

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

In re

SCOTTISH HOLDINGS, INC., et al.,

Debtors.¹

Chapter 11

Case No. 18-10160 (LSS)

Jointly Administered

Re: D.I. 27

**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**

Upon the *Motion of the Debtors for Entry of Order (A) Approving Bidding Procedures in Connection with an Auction for Plan Sponsorship; (B) Approving Certain Stalking Horse Protections; and (C) Authorizing and Scheduling a Date and Time for an Auction Pursuant to Such Procedures* (the "Motion");² and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order of Reference from the United States District Court for the District of Delaware dated as of February 29, 2012; and the Court having found that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and the Court may enter an order consistent with Article III of the United States Constitution; and the Court having found that venue of this proceeding and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409;

IT IS HEREBY FURTHER FOUND AND DETERMINED THAT:

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

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

A. Under the circumstances, due, proper, requisite, and sufficient notice of the Motion was provided, and no other or further notice need be provided, except as set forth herein.

B. A reasonable opportunity to be heard regarding the relief provided herein has been afforded to all interested parties.

C. HSCM Bermuda Fund Ltd. ("HSCM") under the Stalking Horse SPA is the "Stalking Horse," and the Stalking Horse SPA reflects the "stalking horse" bid (the "Stalking Horse Transaction"), for purposes of the Bid Procedures.

D. The Debtors have demonstrated that, under the circumstances of these Chapter 11 Cases, the Bidding Procedures attached as Annex 1 hereto, (a) are fair, reasonable, and provide an appropriate process and timetable for the Debtors to utilize for the solicitation and consideration of competing offers for (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 a plan or plans of reorganization for SALIC and SHI (the "Plan") for which the offeror shall serve as the Plan sponsor (a "Share Sale Plan Transaction") and/or (ii) any other Alternative Transactions (as defined in the Stalking Horse SPA), including any transactions to acquire, purchase, finance, restructure or reorganize all or any part of the business, assets, properties, capital stock or capital stock equivalents of one or both Debtors (any such transaction or transactions, an "Alternative Restructuring Transaction"), (b) are reasonably designed to maximize the value to be obtained from the Stalking Horse Transaction, a Share Sale Plan Transaction or Alternative Restructuring Transaction, (c) will promote the Debtors' efforts to maximize their enterprise value, and (d) are in the best interests of the Debtors' and their estates, creditors, and other stakeholders.

E. The Debtors have demonstrated a compelling and sound business justification for approving payment of the “Break-Up Fee” (as defined in the Stalking Horse SPA) and the “Expense Reimbursement Amount” (as defined in the Stalking Horse SPA, as modified by this Order) under the circumstances of these Chapter 11 Cases. Notwithstanding anything to the contrary in the Motion or the Stalking Horse SPA (including Section 8.3(b) thereof), the aggregate of the Expense Reimbursement Amount and the Break-Up Fee shall not exceed \$1,250,000. The Break-Up Fee and Expense Reimbursement Amount are sometimes referred to herein as the “Stalking Horse Protections”.

F. The Debtors’ granting and payment of the Stalking Horse Protections, both under this Order and upon the conditions set forth in the Stalking Horse SPA and PSA, as modified by this Order: (a) are actual and necessary costs and expenses of preserving the Debtors’ estates within the meaning of sections 503(b) and 507(a) of the Bankruptcy Code; (b) are of substantial benefit to the Debtors’ estates and creditors and all parties in interest herein; (c) are fair, reasonable, and appropriate, including in light of the size and nature of the proposed transactions, including the sale of the Shares and other components of the Stalking Horse Transaction, and the substantial efforts that have been and will be expended by the Stalking Horse in connection with the Stalking Horse SPA and the Plan; (d) have been negotiated by the parties and their respective advisors at arm’s-length and in good faith; and (e) are a material inducement for the Stalking Horse to pursue, and a condition necessary to ensure that the Stalking Horse pursues, the purchase of the Shares and the Stalking Horse Transaction.

G. The Debtors have articulated good and sufficient reasons for, and the best interests of their estates will be served by, this Court granting the relief requested in the Motion,

including authorization and approval of (a) the Bidding Procedures and (b) the Stalking Horse Protections, both as modified by this Order.

H. The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the findings of fact in this Order constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.

2. All objections filed, if any, to the Motion or the relief requested herein that have not been withdrawn, waived, settled, resolved or otherwise specifically addressed in this Order, and all reservations of rights included in such objections, are specifically overruled in all respects on the merits.

3. The Debtors are hereby authorized and empowered to take all actions necessary to implement the relief granted in this Order.

I. Approval of the Bidding Procedures

4. The Bidding Procedures in Annex 1, attached hereto and incorporated herein, are hereby approved in their entirety and shall govern all bids and other activities relating to any Share Sale Plan Transaction or any Alternative Restructuring Transaction. The Debtors are authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures. The failure to specifically include or reference any particular provision of the Bidding Procedures in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Bidding Procedures be authorized and approved in their entirety.

5. As further described in the Bidding Procedures, the deadline for submitting a Qualified Bid (as such term is defined in the Bidding Procedures) shall be **May 17, 2018 at 4:00 p.m.**, prevailing Eastern time (the "Bid Deadline").

6. If one or more Qualified Bids has been submitted for a Share Sale Plan Transaction or Alternative Restructuring Transaction in accordance with the Bidding Procedures, the Debtors will conduct an Auction.

7. The Auction shall be organized and conducted by the Debtors on **May 21, 2018 at 10:00 a.m.**, prevailing Eastern time, at the office of 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. Only the Debtors, the Official Committee of Unsecured Creditors appointed in these Chapter 11 Cases (the "Committee"), the Joint Liquidators for SRGL, any party-in-interest, the Stalking Horse, and any other Qualified Bidder, along with their representatives and counsel, may attend the Auction, and only the Stalking Horse and other Qualified Bidders will be entitled to make any Bids at the Auction. 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.

8. Each Qualified Bidder participating in the Auction must confirm that it (a) has not engaged in any collusion with respect to the bidding or sale of any of the assets described herein, (b) has reviewed, understands, and accepts the Bidding Procedures, and (c) has consented to the core jurisdiction of the Court.

9. 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 after consultation with the Committee; provided, however, (a) 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 (b) additional Qualified Bids must be made in higher increments of at least \$250,000. 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 sum of the Break-Up Fee, and the Expense Reimbursement Amount.

10. The Debtors shall determine based on their business judgment after consultation with the Committee, subject to final determination by the Court, whether a Qualified Bid by a Qualified Bidder at the Auction matches or is higher and better than the prior Qualified Bid. The Debtors, in their sole discretion and based on their business judgment, after consultation with the Committee, shall select the Winning Bid and a Backup Bid (if any) subject only to Court approval and shall file a notice with the Court announcing the Winning Bidder and Backup Bidder and conduct a hearing for approval of same, which hearing may be the Disclosure Statement hearing. 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.

11. The 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 bids for Alternative Restructuring Transactions.

12. Any reference in this Order or the annexed Bidding Procedures to “consultation rights” for the Committee is subject to limitation by the Debtors in their reasonable discretion in order to preserve the integrity of the bidding and auction process contemplated hereby and in order to protect Debtors’ confidential information, including, but not limited to, circumstances in which one or more Committee members is or may be a participant in the bidding and auction process (or have a financial interest in such a participant) and is or may be a direct life reinsurance industry competitor of Scottish Re or an affiliate of such a direct competitor. In the event of any dispute between or among the Debtors, the Stalking Horse, the Committee and/or any Committee member as to the extent of the Committee’s consultation rights or the implementation of such consultation rights (including the ability of particular Committee members to have access to material non-public information in connection with the bidding and auction process), any of such parties may request on an expedited basis (but with prior written notice to the other parties, which may be by email) direction from the Court relating to the Committee’s consultation rights that are in dispute.

II. Approval of the Stalking Horse Protections

13. The Stalking Horse Protections are hereby approved as modified by this Order.

14. Without limiting the immediately preceding paragraph, and subject to paragraph 15 below, the Debtors may pay the Break-Up Fee and the Expense Reimbursement Amount, as the case may be, without further application to or order from the Court. The Break-Up Fee shall be in an amount equal to 2% of the Purchase Price (as defined in the Stalking Horse SPA); and the Expense Reimbursement Amount shall be in an amount up to \$1,250,000, reduced by the

amount, if any, of any Break-Up Fee paid. Notwithstanding the foregoing, the aggregate of the Break-Up Fee and Expense Reimbursement Amount paid to the Stalking Horse shall not exceed \$1,250,000. The Break-Up Fee and the Expense Reimbursement Amount shall constitute superpriority administrative expenses of the Debtors with priority over any and all administrative expenses of any kind, including those specified in sections 503(b) and 507(a) of the Bankruptcy Code.

15. With respect to the Expense Reimbursement Amount, the Stalking Horse shall simultaneously deliver a copy of any invoice submitted to the Debtors to the U.S. Trustee and counsel to the Committee (the "Fee Notice"). None of such costs, fees, charges and expenses shall be subject to Court approval or required to be recorded or maintained in accordance with the United States Trustee guidelines relating to compensation and reimbursement of expenses, and no recipient of any such payment shall be required to file any interim or final fee application with the Court. Further, the Stalking Horse may redact the Fee Notice as necessary to protect and preserve any applicable privilege. Subject to the Debtors, the Committee, or counsel for the United States Trustee (the "US Trustee") filing a written objection with this Court to any such fees and expenses within five (5) days after receipt of the Fee Notice, all amounts chargeable to the Debtors under this Section shall constitute valid expenses for purposes of the Expense Reimbursement Amount. To the extent a timely filed objection is filed by the Debtors, any Committee, or the US Trustee, the Debtors (a) shall pay such portion of the fees and expenses to which no objection is interposed and (b) shall pay any remaining fees and expenses as ordered by the Court (or upon withdrawal or resolution of the objection).

16. The Debtors' obligations to pay the Break-Up Fee and the Expense Reimbursement Amount shall survive termination of the Stalking Horse SPA.

17. Except for the Stalking Horse, no other party submitting an offer or a competing Qualified Bid shall be entitled to any expense reimbursement, break-up, termination, or similar fee or payment.

18. The Stalking Horse Protections are necessary to maximize the value of the Debtors' estates. Without the Stalking Horse Protections, the Stalking Horse would not pursue the Stalking Horse Transaction, likely resulting in the Debtors realizing a lower price in any Proposed Transaction (as defined in the Bidding Procedures).

19. As contemplated by section 2.1 of the Stalking Horse SPA, the Deposit Escrow Agent (as defined in the Stalking Horse SPA) shall hold and disburse the Deposit Escrow Amount (as defined in the Stalking Horse SPA) pursuant to the terms of the Deposit Escrow Agreement (as defined in the Stalking Horse SPA).

III. Approval of the Procedures and Possible Assumption Notices

20. The form of the Procedures Notice attached hereto as **Annex 2** is hereby approved in all respects. All parties in interest shall receive or be deemed to have received good and sufficient notice of the solicitation of offers for Share Sale Plan Transactions, offers for Alternative Restructuring Transactions and the Auction if the Debtors serve the Procedures Notice and this Order by first class mail, postage prepaid, within three (3) business days after entry of this Order upon: (a) counsel for the US Trustee; (b) the Debtors' largest unsecured creditors on a consolidated basis as identified in their chapter 11 petitions; (c) counsel to the Committee; (d) any party that (i) KBW previously contacted on the Debtors' behalf following the commencement of its current investment banking engagement for the Debtors or (ii) has expressed in writing to the Debtors or KBW an interest in pursuing a Share Sale Plan Transaction or Alternative Restructuring Transaction; (e) the Delaware Department of Insurance; (f) counsel to the Joint Liquidators of SRGL; (g) the Delaware Secretary of State; (h)

the Delaware State Treasury; (i) the Internal Revenue Service; (j) the Securities and Exchange Commission; (k) the Cayman Islands Monetary Authority; (l) any party that has requested notice pursuant to Bankruptcy Rule 2002; and (m) any other party required to be provided notice under Local Rule 9013-1(m).

21. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

22. To the extent that any chapter 11 plan confirmed in these Chapter 11 Cases or any order confirming any such plan or any other order in these Cases (including any order entered after any conversion of these Cases to cases under chapter 7 of the Bankruptcy Code) alters, conflicts with, or derogates from the provisions of this Bidding Procedures Order, the provisions of this Order shall control. The Debtors' obligations under this Order, the provisions of this Order, and the portions of the PSA and Stalking Horse SPA pertaining to the Stalking Horse Protections shall survive confirmation of any plan of reorganization or discharge of claims thereunder and shall be binding upon the Debtors, and the reorganized or reconstituted Debtors, as the case may be after the effective date of a confirmed plan or plans in the Debtors' cases (including any order entered after any conversion of these Cases to cases under chapter 7 of the Bankruptcy Code).

23. The approval herein of the Stalking Horse Protections shall be binding on all successors and assigns, including any trustee appointed in these Chapter 11 Cases, and on any liquidating or distribution trustee appointed pursuant to the Plan (but, with respect to such trustee, not as a successor to the Debtors).

24. The stay provided for in Bankruptcy Rule 6006(d) is waived and this Order shall be effective immediately upon its entry.

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

Dated: February 8, 2018
Wilmington, Delaware



THE HONORABLE LAURIE SELBER SILVERSTEIN
UNITED STATES BANKRUPTCY JUDGE

ANNEX 1

[Bidding Procedures]

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, and phouston@kbw.com, and the following representatives of the Debtors: (i) Hogan Lovells US LLP, peter.ivanick@hoganlovells.com and john.beck@hoganlovells.com and (ii) Morris, Nichols, Arsht & Tunnell LLP, eschwartz@mnat.com, gwerkheiser@mnat.com, and mharvey@mnat.com, and to the following representatives of the Committee: (i) Pepper Hamilton LLP, fournierd@pepperlaw.com, havelesp@pepperlaw.com and schannej@pepperlaw.com, and (ii) Alvarez & Marsal, mgreenberg@alvarezandmarsal.com and 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).

ANNEX 2

[Procedures Notice]

**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

**NOTICE OF AUCTION FOR PLAN SPONSORSHIP
OR OTHER ALTERNATIVE TRANSACTION**

PLEASE TAKE NOTICE THAT on January 31, 2018, Scottish Holdings, Inc. and Scottish Annuity & Life Insurance Company (Cayman) Ltd. ("SALIC") as debtors and debtors in possession (collectively, the "Debtors"), in the above-captioned chapter 11 cases (the "Chapter 11 Cases") under chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et seq* (the "Bankruptcy Code"), filed a motion (D.I. 27, the "Motion")² with the United States Bankruptcy Court for the District of Delaware (the "Court") for an order pursuant to sections 105 and 363 of the Bankruptcy Code and Rules 2002 and 6004 of the Federal Rules of Bankruptcy Procedure (as amended, the "Bankruptcy Rules") and Rules 2002-1 and 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"): (a) establishing bidding procedures for the solicitation and consideration of competing offers for (i) alternative transactions to purchase all of the new capital stock (the "Shares") of reorganized SALIC to be issued and transferred under a plan or plans of reorganization for SALIC and SHI (the "Plan") for which the offeror shall serve as a Plan sponsor (a "Share Sale Plan Transaction") and (ii) other Alternative Transactions (as defined in the Stalking Horse SPA), including any 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 (an "Alternative Restructuring Transaction"), (b) approving a break-up fee and expense reimbursement (collectively, the "Stalking Horse Protections") for the Stalking Horse; (c) authorizing the Debtors to conduct an auction for a Share Sale Plan Transaction or an Alternative Restructuring Transaction (the "Auction"); and (d) related relief.

PLEASE TAKE FURTHER NOTICE THAT on February __, 2018, the Court entered an order (D.I. __, the "Bidding Procedures Order") approving the form of the Bidding Procedures.

PLEASE TAKE FURTHER NOTICE THAT the "Bid Deadline" is **May 17, 2018, at 4:00 p.m. (Eastern Time)**. A potential bidder that desires to make a bid for a Share Sale Plan Transaction or an Alternative Restructuring Transaction shall deliver its Bid along with written electronic

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 All capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Bidding Procedures Order or, if not defined therein, the Motion.

copies of all materials comprising or supporting its Bid to: (a) the following representatives of the Debtors (i) Keefe Bruyette & Woods, Inc. (“KBW”) at jbeebe@kbw.com and phouston@kbw.com, (ii) Hogan Lovells US LLP, peter.ivanick@hoganlovells.com and john.beck@hoganlovells.com, and (iii) Morris, Nichols, Arsht & Tunnell LLP, eschwartz@mnat.com, gwerkheiser@mnat.com, and mharvey@mnat.com; and (b) the following representatives of the Committee (i) Pepper Hamilton LLP, fournierd@pepperlaw.com, havelesp@pepperlaw.com, and schannej@pepperlaw.com, and (ii) Alvarez & Marsal, mgreenberg@alvarezandmarsal.com and rnewman@alvarezandmarsal.com. The Debtors shall deliver copies of any such Bids to the Office of the U.S. Trustee. **Any person or entity that does not submit a bid by the Bid Deadline shall not be permitted to participate in the Auction.**

PLEASE TAKE FURTHER NOTICE THAT, pursuant to the Bidding Procedures Order, if the Debtors receive one or more Qualified Bids (other than the bid by the Stalking Horse) by the Bid Deadline (defined below), the Debtors shall conduct the Auction on **May 21, 2018 commencing at 10:00 a.m. (Eastern Time)** at the offices of 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. If no Qualified Bids other than the Stalking Horse Bid are received by the Debtors by the Bid Deadline, the Debtors shall not hold an Auction and the Stalking Horse Bid shall be the Winning Bid.

PLEASE TAKE FURTHER NOTICE THAT any person or entity wishing to submit a Bid for a Share Sale Plan Transaction or an Alternative Restructuring Transaction is urged to review the Bidding Procedures, the Bidding Procedures Order, and the Motion. Copies of the Motion and the exhibits thereto, and the Bidding Procedures Order (including the Bidding Procedures attached as **Annex 1** to the Bidding Procedures Order) may be (a) reviewed during regular Court hours at the United States Bankruptcy Court, 824 North Market Street, Wilmington, Delaware 19801, (b) reviewed electronically on www.deb.uscourts.gov, the official website for the Court, or (c) upon reasonable written request to the Debtors’ counsel.

Dated: [_____], 2018

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Counsel to the Debtors and Debtors-in-Possession

EXHIBIT B

Redline

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

In re

SCOTTISH HOLDINGS, INC., et al.,

Debtors.¹

Chapter 11

Case No. 18-10160 (LSS)

Jointly Administered

Re: D.I. 27

**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**

Upon the *Motion of the Debtors for Entry of Order (A) Approving Bidding Procedures in Connection with an Auction for Plan Sponsorship; (B) Approving Certain Stalking Horse Protections; and (C) Authorizing and Scheduling a Date and Time for an Auction Pursuant to Such Procedures* (the "Motion");² and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order of Reference from the United States District Court for the District of Delaware dated as of February 29, 2012; and the Court having found that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and the Court may enter an order consistent with Article III of the United States Constitution; and the Court having found that venue of this proceeding and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409;

IT IS HEREBY FURTHER FOUND AND DETERMINED THAT:

A. Under the circumstances, due, proper, requisite, and sufficient notice of the Motion was provided, and no other or further notice need be provided, except as set forth herein.

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

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

B. A reasonable opportunity to be heard regarding the relief provided herein has been afforded to all interested parties.

C. HSCM Bermuda Fund Ltd. ("HSCM") under the Stalking Horse SPA is the "Stalking Horse," and the Stalking Horse SPA reflects the "stalking horse" bid (the "Stalking Horse Transaction"), for purposes of the Bid Procedures.

D. The Debtors have demonstrated that, under the circumstances of these Chapter 11 Cases, the Bidding Procedures attached as Annex 1 hereto, (a) are fair, reasonable, and provide an appropriate process and timetable for the Debtors to utilize for the solicitation and consideration of competing offers for (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 a plan or plans of reorganization for SALIC and SHI (the "Plan") for which the offeror shall serve as the Plan sponsor (a "Share Sale Plan Transaction") and/or (ii) any other Alternative Transactions (as defined in the Stalking Horse SPA), including any transactions to acquire, purchase, finance, restructure or reorganize all or any part of the business, assets, properties, capital stock or capital stock equivalents of one or both Debtors (any such transaction or transactions, an "Alternative Restructuring Transaction"), (b) are reasonably designed to maximize the value to be obtained from the Stalking Horse Transaction, a Share Sale Plan Transaction or Alternative Restructuring Transaction, (c) will promote the Debtors' efforts to maximize their enterprise value, and (d) are in the best interests of the Debtors' and their estates, creditors, and other stakeholders.

E. The Debtors have demonstrated a compelling and sound business justification for approving payment of the "Break-Up Fee" (as defined in the Stalking Horse SPA) and the "Expense Reimbursement Amount" (as defined in the Stalking Horse SPA, as modified by this Order) under

the circumstances of these Chapter 11 Cases. Notwithstanding anything to the contrary in the Motion or the Stalking Horse SPA (including Section 8.3(b) thereof), the aggregate of the Expense Reimbursement Amount and the Break-Up Fee shall not exceed \$1,250,000. The Break-Up Fee and Expense Reimbursement Amount are sometimes referred to herein as the “Stalking Horse Protections”.

F. The Debtors’ granting and payment of the Stalking Horse Protections, both under this Order and upon the conditions set forth in the Stalking Horse SPA and PSA, as modified by this Order: (a) are actual and necessary costs and expenses of preserving the Debtors’ estates within the meaning of sections 503(b) and 507(a) of the Bankruptcy Code; (b) are of substantial benefit to the Debtors’ estates and creditors and all parties in interest herein; (c) are fair, reasonable, and appropriate, including in light of the size and nature of the proposed transactions, including the sale of the Shares and other components of the Stalking Horse Transaction, and the substantial efforts that have been and will be expended by the Stalking Horse in connection with the Stalking Horse SPA and the Plan; (d) have been negotiated by the parties and their respective advisors at arm’s-length and in good faith; and (e) are a material inducement for the Stalking Horse to pursue, and a condition necessary to ensure that the Stalking Horse pursues, the purchase of the Shares and the Stalking Horse Transaction.

G. The Debtors have articulated good and sufficient reasons for, and the best interests of their estates will be served by, this Court granting the relief requested in the Motion, including authorization and approval of (a) the Bidding Procedures and (b) the Stalking Horse Protections, both as modified by this Order.

H. The findings and conclusions set forth herein constitute the Court’s findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding

pursuant to Bankruptcy Rule 9014. To the extent any of the findings of fact in this Order constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.
2. All objections filed, if any, to the Motion or the relief requested herein that have not been withdrawn, waived, settled, resolved or otherwise specifically addressed in this Order, and all reservations of rights included in such objections, are specifically overruled in all respects on the merits.
3. The Debtors are hereby authorized and empowered to take all actions necessary to implement the relief granted in this Order.

I. Approval of the Bidding Procedures

4. The Bidding Procedures in Annex 1, attached hereto and incorporated herein, are hereby approved in their entirety and shall govern all bids and other activities relating to any Share Sale Plan Transaction or any Alternative Restructuring Transaction. The Debtors are authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures. The failure to specifically include or reference any particular provision of the Bidding Procedures in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Bidding Procedures be authorized and approved in their entirety.

5. As further described in the Bidding Procedures, the deadline for submitting a Qualified Bid (as such term is defined in the Bidding Procedures) shall be **May 17, 2018 at 4:00 p.m.**, prevailing Eastern time (the "Bid Deadline").

6. If one or more Qualified Bids has been submitted for a Share Sale Plan Transaction or Alternative Restructuring Transaction in accordance with the Bidding Procedures, the Debtors will conduct an Auction.

7. The Auction shall be organized and conducted by the Debtors on **May 21, 2018 at 10:00 a.m.**, prevailing Eastern time, at the office of 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. Only the Debtors, the Official Committee of Unsecured Creditors appointed in these Chapter 11 Cases (the "Committee"), the Joint Liquidators for SRGL, any party-in-interest, the Stalking Horse, and any other Qualified Bidder, along with their representatives and counsel, may attend the Auction, and only the Stalking Horse and other Qualified Bidders will be entitled to make any Bids at the Auction. 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.

8. Each Qualified Bidder participating in the Auction must confirm that it (a) has not engaged in any collusion with respect to the bidding or sale of any of the assets described herein, (b) has reviewed, understands, and accepts the Bidding Procedures, and (c) has consented to the core jurisdiction of the Court.

9. 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 after consultation with the Committee; provided, however, (a) 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 (b) additional Qualified Bids must be made in higher increments of at least

\$250,000. 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 sum of the Break-Up Fee, and the Expense Reimbursement Amount.

10. The Debtors shall determine based on their business judgment after consultation with the Committee, subject to final determination by the Court, whether a Qualified Bid by a Qualified Bidder at the Auction matches or is higher and better than the prior Qualified Bid. The Debtors, in their sole discretion and based on their business judgment, after consultation with the Committee, shall select the Winning Bid and a Backup Bid (if any) subject only to Court approval and shall file a notice with the Court announcing the Winning Bidder and Backup Bidder and conduct a hearing for approval of same, which hearing may be the Disclosure Statement hearing. 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.

11. The 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 bids for Alternative Restructuring Transactions.

12. Any reference in this Order or the annexed Bidding Procedures to "consultation rights" for the Committee is subject to limitation by the Debtors in their reasonable discretion in

order to preserve the integrity of the bidding and auction process contemplated hereby and in order to protect Debtors' confidential information, including, but not limited to, circumstances in which one or more Committee members is or may be a participant in the bidding and auction process (or have a financial interest in such a participant) and is or may be a direct life reinsurance industry competitor of Scottish Re or an affiliate of such a direct competitor. In the event of any dispute between or among the Debtors, the Stalking Horse, the Committee and/or any Committee member as to the extent of the Committee's consultation rights or the implementation of such consultation rights (including the ability of particular Committee members to have access to material non-public information in connection with the bidding and auction process), any of such parties may request on an expedited basis (but with prior written notice to the other parties, which may be by email) direction from the Court relating to the Committee's consultation rights that are in dispute.

II. Approval of the Stalking Horse Protections

13. The Stalking Horse Protections are hereby approved as modified by this Order.
14. Without limiting the immediately preceding paragraph, and subject to paragraph 15 below, the Debtors may pay the Break-Up Fee and the Expense Reimbursement Amount, as the case may be, without further application to or order from the Court. The Break-Up Fee shall be in an amount equal to 2% of the Purchase Price (as defined in the Stalking Horse SPA); and the Expense Reimbursement Amount shall be in an amount up to \$1,250,000, reduced by the amount, if any, of any Break-Up Fee paid. Notwithstanding the foregoing, the aggregate of the Break-Up Fee and Expense Reimbursement Amount paid to the Stalking Horse shall not exceed \$1,250,000. The Break-Up Fee and the Expense Reimbursement Amount shall constitute superpriority administrative expenses of the Debtors with priority over any and all administrative expenses of any kind, including those specified in sections 503(b) and 507(a) of the Bankruptcy Code.

15. With respect to the Expense Reimbursement Amount, the Stalking Horse shall simultaneously deliver a copy of any invoice submitted to the Debtors to the U.S. Trustee and counsel to the Committee (the “Fee Notice”). None of such costs, fees, charges and expenses shall be subject to Court approval or required to be recorded or maintained in accordance with the United States Trustee guidelines relating to compensation and reimbursement of expenses, and no recipient of any such payment shall be required to file any interim or final fee application with the Court. Further, the Stalking Horse may redact the Fee Notice as necessary to protect and preserve any applicable privilege. Subject to the Debtors, the Committee, or counsel for the United States Trustee (the “US Trustee”) filing a written objection with this Court to any such fees and expenses within five (5) days after receipt of the Fee Notice, all amounts chargeable to the Debtors under this Section shall constitute valid expenses for purposes of the Expense Reimbursement Amount. To the extent a timely filed objection is filed by the Debtors, any Committee, or the US Trustee, the Debtors (a) shall pay such portion of the fees and expenses to which no objection is interposed and (b) shall pay any remaining fees and expenses as ordered by the Court (or upon withdrawal or resolution of the objection).

16. The Debtors’ obligations to pay the Break-Up Fee and the Expense Reimbursement Amount shall survive termination of the Stalking Horse SPA.

17. Except for the Stalking Horse, no other party submitting an offer or a competing Qualified Bid shall be entitled to any expense reimbursement, break-up, termination, or similar fee or payment.

18. The Stalking Horse Protections are necessary to maximize the value of the Debtors’ estates. Without the Stalking Horse Protections, the Stalking Horse would not pursue the Stalking

Horse Transaction, likely resulting in the Debtors realizing a lower price in any Proposed Transaction (as defined in the Bidding Procedures).

19. As contemplated by section 2.1 of the Stalking Horse SPA, the Deposit Escrow Agent (as defined in the Stalking Horse SPA) shall hold and disburse the Deposit Escrow Amount (as defined in the Stalking Horse SPA) pursuant to the terms of the Deposit Escrow Agreement (as defined in the Stalking Horse SPA).

III. Approval of the Procedures and Possible Assumption Notices

20. The form of the Procedures Notice attached hereto as Annex 2 is hereby approved in all respects. All parties in interest shall receive or be deemed to have received good and sufficient notice of the solicitation of offers for Share Sale Plan Transactions, offers for Alternative Restructuring Transactions and the Auction if the Debtors serve the Procedures Notice and this Order by first class mail, postage prepaid, within three (3) business days after entry of this Order upon: (a) counsel for the US Trustee; (b) the Debtors' largest unsecured creditors on a consolidated basis as identified in their chapter 11 petitions; (c) counsel to the Committee; (d) any party that (i) KBW previously contacted on the Debtors' behalf following the commencement of its current investment banking engagement for the Debtors or (ii) has expressed in writing to the Debtors or KBW an interest in pursuing a Share Sale Plan Transaction or Alternative Restructuring Transaction; (e) the Delaware Department of Insurance; (f) counsel to the Joint Liquidators of SRGL; (g) the Delaware Secretary of State; (h) the Delaware State Treasury; (i) the Internal Revenue Service; (j) the Securities and Exchange Commission; (k) the Cayman Islands Monetary Authority; (l) any party that has requested notice pursuant to Bankruptcy Rule 2002; and (m) any other party required to be provided notice under Local Rule 9013-1(m).

21. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

22. To the extent that any chapter 11 plan confirmed in these Chapter 11 Cases or any order confirming any such plan or any other order in these Cases (including any order entered after any conversion of these Cases to cases under chapter 7 of the Bankruptcy Code) alters, conflicts with, or derogates from the provisions of this Bidding Procedures Order, the provisions of this Order shall control. The Debtors' obligations under this Order, the provisions of this Order, and the portions of the PSA and Stalking Horse SPA pertaining to the Stalking Horse Protections shall survive confirmation of any plan of reorganization or discharge of claims thereunder and shall be binding upon the Debtors, and the reorganized or reconstituted Debtors, as the case may be after the effective date of a confirmed plan or plans in the Debtors' cases (including any order entered after any conversion of these Cases to cases under chapter 7 of the Bankruptcy Code).

23. The approval herein of the Stalking Horse Protections shall be binding on all successors and assigns, including any trustee appointed in these Chapter 11 Cases, and on any liquidating or distribution trustee appointed pursuant to the Plan (but, with respect to such trustee, not as a successor to the Debtors).

24. The stay provided for in Bankruptcy Rule 6006(d) is waived and this Order shall be effective immediately upon its entry.

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

Dated: _____, 2018
Wilmington, Delaware

THE HONORABLE LAURIE SELBER SILVERSTEIN
UNITED STATES BANKRUPTCY JUDGE

ANNEX 1

[Bidding Procedures]

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 not 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, and

phouston@kbw.com, and the following representatives of the Debtors: (i) Hogan Lovells US LLP, peter.ivanick@hoganlovells.com and john.beck@hoganlovells.com and (ii) Morris, Nichols, Arsht & Tunnell LLP, eschwartz@mnat.com, gwerkheiser@mnat.com, and mharvey@mnat.com, and to the following representatives of the Committee: (i) Pepper Hamilton LLP, fournierd@pepperlaw.com, havelesp@pepperlaw.com and schannej@pepperlaw.com, and (ii) Alvarez & Marsal, mgreenberg@alvarezandmarsal.com and 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).

ANNEX 2

[Procedures Notice]

**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

**NOTICE OF AUCTION FOR PLAN SPONSORSHIP
OR OTHER ALTERNATIVE TRANSACTION**

PLEASE TAKE NOTICE THAT on January 31, 2018, Scottish Holdings, Inc. and Scottish Annuity & Life Insurance Company (Cayman) Ltd. ("SALIC") as debtors and debtors in possession (collectively, the "Debtors"), in the above-captioned chapter 11 cases (the "Chapter 11 Cases") under chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et seq* (the "Bankruptcy Code"), filed a motion (D.I. 27, the "Motion")² with the United States Bankruptcy Court for the District of Delaware (the "Court") for an order pursuant to sections 105 and 363 of the Bankruptcy Code and Rules 2002 and 6004 of the Federal Rules of Bankruptcy Procedure (as amended, the "Bankruptcy Rules") and Rules 2002-1 and 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"): (a) establishing bidding procedures for the solicitation and consideration of competing offers for (i) alternative transactions to purchase all of the new capital stock (the "Shares") of reorganized SALIC to be issued and transferred under a plan or plans of reorganization for SALIC and SHI (the "Plan") for which the offeror shall serve as a Plan sponsor (a "Share Sale Plan Transaction") and (ii) other Alternative Transactions (as defined in the Stalking Horse SPA), including any 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 (an "Alternative Restructuring Transaction"), (b) approving a break-up fee and expense reimbursement (collectively, the "Stalking Horse Protections") for the Stalking Horse; (c) authorizing the Debtors to conduct an auction for a Share Sale Plan Transaction or an Alternative Restructuring Transaction (the "Auction"); and (d) ~~certain~~ related relief.

PLEASE TAKE FURTHER NOTICE THAT on February __, 2018, the Court entered an order (D.I. __, the "Bidding Procedures Order") approving the form of the Bidding Procedures.

~~PLEASE TAKE FURTHER NOTICE THAT, pursuant to the Bidding Procedures Order, if the Debtors receive one or more Qualified Bids (other than the bid by the Stalking Horse) by the Bid~~

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 All capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Bidding Procedures Order or, if not defined therein, the Motion.

~~Deadline (defined below), the Debtors shall conduct the Auction on **May 21, 2018 commencing at 10:00 a.m. (Eastern Time)** at the offices of 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. If no Qualified Bids other than the Stalking Horse Bid are received by the Debtors by the Bid Deadline, the Debtors shall not hold an Auction and the Stalking Horse Bid shall be the Winning Bid.~~

PLEASE TAKE FURTHER NOTICE THAT the “Bid Deadline” is **May 17, 2018, at 4:00 p.m. (Eastern Time)**. A potential bidder that desires to make a bid for a Share Sale Plan Transaction or an Alternative Restructuring Transaction shall deliver its Bid along with written electronic copies of all materials comprising or supporting its Bid to: (a) the following representatives of the Debtors: (i) Keefe Bruyette & Woods, Inc. (“KBW”) at jbeebe@kbw.com, jbeebe@kbw.com and phouston@kbw.com, phouston@kbw.com, (ii) Hogan Lovells US LLP, peter.ivanick@hoganlovells.com and john.beck@hoganlovells.com, and (iii) Morris, Nichols, Arsht & Tunnell LLP, eschwartz@mnat.com, gwerkheiser@mnat.com, and mharvey@mnat.com; and (b) the following representatives of the Committee: (i) Pepper Hamilton LLP, fournierd@pepperlaw.com, havesesp@pepperlaw.com, and schannej@pepperlaw.com, schannej@pepperlaw.com, and (ii) Alvarez & Marsal, mgreenberg@alvarezandmarsal.com and rnewman@alvarezandmarsal.com. The Debtors shall deliver copies of any such Bids to the Office of the U.S. Trustee. **Any person or entity that does not submit a bid by the Bid Deadline shall not be permitted to participate in the Auction.**

PLEASE TAKE FURTHER NOTICE THAT, pursuant to the Bidding Procedures Order, if the Debtors receive one or more Qualified Bids (other than the bid by the Stalking Horse) by the Bid Deadline (defined below), the Debtors shall conduct the Auction on **May 21, 2018 commencing at 10:00 a.m. (Eastern Time)** at the offices of 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. If no Qualified Bids other than the Stalking Horse Bid are received by the Debtors by the Bid Deadline, the Debtors shall not hold an Auction and the Stalking Horse Bid shall be the Winning Bid.

PLEASE TAKE FURTHER NOTICE THAT any person or entity wishing to submit a Bid for a Share Sale Plan Transaction or an Alternative Restructuring Transaction is urged to review the Bidding Procedures, the Bidding Procedures Order, and the Motion. Copies of the Motion and the exhibits thereto, and the Bidding Procedures Order (including the Bidding Procedures attached as **Annex 1** to the Bidding Procedures Order) may be (a) reviewed during regular Court hours at the United States Bankruptcy Court, 824 North Market Street, Wilmington, Delaware 19801, (b) reviewed electronically on www.deb.uscourts.gov, the official website for the Court, or (c) upon reasonable written request to the Debtors’ counsel.

Dated: [_____], 2018

_____, 2018
Wilmington, Delaware

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

/s/
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