the Chapter 11 Cases after the Effective Date as and when due and such payment default is not cured within twenty-eight (28) days after the Distribution Trustee's receipt of written notice thereof from the

Purchaser, Reorganized SALIC or Reorganized SHI, then the Purchaser, Reorganized SALIC and/or Reorganized SHI, as applicable, shall be entitled to move the Bankruptcy Court to close the Chapter 11 Cases pursuant to section 350 of the Bankruptcy Code without the Distribution Trustee's consent to the filing of such motion.

4.2 Further Agreements of the SALIC Parties. Upon the terms and subject to the conditions of this Agreement and the Stock Purchase Agreement, the SALIC Parties agree that, for the duration of the Plan Sponsor Period, unless otherwise consented to in advance in writing by the Plan Sponsor, the SALIC Parties shall:

(a) Convene conference calls, on reasonable advance notice, with the Plan Sponsor and the Plan Sponsor Advisors, which calls will include the management and the financial and legal advisors of the SALIC Parties;

(b) Provide reasonable access to the respective management and advisors of the SALIC Parties for the purposes of evaluating the finances and operations of the SALIC Group Companies, ensuring the SALIC Parties' compliance with this Agreement, the Stock Purchase Agreement and the Restructuring Implementation Agreement and participating in the planning and implementation aspects of the Restructuring;

(c) Timely file a formal objection to any motion filed with the Bankruptcy Court or any other proceeding commenced by any party seeking (provided, that a draft of any such objection shall be provided to the Plan Sponsor at least two (2) Business Days in advance of filing):

(i) Entry of an order (A) directing the appointment of an examiner or a trustee, (B) converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or (C) dismissing the Chapter 11 Cases;

(ii) Entry of an order modifying or terminating the SALIC Parties' exclusive right to file and/or solicit acceptances of a plan of reorganization; or

(iii) Other relief that would be inconsistent with the Chapter 11 Plan, the Plan Term Sheet, this Agreement, the Stock Purchase Agreement, the Restructuring Implementation Agreement or other Restructuring Documents; and

(d) Not dispute that the giving of notice of termination by any Party pursuant to this Agreement or the Stock Purchase Agreement shall not be a violation of the automatic stay of section 362 of the Bankruptcy Code (and the SALIC Parties hereby waive, the applicability of the automatic stay to the giving of such notice).

4.3 Certain Conditions. The obligations of the Plan Sponsor and of the SALIC Parties set forth in Section **Error! Reference source not found.**4.1 and Section 4.2, respectively, are subject to the following conditions:

(a) This Agreement shall have become effective in accordance with its terms;

(b) The Stock Purchase Agreement shall have been fully executed and shall not have been terminated in accordance with the terms thereof; and

(c) The Restructuring Implementation Agreement shall have been fully executed and shall not have been terminated in accordance with the terms thereof.

Section 5. **Termination of Agreement.**

5.1 **Generally Applicable Termination Events.** This Agreement and the obligations of the Parties hereunder (i) shall terminate automatically and without further action of any Party if the Stock Purchase Agreement shall have been terminated in accordance with the terms thereof, and (ii) may be terminated at any time by mutual agreement between the SALIC Parties and the Plan Sponsor.

5.2 **Plan Sponsor Termination Events.** The Plan Sponsor may elect to terminate this Agreement, upon written notice to the SALIC Parties, delivered in accordance with Section 14 hereof, at any time if the SALIC Parties shall have breached this Agreement in any material respect and the Plan Sponsor shall have delivered written notice to the SALIC Parties of any such breach and such breach remains uncured for a period of ten (10) Business Days following such notice.

5.3 **SALIC Party Termination Events.** The SALIC Parties may elect to terminate this Agreement upon written notice to the Plan Sponsor, delivered in accordance with Section 14 hereof, if the Plan Sponsor shall have breached this Agreement in any material respect and the SALIC Parties shall have delivered written notice to the Plan Sponsor of any such breach and such breach remains uncured for a period of ten (10) Business Days following such notice.

5.4 **Effect of Termination.** Upon the termination of this Agreement in accordance with this Section 5, and except as provided in Section 11 (*Survival*) hereof, this Agreement shall forthwith become void and of no further force or effect and each Party shall, except as provided otherwise in this Agreement or the Stock Purchase Agreement, be immediately released from its liabilities, obligations, commitments, undertakings and agreements under or related to this Agreement and shall have all the rights and remedies that it would have had and shall be entitled to take all actions, whether with respect to the Restructuring Transaction or otherwise, that it would have been entitled to take had it not entered into this Agreement, including all rights and remedies that would have been available to it under Applicable Law.

Section 6. **Good Faith Cooperation and Further Assurances.**

6.1 During the Plan Sponsor Period, the Parties shall cooperate with each other in good faith and shall coordinate their activities (to the extent practicable and subject to the terms hereof), and shall take all actions reasonably required in respect of (a) all matters relating to their rights and obligations hereunder or under the Stock Purchase Agreement in respect of the SALIC Parties or otherwise in connection with their relationship with the Plan Sponsor, (b) all matters concerning the implementation of the Plan Term Sheet, and (c) the pursuit and support of the Restructuring Transactions (including confirmation of the Chapter 11 Plan and consummation of the Chapter 11 Plan and Stock Purchase Agreement).

6.2 Subject to any applicable confidentiality restrictions, the SALIC Parties shall (a) provide reasonable access to the books, records, facilities, management and advisors for the SALIC Group Companies, and (b) timely and reasonably provide detailed responses to all reasonable diligence requests of the Plan Sponsor or the Plan Sponsor Advisors, each in accordance with the terms of the Stock Purchase Agreement.

6.3 Subject to the terms hereof, each of the Parties shall take such action as may be reasonably necessary to carry out the purposes and intent of this Agreement, the Stock Purchase Agreement and the Restructuring Implementation Agreement, including making and filing any required governmental or regulatory filings and shall refrain from taking any action that would frustrate the purposes and intent of this Agreement, the Stock Purchase Agreement or the Restructuring Implementation Agreement.

6.4 During the Plan Sponsor Period, each Party hereby covenants and agrees (a) to negotiate in good faith the Restructuring Documents and (b) to execute (to the extent such Party is a party thereto) and otherwise support the Restructuring Documents. For the avoidance of doubt, during the Plan Sponsor Period, each Party agrees to (a) act in good faith and use commercially reasonable efforts to support and complete successfully the implementation of the Chapter 11 Plan and other Restructuring Transactions in accordance with the terms of this Agreement, the Stock Purchase Agreement and the Restructuring Implementation Agreement, (b) do all things reasonably necessary and appropriate in furtherance of consummating the Restructuring Transactions in accordance with, and within the time frames contemplated by this Agreement and the Stock Purchase Agreement, and (c) act in good faith and use commercially reasonable efforts to consummate the Restructuring Transaction as contemplated by this Agreement and the Stock Purchase Agreement.

Section 7. **Representations and Warranties.**

Each Party represents and warrants to the other Parties that the following statements are true, correct and complete as of the date hereof:

7.1 Such Party is validly existing and in good standing under the laws of the jurisdiction of incorporation of its organization and has all requisite corporate, limited liability company, partnership or similar authority to (1) enter into this Agreement, (2) carry out the transactions contemplated under this Agreement and (3) perform its obligations contemplated under this Agreement; and the execution and delivery of this Agreement and the performance of such Party's obligations under this Agreement have been duly authorized by all necessary corporate, limited liability company, partnership or other similar action on its part;

7.2 The execution, delivery and performance by such Party of this Agreement does not and will not (1) violate any provision of law, rule or regulation applicable to it or any of its subsidiaries or its charter or bylaws (or other similar governing documents) or those of any of its subsidiaries, (2) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party or (3) violate any order, writ, injunction, decree, statute, rule or regulation;

7.3 The execution, delivery and performance by such Party of this Agreement does not and will not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Governmental Authority, except such filings as may be necessary and/or required for disclosure by the Securities and Exchange Commission (to the extent applicable) and in connection with the Chapter 11 Cases and the Winding Up Proceedings; and

7.4 This Agreement is a legally valid and binding obligation of such Party, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability or a ruling of the Bankruptcy Court.

Section 8. **Specific Performance/Remedies.**

It is understood and agreed by the Parties that money damages would not be a sufficient remedy for any breach by a Party of this Agreement and that a non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief (including attorneys' fees and costs) as a remedy for any such breach, without the necessity of proving the inadequacy of money damages as a remedy, including an order of the Bankruptcy Court requiring any Party to comply promptly with any of its obligations hereunder.

Section 9. **Governing Law; Jurisdiction; Waiver of Jury Trial.**

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO ANY CONFLICTS OF LAW PROVISIONS WHICH WOULD REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION. BY ITS EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ANY LEGAL ACTION, SUIT, DISPUTE OR PROCEEDING ARISING UNDER, OUT OF OR IN CONNECTION WITH THIS AGREEMENT SHALL BE BROUGHT IN THE FEDERAL OR STATE COURTS LOCATED IN THE STATE OF DELAWARE OR IN THE BANKRUPTCY COURT (FOR SO LONG AS ANY SUCH ACTION, SUIT, DISPUTE OR PROCEEDING IS WITHIN THE JURISDICTION OF THE BANKRUPTCY COURT) AND THE PARTIES HERETO IRREVOCABLY CONSENT TO THE JURISDICTION OF SUCH COURTS AND WAIVE ANY OBJECTIONS AS TO VENUE OR INCONVENIENT FORUM. EACH PARTY HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 10. **Successors and Assigns; Severability.**

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, assigns, heirs, executors, administrators and representatives. If any provision of this Agreement, or the application of any such provision to any person or circumstance, shall be held invalid or unenforceable in whole or in part, such invalidity or

unenforceability shall attach only to such provision or part thereof and the remaining part of such provision hereof or the Agreement shall continue in full force and effect so long as the economic or legal substance of the Restructuring Transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon any such determination of invalidity, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the Restructuring Transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

Section 11. **Survival of Agreement.**

Notwithstanding the termination of this Agreement pursuant to Section 5 hereof, the rights and obligations of the Parties in this Section 11 and in Sections 4.3, 5.4, 9, 10, 12, 13, 14, 15, 16, 17 and 19 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

Section 12. **Relationship Among Parties.**

It is understood and agreed that, except as expressly provided in this Agreement or the Stock Purchase Agreement, none of the Parties: (a) has any duty of trust or confidence in any kind or form with each other; (b) has or owes any other duties (fiduciary or otherwise, except for the SALIC Parties' fiduciary duties under applicable law) whatsoever to each other or any other party; and (c) has commitments among or between them.

Section 13. **Conflicts Between this Agreement and Certain Restructuring Documents.**

In the event the terms and conditions as set forth in the Plan Term Sheet and this Agreement are inconsistent, the Plan Term Sheet shall control. In the event of any conflict among the terms and provisions of the Chapter 11 Plan, this Agreement and/or the Plan Term Sheet, the terms and provisions of the Chapter 11 Plan shall control. In the event of any conflict among the terms and provisions of the Confirmation Order, the Chapter 11 Plan, this Agreement and/or the Plan Term Sheet, the terms of the Confirmation Order shall control. Notwithstanding the foregoing, nothing contained in this Section 13 shall affect, in any way, the requirements set forth herein for the amendment of this Agreement.

Section 14. **Notices.**

All notices, requests, claims, demands or other communications hereunder shall be deemed to have been duly given and made if in writing and (a) at the time personally delivered if served by personal delivery upon the party for whom it is intended, (b) at the time received if delivered by registered or certified mail (postage prepaid, return receipt requested) or by a national courier service (delivery of which is confirmed), or (c) upon confirmation of receipt if sent by facsimile or email; in each case to the Person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such Person:

To SALIC Parties:

Post Office Box HM 2939
Hamilton HM MX, Bermuda
Telephone: (441) 298-4375
Facsimile: (441) 295-7576
Email: Gregg.Klingenberg@scottishre.com
Attention: Gregg Klingenberg

with copies (which shall not constitute notice to SALIC for the purposes of this Section 14) to:

Mayer Brown LLP
1221 Avenue of the Americas
New York, New York 10020
Telephone: (212) 506-2227
Facsimile: (212) 262-1910
Email: fmonaco@mayerbrown.com
srooney@mayerbrown.com
Attention: Stephen G. Rooney, Esq.
Francis R. Monaco, Esq.

Hogan Lovells US LLP
875 Third Avenue
New York, New York 10022
Telephone: (212) 918-5560
Facsimile: (212) 918-3100
Email: peter.ivanick@hoganlovells.com
Attention: Peter Ivanick, Esq.

Morris, Nichols, Arsht & Tunnell LLP
1201 North Market Street, 16th Floor
P.O. Box 1347
Wilmington, Delaware 19899-1347
Telephone: (302) 351-9229
Facsimile: (302) 425-4663
Email: eschwartz@MNAT.com
gwerkheiser@MNAT.com
Attention: Eric D. Schwartz, Esq.
Gregory W. Werkheiser, Esq.

To Plan Sponsor:

HSCM Bermuda Fund Ltd.
c/o Hudson Structured Capital Management Ltd.
One Dock Street, Suite 404
Stamford, Connecticut 06902
Telephone: (203) 975-4859

Email: ajay.mehra@hscm.com
Attention: Ajay Mehra, General Counsel

with a copy (which shall not constitute notice to Plan Sponsor for the purposes of this Section 14) to:

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019
Telephone: (212) 839-7365
Facsimile: (212) 839-5599
Email: dmanfredi@sidley.com
lattanasio@sidley.com
Attention: Dennis M. Manfredi, Esq.
Lee S. Attanasio, Esq.

Section 15. **Amendment, Modification and Waiver.**

Any provision of this Agreement may be amended, modified or waived if, and only if, such amendment, modification or waiver is in writing and signed, in the case of an amendment, by the Parties, or in the case of a waiver, by the Party hereto against whom the waiver is to be effective; provided, however, that no amendment, modification or waiver of any provision of this Agreement to which the SRGL Consent Rights apply shall be effective unless the Joint Liquidators have provided their written consent (such consent not to be unreasonably withheld). No failure or delay by any Party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 16. **Transaction Expenses.**

The rights of the Plan Sponsor to the Break-Up Fee and Expense Reimbursement Amount are governed by the terms of the Stock Purchase Agreement. Except as provided by the Stock Purchase Agreement, each Party shall bear its own fees, costs and expenses incurred in connection with the negotiation, formulation, preparation, execution, delivery, implementation, consummation and enforcement of this Agreement and the Restructuring Transactions contemplated hereby.

Section 17. **Disclosure; Publicity.**

The Parties shall agree in writing on the form and content of any initial press release and, except with the prior written consent of the other Party hereto (which consent shall not be unreasonably withheld, delayed or conditioned), shall not issue any other press release or other public statement or communication with respect to this Agreement or the Restructuring Transactions other than filings made in the Chapter 11 Cases or the Winding Up Proceedings; provided that each Party hereto may, without the prior written consent of the other Party hereto, issue such communication or make such public statement as may be required by Applicable Law

or stock exchange rules, in which case the Party required to make the communication or statement shall allow the other Party reasonable time to comment on such release or announcement in advance of such issuance.

Section 18. **Fiduciary Duties.**

Notwithstanding anything to the contrary herein, (i) nothing in this Agreement shall require the SALIC Parties or any directors or officers of the SALIC Parties to take any action, or to refrain from taking any action, that would breach, or be inconsistent with, its or their fiduciary obligations under Applicable Law, and (ii) to the extent that such fiduciary obligations require the SALIC Parties or any directors or officers of the SALIC Parties to take any such action, or refrain from taking any such action, they may do so without incurring any liability to any Party under this Agreement. Notwithstanding anything to the contrary herein, nothing in this Agreement shall create any additional fiduciary obligations on the part of the SALIC Parties or any directors or officers of any SALIC Party that did not exist prior to the execution of this Agreement.

Section 19. **Miscellaneous.**

19.1 **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same agreement. Execution copies of this Agreement may be delivered by facsimile, e-mail or otherwise, which shall be deemed to be an original for the purposes of this Section.

19.2 **Headings.** The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof or, for any purpose, be deemed a part of this Agreement.

19.3 **Prior Negotiations; Entire Agreement.** This Agreement, including the exhibits and schedules hereto (including the Plan Term Sheet), and the other Restructuring Documents constitute the entire agreement of the Parties, and supersedes all other prior negotiations, with respect to the subject matter hereof, except that the Parties acknowledge that any confidentiality agreements (if any) heretofore executed between any of the SALIC Parties, and the Plan Sponsor or their respective legal and financial advisors shall continue in full force and effect.

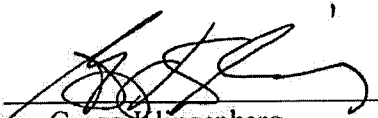
19.4 **No Third-Party Beneficiaries.** Except for the rights of the Joint Liquidators to enforce the SRGL Consent Rights (where applicable) and except as expressly stated herein, this Agreement shall be solely for the benefit of the Parties and their respective successors, assigns, heirs, executors, administrators and representatives, and no other person or Entity shall be a third-party beneficiary hereof.

19.5 **Time of the Essence.** Time is of the essence in the performance of each of the obligations of the Parties and with respect to all covenants and conditions to be satisfied by the Parties in this Agreement and all documents, acknowledgments and instruments delivered in connection herewith.

19.6 Representation by Counsel. Each Party acknowledges that it has been represented by, or provided a reasonable period of time to obtain access to and advice by, counsel with respect to this Agreement and the Restructuring Transactions contemplated herein. Accordingly, any rule of law or any legal decision that would provide any Party with a defense to the enforcement of the terms of this Agreement against such Party based upon lack of legal counsel shall have no application and is expressly waived.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**SCOTTISH ANNUITY & LIFE INSURANCE
COMPANY (CAYMAN) LTD.**

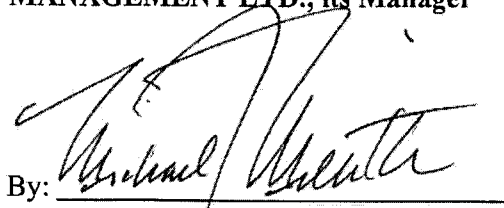
By: 
Name: Gregg Klingenberg
Title: Chief Executive Officer

SCOTTISH HOLDINGS, INC.

By: Thomas J. Keller
Name: Thomas J. Keller
Title: EVP, Chief Financial Officer

HSCM BERMUDA FUND LTD.,

**By: HUDSON STRUCTURED CAPITAL
MANAGEMENT LTD., its Manager**

By: 

Name: Michael Millette
Title: Managing Partner

EXHIBIT A

[Restructuring Implementation Agreement]

Exhibit A, Restructuring Implementation Agreement, Intentionally Omitted

See Restructuring Implementation Agreement attachment to the Motion

EXHIBIT B

[Stock Purchase Agreement]

Exhibit B, Stock Purchase Agreement, Intentionally Omitted

See Exhibit B to D.I. 27