IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

[PROPOSED] DISCLOSURE STATEMENT FOR JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SCOTTISH HOLDINGS, INC., AND SCOTTISH ANNUITY & LIFE INSURANCE COMPANY (CAYMAN) LTD.

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Dated: April 18, 2018
Wilmington, Delaware

[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.

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THIS IS NOT A SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND WITHIN THE MEANING OF SECTION 1126 OF THE BANKRUPTCY CODE. 11 U.S.C. §§ 1125, 1126. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO WITHDRAWAL, CHANGE AND SUPPLEMENT. THE FILINGS OF THE DISCLOSURE STATEMENT AND PLAN ARE WITHOUT PREJUDICE TO ANY CONSENT RIGHTS THAT THE PLAN SPONSOR MAY HAVE PURSUANT TO THE STOCK PURCHASE AGREEMENT AND THE PLAN SPONSORSHIP AGREEMENT AND ANY CONSENT RIGHTS THAT SRGL MAY HAVE UNDER THE TERMS OF THE RESTRUCTURING IMPLEMENTATION AGREEMENT OR THE RIA ORDER. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES

I. INTRODUCTION AND EXECUTIVE SUMMARY

A. Overview of this Disclosure Statement

Scottish Holdings, Inc. ("SHI") and Scottish Annuity & Life Insurance Company (Cayman) Ltd. ("SALIC"), debtors and debtors in possession (the "Debtors") in these Chapter 11 Cases, hereby submit this disclosure statement (the "Disclosure Statement"), pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code"), for use in the solicitation of votes on the *Joint Chapter 11 Plan of Reorganization of Scottish Holdings, Inc., and Scottish Annuity & Life Insurance Company (Cayman) Ltd.* filed [_____, 2018] (as amended, modified, or supplemented from time to time in accordance with its terms, the "Plan"). Capitalized terms used and not defined herein have the meaning ascribed to such terms in the Plan, a copy of which is attached as **Exhibit 1** to this Disclosure Statement, and the Glossary of Defined Terms attached to the Plan as **Exhibit A**.

The purpose of this Disclosure Statement is to enable Holders of Impaired Claims who are entitled to vote to make an informed decision in exercising their right to accept or reject the Plan. This Disclosure Statement sets forth certain information regarding the Debtors' prepetition operating and financial history, their reasons for seeking protection and reorganization under chapter 11, significant events that have occurred during the Chapter 11 Cases and the anticipated operations and financing of the Reorganized Debtors upon their emergence from chapter 11. This Disclosure Statement also describes certain terms and provisions of the Plan, certain effects of Confirmation of the Plan, certain risk factors associated with the Plan and the type and manner of Distributions to be made under the Plan. In addition, this Disclosure Statement discusses the Confirmation process and the voting procedures that Holders of Claims entitled to vote under the Plan must follow for their votes to be counted.

B. Purpose and Effect of the Plan

In essence, the Plan provides for the sale of SALIC and certain of its Affiliates as a going concern to HSCM Bermuda Fund Ltd. (the "Plan Sponsor") free and clear of all funded indebtedness and certain general unsecured claims unrelated to SALIC's reinsurance business. More specifically, the Plan provides for: (1) the reorganization and recapitalization of the Debtors and certain of their non-debtor Affiliates through the Recapitalization Funding Payment consisting of a new money contribution of $12,500,000 by the Plan Sponsor; (2) the funding of distributions to the Debtors' creditors through an additional new money contribution of $12,500,000 by the Plan Sponsor in the form of the Plan Funding Payment; (3) in exchange for the foregoing consideration, the issuance or assignment to the Plan Sponsor of all of the equity interests of the Debtors; (4) the assumption of all or substantially all reinsurance treaties in which SALIC acts as reinsurer or retrocessionaire; and (5) the distribution to Holders of Allowed Claims of beneficial interests in a trust that will make distributions of Cash from the Plan Funding Payment and other assets that may be transferred to the Distribution Trust on such Allowed Claims in accordance with the priority scheme established by the Bankruptcy Code. The Recapitalization Funding Payment benefits Holders of Allowed Claims because it allows SALIC to avoid liquidation and the concomitant rejection of its reinsurance treaties. As described below in Article VIII, rejection of SALIC's reinsurance treaties would result in very large rejection damage claims and could trigger claims under the SALIC-SRUS New Worth Maintenance Agreement, which claims would severely dilute recoveries to Holders of Allowed Claims.

The reorganization of the Debtors and their estates described in the Plan will be implemented by: (1) vesting the Plan Sponsor with 100% direct ownership of SALIC and indirect ownership of SHI and certain of the Debtors' non-debtor Affiliates, (2) creating the Distribution Trust (a) for payment of all Secured Claims, Administrative Claims, and Priority Claims, all to the extent Allowed and not paid or otherwise satisfied prior to the Effective Date, and (b) for the benefit of Holders of SHI TruPS Claims, SHI General Unsecured Claims, SALIC TruPS Claims and SALIC General Unsecured Claims, all to the extent Allowed; and (3) funding the Distribution Trust with the Distribution Trust Assets, including the Plan Funding Payment (net of any Closing Date Plan Distributions).

Pursuant to sections 363 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the Distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim, or any distribution to be made on account of such Allowed Claim, as well as the allocation of the Plan Funding Payment among the Debtors' Estates and Creditors.

C. Summary of Treatment of Claims and Interests and Description of Recoveries under the Plan

The table below summarizes the classification and treatment of the Claims and Interests under the Plan. The projected recoveries are estimates based upon a number of assumptions, including the amount of Allowed Claims in each Class, which amounts are estimated as of [_____, 2018], except for Claims in Classes 4, 5, 6, and 7, which are estimated as of the Petition Date based on information contained in the Debtors' Schedules and the Debtors' ongoing review of Proofs of Claim filed in the Chapter 11 Cases.

The actual amounts of Allowed Claims could materially exceed or could be materially less than the amounts estimated by the Debtors and used to estimate the projected recoveries shown in the table below. The Debtors have not yet reviewed and fully analyzed all Claims, and the estimates underlying the projected recoveries set forth below are based upon the Debtors' review of their books and records, and include estimates of a number of Claims that are contingent, disputed, or unliquidated.

Class	Claim or Interest	Summary of Treatment	Projected Recovery Under Plan
1	Secured Claims	Unimpaired; Deemed to Accept the Plan	100%
2	Priority Non-Tax Claims	Unimpaired; Deemed to Accept the Plan	100%
3	Intercompany Claims	Unimpaired; Deemed to Accept the Plan	100%
4	SHI TruPS Claims	Impaired; Entitled to Vote on the Plan	TBD
5	SHI General Unsecured Claims	Impaired; Entitled to Vote on the Plan	TBD
6	SALIC TruPS Claims	Impaired; Entitled to Vote on the Plan	TBD
7	SALIC General Unsecured Claims	Impaired; Entitled to Vote on the Plan	TBD
8	Subordinated Claims	Impaired; Deemed to Reject the Plan	0%
9	SALIC Existing Equity Interests	Unimpaired; Deemed to Accept the Plan	N/A
10	SHI Existing Equity Interests	Impaired; Deemed to Reject the Plan	0%

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF CLAIMS AGAINST THE DEBTORS AND THUS STRONGLY RECOMMEND THAT CREDITORS VOTE TO ACCEPT THE PLAN.

D. Additional Plan Related Documents

This Disclosure Statement and the Plan incorporate by reference the Stock Purchase Agreement and Restructuring Implementation Agreement that are attached as **Exhibit B** and **Exhibit C** to the Plan, as well as any and all documents to be submitted as part of the Plan Supplement. The Stock Purchase Agreement, the Restructuring Implementation Agreement and the Plan Supplement are to be considered part of the Plan and this Disclosure Statement and should be reviewed and consulted when considering whether to vote to accept or reject the Plan.

II. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Voting Rights

Under the Bankruptcy Code, only holders of claims and interests in classes that are (a) treated as "impaired" by a plan of reorganization and (b) entitled to receive a distribution under such plan are entitled to vote on such plan. Under the Plan, only Holders of Claims in Classes 4, 5, 6, and 7 are entitled to vote on the Plan. Claims in other Classes are either (i) Unimpaired, and their Holders are deemed to have accepted the Plan, or (ii) Impaired, and their Holders are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

Any Holder of a Claim that (a) is not scheduled and (b) that is not the subject of a Proof of Claim Filed by the applicable Bar Date set by the Bankruptcy Court will not be treated as a Creditor with respect to such Claim for purposes of voting on or objecting to the Plan. Any Holder of a Claim that is scheduled in the Schedules as disputed, contingent or unliquidated (and that has not been satisfied or superseded by any Proof of Claim), will be allowed to vote only in the amount of $1.00. In the event of any inconsistency between the voting rights and procedures as set forth herein and the Bankruptcy Court order approving this Disclosure Statement and related procedures for solicitation and voting [Docket No. ___] (the "Solicitation Procedures Order"), the latter shall control.

B. Classes Entitled to Vote to Accept or Reject the Plan

Only Holders of Claims in Classes 4, 5, 6, and 7 are entitled to vote to accept or reject the Plan. By operation of law, each Unimpaired Class of Claims is deemed to have accepted the Plan and, therefore, the Holders of Claims or Interests in such Classes are not entitled to vote to accept or reject the Plan. Accordingly, Holders of Claims in Classes 1, 2, and 3, and Holders of Interests in Class 9 are deemed to have accepted the Plan and, therefore, are

not entitled to vote to accept or reject the Plan. By operation of law, each Class that is Impaired and will not receive a Distribution under the Plan is deemed to have rejected the Plan and, therefore, the Holders of Claims or Interests in such Classes are not entitled to vote to accept or reject the Plan. Accordingly, the Holders of Claims in Class 8, and Holders of Interests in Class 10 are deemed to have rejected the Plan and, therefore, are not entitled to vote to accept or reject the Plan.

C. Solicitation Materials

In soliciting votes for the Plan pursuant to this Disclosure Statement, counsel for the Debtors will serve as solicitation and balloting agent (in such capacity, the "Solicitation Agent") and will send to Holders of Claims who are entitled to vote copies of: (a) the Disclosure Statement and Plan, (b) the notice of, among other things, (i) the date, time, and place of the hearing to consider Confirmation of the Plan and related matters, and (ii) the deadline for filing objections to Confirmation of the Plan (the "Confirmation Hearing Notice"), (c) one or more ballots (and return envelopes) to be used in voting to accept or to reject the Plan, and (d) other materials as authorized under the Solicitation Procedures Order.

D. Voting Procedures, Ballots, and Voting Deadline

After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your ballot, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying ballot.

Each ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded ballot(s) sent to you with this Disclosure Statement.

All votes to accept or reject the Plan must be cast by using the ballot enclosed with the Disclosure Statement. IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN **[_____], 2018, AT [_____] (EASTERN TIME)** (THE "VOTING DEADLINE") BY THE FOLLOWING:

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Eric D. Schwartz (No. 3134)
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Wilmington, DE 19899-1347
Telephone: (302) 351-9146

BALLOTS SENT BY FACSIMILE, E-MAIL OR OTHER ELECTRONIC MEANS WILL NOT BE ACCEPTED. BALLOTS THAT ARE RECEIVED BUT NOT SIGNED WILL NOT BE COUNTED. DO NOT RETURN ANY STOCK CERTIFICATES, DEBT INSTRUMENTS, OR OTHER EVIDENCE OF YOUR CLAIM WITH YOUR BALLOT.

For further general instructions on voting to accept or reject the Plan, see the instructions accompanying your ballot.

THE DEBTORS URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT THE PLAN BY COMPLETING THEIR BALLOTS AND RETURNING THEIR BALLOTS BY THE VOTING DEADLINE.

E. Waivers of Defects, Irregularities, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of ballots will be determined by the Solicitation Agent and the Debtors in their sole discretion, which determination will be final and binding. As indicated below under "Withdrawal of Ballots; Revocation," effective withdrawals of ballots must be delivered to the Solicitation Agent prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to reject any and all ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve the right, with the consent of the Plan Sponsor (which consent shall not be unreasonably withheld), to waive any defects or irregularities or conditions of delivery as to any particular ballot. The interpretation (including the ballot and the respective instructions thereto) by the Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

F. Withdrawal of Ballots; Revocation

Any party who has delivered a valid ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Solicitation Agent at any time prior to the Voting Deadline. To be valid, a notice of

withdrawal must (i) contain (x) the description of the Claim(s) to which it relates and (y) the aggregate principal amount represented by such Claim(s), (ii) be signed by the withdrawing party in the same manner as the ballot being withdrawn, (iii) contain a certification that the withdrawing party (x) owns the Claim(s) and (y) possesses the right to withdraw the vote sought to be withdrawn, and (iv) be received by the Solicitation Agent in a timely manner. The Debtors intend to consult with the Solicitation Agent to determine whether any withdrawals of ballots were received and whether the requisite acceptances of the Plan have been received. As stated above, the Debtors expressly reserve the right to contest the validity of any such withdrawals of ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of ballots which is not received in a timely manner by the Solicitation Agent will not be effective to withdraw a previously cast ballot.

Any party who has previously submitted a properly completed ballot to the Solicitation Agent prior to the Voting Deadline may revoke such ballot and change his or its vote by submitting to the Solicitation Agent prior to the Voting Deadline a subsequent properly completed ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed ballot is received, only the ballot bearing the latest date will be counted for purposes of determining whether the requisite acceptances have been received.

G. Voting Objection Deadline

As set forth more fully in the Solicitation Procedures Order, the deadline for the Debtors to File and serve any objections that may affect the ability of the Holder of such Claims to vote on the Plan (each, a "Voting Objection") is (i) [_____], 2018, for Claims Filed or scheduled prior to [_____], 2018, and (ii) [_____], 2018, for other timely-Filed Claims. Holders of Claims that are subject to a Voting Objection or otherwise are Disputed, are not entitled to vote such Claims (or the Disputed portion of such Claims), unless a resolution of such objection or dispute, including without limitation a temporary allowance of such Claim for voting purposes, is reached at least [_____] business days before the Voting Deadline.

H. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for **[_____], 2018, at [_____] (Eastern Time)**. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequently adjourned Confirmation Hearing. Objections to Confirmation of the Plan must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection, and the amount and Class of the Claim. Any such objection must be Filed with the Bankruptcy Court on or before **[_____], 2018, at [_____] (Eastern Time)**. Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014.

I. Further Information; Additional Copies

If you are the Holder of a Claim who believes you are entitled to vote on the Plan, and you did not receive a ballot or you received a ballot that is damaged or illegible, or if you have any questions or require further information about the voting procedures for voting your Claim or about the packet of material you received, or if you wish to obtain an additional copy of the Plan, this Disclosure Statement, or any exhibits or appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d) or the Solicitation Procedures Order), please contact counsel for the Debtors at:

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Additional copies of this Disclosure Statement, the Plan, the Plan Supplement, and any related documents, all as such documents may be updated or modified from time to time, or other documents or information concerning these Chapter 11 Cases, may also be obtained free of charge at a webpage maintained by the Debtors for restructuring information at www.scottishre.com/chapter11info.

III. OVERVIEW OF THE DEBTORS' BUSINESS AND FINANCIAL AFFAIRS

A. Scottish Re's Business

The Debtors, together with their non-debtor Affiliates, are part of the Scottish Re group of companies (collectively, "Scottish Re"). Founded in 1998, the Scottish Re companies are engaged in the reinsurance of life insurance, annuities and annuity-type products. These products are written by life insurance companies and other financial institutions primarily located in the United States. Scottish Re's reinsurance companies are subject to insurance laws and regulation in the jurisdictions in which they operate, which include Bermuda, the Cayman Islands, Ireland, and the United States. In early 2008, the Scottish Re companies ceased writing new business and notified existing clients that they would not be accepting any new reinsurance risks under existing reinsurance treaties, thereby placing their remaining treaties into run-off. Scottish Re's business today consists of managing a legacy reinsurance portfolio.

The majority of Scottish Re's reinsurance business was written through Scottish Re (U.S.), Inc. ("SRUS"), a Delaware reinsurance company subject to regulation and oversight by the Delaware Department of Insurance (the "Delaware DOI"). As a domestic reinsurance

company, SRUS is not eligible to be and is not a debtor in these Chapter 11 Cases. SRUS is party to nearly 1,000 reinsurance agreements or "treaties" with dozens of third-party life insurance and reinsurance companies.

To reduce its liabilities, and the amount of capital it is required to hold, SRUS has retroceded a significant portion of its business to SALIC. SALIC is a foreign reinsurance company organized under the laws of the Cayman Islands. SALIC is not subject to the regulation or oversight of any U.S. state insurance department, and, instead, is regulated by the Cayman Islands Monetary Authority ("CIMA"). Due to, among other factors, differences in capital requirements between U.S. insurance regulations and the regulations under which SALIC operates, SRUS's retrocession to SALIC makes Scottish Re's reinsurance business significantly more capital efficient than otherwise would be achievable without retrocession to such an offshore reinsurer.

B. Scottish Re's Corporate Structure

SALIC is wholly owned by Scottish Re Group Limited ("SRGL"), which is described in more detail below. SALIC is not subject to the regulation or oversight of any U.S. state insurance department, and therefore is eligible to be, and is, a Debtor in these Chapter 11 Cases.

SRGL is a privately-owned holding company incorporated under the laws of the Cayman Islands with its principal office in Bermuda. SRGL is not a debtor in these Chapter 11 Cases and, as described further below, has commenced voluntary winding-up proceedings in the Cayman Islands and Bermuda. SRGL holds the primary beneficial interest in Orkney Re II plc ("Orkney Re II"), a special purpose reinsurer, domiciled in Ireland. In accordance with FIN 46R, Orkney Re II is considered to be a variable interest entity and, as a result, Orkney Re II has been consolidated in SRGL's consolidated U.S. GAAP financial statements.

SHI is a Delaware-incorporated holding company that has its headquarters in Charlotte, North Carolina, and is wholly owned by SALIC. SHI is a holding company that does not engage in the insurance or reinsurance business and therefore is eligible to be, and is, a Debtor in these Chapter 11 Cases.

SHI directly owns all of the common stock of SRUS. SHI also owns all of the common securities of three Connecticut statutory business trusts and one Delaware statutory business trust, each of which was formed to issue certain of the "trust preferred securities" or "TruPS" described in greater detail below.

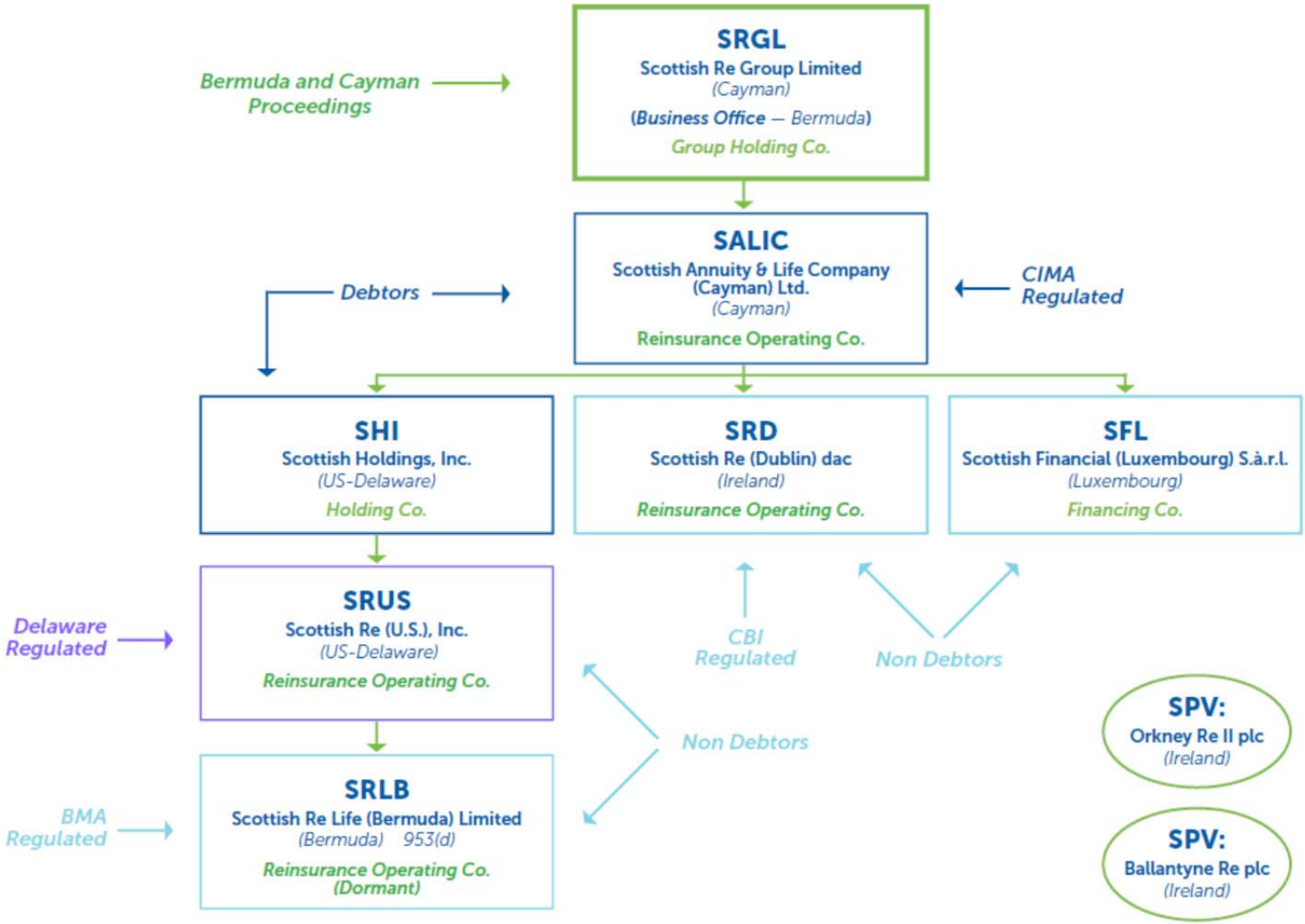
SRUS directly owns Scottish Re Life (Bermuda) Limited ("SRLB"), a Bermuda reinsurance company regulated by the Bermuda Monetary Authority (the "BMA"). SRLB is not a debtor in these Chapter 11 Cases.

In addition to its direct ownership of SHI and indirect ownership of SRUS and SRLB, SALIC also owns Scottish Financial (Luxembourg) S.á r.l. ("SFL"), a Luxembourg-organized special purpose financing entity. SFL is not a debtor in these Chapter 11 Cases. SFL was formed on July 10, 2003, as a direct subsidiary of SALIC. SFL owns all of the common securities of a Delaware statutory business trust formed as part of a TruPS transaction more fully described below in Section III.C.I. SFL is the subject of voluntary liquidation proceedings commenced on April 16, 2018, in the Grand Duchy of Luxembourg, as described further below.

Additionally, SALIC owns Scottish Re (Dublin) dac ("SRD"), a designated activity company organized under the laws of the Republic of Ireland and authorized to carry on a life reinsurance business. SRD operates in Ireland as a reinsurer of insurance and reinsurance liabilities and is regulated by the Central Bank of Ireland (the "CBI"). SRD is not a debtor in these Chapter 11 Cases.

Following is a chart showing the organizational structure of the foregoing entities, as well as the jurisdiction in which each entity is organized, and whether the entity is subject to these Chapter 11 Cases or a winding-up proceeding in the Cayman Islands and Bermuda:

[Chart on next page]


Bermuda and Cayman Proceedings
SRGL
Scottish Re Group Limited
(Cayman)
(Business Office – Bermuda)
Group Holding Co.
SALIC
Scottish Annuity & Life Company (Cayman) Ltd.
(Cayman)
Reinsurance Operating Co.
Debtors
CIMA Regulated
SHI
Scottish Holdings, Inc.
(US-Delaware)
Holding Co.
SRD
Scottish Re (Dublin) dac
(Ireland)
Reinsurance Operating Co.
SFL
Scottish Financial (Luxembourg) S.à.r.l.
(Luxembourg)
Financing Co.
Delaware Regulated
SRUS
Scottish Re (U.S.), Inc.
(US-Delaware)
Reinsurance Operating Co.
CBI Regulated
Non Debtors
Non Debtors
SPV:
Orkney Re II plc
(Ireland)
BMA Regulated
SRLB
Scottish Re Life (Bermuda) Limited
(Bermuda) 953(d)
Reinsurance Operating Co.
(Dormant)
SPV:
Ballantyne Re plc
(Ireland)

C. Scottish Re's Capital Structure

1. The TruPS Transactions

Scottish Re raised capital through five offerings of trust preferred securities ("TruPS"). In each TruPS transaction, a Scottish Re entity—in all cases either SHI or SFL—created a statutory business trust, and held all of the common securities of that trust. The trust then sold TruPS to investors in privately offered transactions. The funds raised through the sale of the TruPS and the common securities were then used by the trust to purchase debentures from the applicable entity (*i.e.*, SHI or SFL). The sole asset of each trust consists of the applicable debentures purchased with the proceeds from the sale of the TruPS and the common securities. In each transaction, the debentures have the same features as the TruPS from the same transaction, including maturity date and interest payable. Quarterly interest payments by the applicable entity to the relevant trust are used by the trust to fund equal quarterly interest payments to the holders of the TruPS issued by such trust. In each transaction, interest may be deferred without penalty or acceleration for up to twenty (20) consecutive quarters. SALIC issued a parent guarantee of the principal and interest due on the debentures in each transaction.

SHI and SFL entered into the following five TruPS transactions:

a. *SHST I TruPS*: On December 4, 2002, Scottish Holdings, Inc. Statutory Trust I, a Connecticut statutory business trust ("SHST I") of which U.S. Bank National Association, serves as institutional trustee, issued and sold in a private offering an aggregate of $17.5 million Floating Rate Capital Securities (the "SHST I TruPS"). All of the common shares of SHST I are owned by SHI. The sole assets of SHST I consist of $18.0 million principal amount of Floating Rate Debentures (the "SHST I TruPS Debentures") issued by SHI, and have all the same features (maturity date, interest payable, interest rate, maximum number of quarters for which interest may be deferred, and the number of quarters for which interest was deferred as of December 31, 2017) as the SHST I TruPS.

b. *SHST II TruPS*: On October 29, 2003, Scottish Holdings, Inc. Statutory Trust II, a Connecticut statutory business trust ("SHST II") of which U.S. Bank National Association serves as institutional trustee, issued and sold in a private offering an aggregate of $20.0 million Preferred Trust Securities (the "SHST II TruPS"). All of the common shares of SHST II are owned by SHI. The sole assets of SHST II consist of $20.6 million principal amount of Floating Rate Debentures (the "SHST II TruPS Debentures") issued by SHI, and have all the same features (maturity date, interest payable, interest rate, maximum number of quarters for which interest may be deferred, and the number of quarters for which interest was deferred as of December 31, 2017) as the SHST II TruPS.

c. *GPIC TruPS*: On November 14, 2003, GPIC Holdings Inc. Statutory Trust, a Delaware statutory business trust ("GPIC") of which Bank of New York Mellon serves as property trustee, issued and sold in a private offering an aggregate of $10.0 million Trust Preferred Securities (the "GPIC TruPS"). All of the common shares of GPIC are owned by SHI. The sole assets of GPIC consist of $10.3 million principal amount of Junior Subordinated Notes (the "GPIC TruPS Note") issued by SHI, and have all the same features (maturity date, interest payable, interest rate, maximum number of quarters for which interest may be deferred, and the number of quarters for which interest was deferred as of December 31, 2017) as the GPIC TruPS.

d. *SHST III TruPS*: On May 12, 2004, Scottish Holdings, Inc. Statutory Trust III, a Connecticut statutory business trust ("SHST III") of which U.S. Bank National Association serves as institutional trustee, issued and sold in a private offering an aggregate of $32.0 million Trust Preferred Securities (the "SHST III TruPS"). All of the common shares of SHST III are owned by SHI. The sole assets of SHST III consist of $33.0 million principal amount of Floating Rate Debentures (the "SHST III TruPS Debentures") issued by SHI, and have all the same features (maturity date, interest payable, interest rate, maximum number of quarters for which interest may be deferred, and the number of quarters for which interest was deferred as of December 31, 2017) as the SHST III TruPS.

e. *SFLST I TruPS*: On or about December 15, 2004, SFL Statutory Trust I, a Delaware statutory business trust ("SFLST I," and together with SHST I, SHST II, GPIC, and SHST III, the "TruPS Trusts") of which Wilmington Trust Company serves as institutional trustee, issued and sold in a private offering an aggregate of $50.0 million Trust Preferred Securities (the "SFLST I TruPS," and together with the SHST I TruPS, SHST II TruPS, GPIC TruPS, and SHST III TruPS, the "TruPS"). All of the common shares of SFLST I are owned by SFL. The sole assets of SFLST I consist of $51.5 million principal amount of Floating Rate Debentures (the "SFLST I TruPS Debentures," and together with the SHST I TruPS Debentures, SHST II TruPS Debentures, GPIC TruPS Note, and SHST III TruPS Debentures, the "Debentures") issued by SFL, and have all the same features (maturity date, interest payable, interest rate, maximum number of quarters for which interest may be deferred, and the number of quarters for which interest was deferred as of December 31, 2017) as the SFLST I TruPS.

SHI and SFL began the most recent deferral of quarterly interest payments on the debentures in the first quarter of 2013, and thus quarterly interest payments have been deferred on all of the TruPS for the same amount of time. As of December 31, 2017, SHI and SFL had

accrued and deferred interest payments on the TruPS in the total approximate amount of $31.1 million.

Subsequent to the initial sale of the TruPS, SRGL acquired in aftermarket transactions from third-parties, and currently holds, $43 million aggregate liquidation amount of the TruPS, along with the right to deferred interest in the approximate amount of $10.7 million as of December 31, 2017, on such TruPS, as follows:

a. On December 3, 2014, SRGL agreed to acquire in a privately-negotiated transaction the entire $20.0 million in aggregate liquidation amount of SHST II TruPS, with a liquidation preference of $1,000 per security, at a purchase price of $665.00 per security.

b. On December 3, 2014, SRGL agreed to acquire in a privately-negotiated transaction the entire $10.0 million in aggregate liquidation amount of GPIC TruPS, with a liquidation preference of $1,000 per security, at a purchase price of $665.00 per security.

c. On January 31, 2013, SRGL agreed to acquire in a privately-negotiated transaction $13.0 million in aggregate liquidation amount of Trust SHST III TruPS, with a liquidation preference of $1,000 per security, at a purchase price of $520.00 per security.

The option to continue to defer interest on the TruPS transactions would have expired in the first quarter of 2018. Absent the filing of these Chapter 11 Cases, all of the deferred interest would have been due and payable in the first quarter of 2018. The Debtors did not, however, have sufficient available capital to satisfy the deferred interest when due.

As discussed above, SALIC has guaranteed the obligations of SHI and SFL under the various TruPS indentures. SALIC's other material obligations include numerous reinsurance agreements between it and other Scottish Re entities and between it and certain third-parties, as described in Section III.C.2.b., below.

2. Capital Structure of Specific Scottish Re Entities

The other material obligations and assets of the Debtors and their non-debtor Affiliates are described below.

a. SRGL (Non-Debtor) Capital Structure

SRGL is a holding company with relatively few creditors other than the SALIC Claims held by SALIC pursuant to the Restructuring Implementation Agreement. As described in more detail below in Section III.C.2.b., SRGL, as borrower, is indebted to SALIC for principal and accrued interest under the SRGL Revolving Credit Agreement. Additionally, SRGL is a defendant in certain litigation brought by Paul Davis, a current holder of SRGL's non-cumulative

perpetual preferred shares and former holder of SRGL's ordinary shares. Mr. Davis continues to seek damages against SRGL for having allegedly breached the certificate of designations for such non-cumulative perpetual preferred shares by distributing certain merger proceeds to the former holders of SRGL's ordinary shares at a time when no dividends were paid to holders of non-cumulative perpetual preferred shares. SRGL continues to defend Mr. Davis's claims.

SRGL's principal assets are (i) SALIC's ordinary shares, (ii) cash on hand, and (iii) the TruPS it acquired in aftermarket transactions described above in Section III.C.1.

As discussed in more detail below in Section V.H., the Debtors are informed that Cayman Islands law will not recognize any "cancellation" of those assets by a foreign (*i.e.*, non-Cayman Islands) court. In addition, Cayman Islands law does not permit a Cayman Islands chartered company to accept the surrender of all of its shares when the effect of doing so would be to leave the company with no issued shares other than treasury shares.[2] In view of the limitations of Cayman Islands law, the Stock Purchase Agreement structured the Plan Sponsor's acquisition of reorganized SALIC through multiple, discreet steps, including: (a) the pre-closing surrender to SALIC by SRGL, as SALIC's sole shareholder, of all but one of SALIC's issued and outstanding ordinary shares; (b) the issuance by SALIC of new ordinary shares to the Plan Sponsor at closing of the Stock Purchase Agreement; and (c) immediately after closing, SRGL's surrender to reorganized SALIC of its sole remaining SALIC ordinary share. Pursuant to the Stock Purchase Agreement, on or about March 23, 2018, SRGL surrendered to SALIC all but one of SALIC's issued and outstanding ordinary shares. Thus, at this time, SRGL retains ownership of SALIC, through ownership of a single share.

As discussed in further detail in Section IV.C., SRGL commenced winding-up proceedings in the Supreme Court of Bermuda (the "Bermuda Court") and the Grand Court of the Cayman Islands (Financial Services Division) (the "Cayman Islands Court"). Although the liquidation of SRGL in Bermuda is permanently stayed, the SRGL winding-up proceedings in the Cayman Islands will proceed subject to the jurisdiction of the Cayman Islands Court.

b. SALIC (Debtor) Capital Structure

SALIC executed a Net Worth Maintenance Agreement, as of February 1, 2002 (the "SALIC-SRUS Net Worth Maintenance Agreement"), pursuant to which SALIC agrees to maintain the net worth of SRUS, including, specifically, SALIC's agreement to: (a) maintain minimum capital and surplus levels at SRUS sufficient to prevent the occurrence at SRUS of a "company action level" event under the Risk Based Capital regulations of the state of Delaware;

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[2] Section 37B(1) of the Companies Law (2016 Revision) of the Cayman Islands provides: "Subject to any express provisions of the company's memorandum or articles of association to the contrary, a company may accept the surrender for no consideration of any fully paid share (including a redeemable share) ***unless, as a result of the surrender, there would no longer be any issued shares of the company other than shares held as treasury shares***." (emphasis added).

and (b) provide SRUS with sufficient liquidity to meet its obligations in a timely manner. Creditors of SRUS have the right to enforce the terms of the SALIC-SRUS Net Worth Maintenance Agreement. The termination of the SALIC-SRUS Net Worth Maintenance Agreement, or of a conforming substitute new net worth maintenance guaranty by an affiliate, is an event of default under certain indemnification or reimbursement agreements to which the Orkney Re II special purpose reinsurer and the Ballantyne Re plc ("Ballantyne Re") reinsurer (described in more detail below) are parties, but the remedies available to the financial guarantors under those indemnification or reimbursement agreements permit recovery only of actual losses as a result of the failure by the special purpose reinsurers to perform their obligations thereunder.

As described in Section III.C.2.f. below with respect to SRD, SALIC also executed a Net Worth Maintenance Agreement, as of January 1, 2002 (the "SALIC-SRD Net Worth Maintenance Agreement," and with the SALIC-SRUS Net Worth Maintenance Agreement, the "SALIC Net Worth Maintenance Agreements"), pursuant to which SALIC agreed to maintain the net worth of SRD.

SALIC reinsures life insurance business ceded by SRUS and by various third party ceding companies. SALIC's reinsurance agreements are structured as either (i) coinsurance, (ii) modified coinsurance, or (iii) yearly renewable term reinsurance. In a coinsurance relationship, the ceding company shares its premiums, death claims, surrender benefits, dividends, and policy loans with the reinsurer and the reinsurer pays expense allowances to reimburse the ceding company for a share of its expenses. Modified coinsurance or "modco" is a variation of traditional coinsurance whereby the ceding company retains all of the reserves and assets, and pays interest to the reinsurer on the reinsurer's share of the reserves. Yearly renewable term, or "YRT," is a type of reinsurance that covers only mortality risk (and not any other benefits such as cash surrender value), with each year's premium based on the current amount of risk.

SRUS, as retrocedent, has retroceded a portion of its reinsurance obligations to SALIC, as retrocessionaire. The following retrocession agreements exist between SALIC and SRUS (collectively, the "SRUS Retrocession Agreements"):

a. Coinsurance/Modified Coinsurance Reinsurance Agreement by and between SRUS (as retrocedent) and SALIC (assumed from SRD) (as retrocessionaire) and SRUS (as reinsurer), effective January 1, 2001;

b. Coinsurance Reinsurance Agreement by and between SRUS (as retrocedent) and SALIC (assumed from SRD) (as retrocessionaire), effective January 1, 2001;

c. Coinsurance Reinsurance Agreement by and between SRUS (as retrocedent) and SALIC (assumed from SRD) (as retrocessionaire), effective September 30, 2001;

d. Coinsurance Reinsurance Agreement by and between SRUS (as retrocedent) and SALIC (assumed from SRD) (as retrocessionaire), effective March 31, 2005; and

e. Modco Reinsurance Agreement by and between SRUS (as reinsurer) and SALIC (as retrocessionaire), as of December 31, 2015.

The SRUS Retrocession Agreements create both "funds withheld" coinsurance and modco relationships between SALIC and SRUS. As a result, the assets supporting each of the SRUS Retrocession Agreements are held by SRUS pursuant to Delaware insurance law.

SALIC also reinsures unaffiliated third party insurance and financial services providers in the ordinary course of its business. The following agreements exist between SALIC and unaffiliated insurers (collectively, the "Third-Party Reinsurance Agreements," and collectively with the SRUS Retrocession Agreement, "SALIC's Reinsurance Treaties").

a. Coinsurance Agreement, dated as of July 28, 1999, by and between Highmark Life Insurance Co., as ceding company, and SALIC, as reinsurer;

b. Coinsurance Agreement, dated as of October 21, 1999, by and between Highmark Life Insurance Co., as ceding company, and SALIC, as reinsurer;

c. Coinsurance Agreement, dated as of April 1, 2000, by and between Investors Heritage Life Insurance Co., as ceding company, and SALIC, as reinsurer;

d. Coinsurance Agreement, dated as of April 1, 2000, by and between Lincoln Heritage Life Insurance Co., as ceding company, and SALIC, as reinsurer;

e. Modco Agreement, dated as of February 15, 2000, by and between Lincoln National Life Ins. Co. ("Lincoln National"), as ceding company, and SALIC, as reinsurer (the "Lincoln Modco Agreement"); and

f. Automatic Monthly Renewable Term Reinsurance Agreement, dated as of June 1, 2016, between C.M. Life Insurance Co. and Mass Mutual Life Insurance Co., each a ceding insurer, and SALIC, as reinsurer.

Each of the Third-Party Reinsurance Agreements (other than the Lincoln Modco Agreement) is supported by a reserve credit trust in order to allow the relevant ceding company to qualify under applicable insurance laws for a credit against (*i.e.*, a reduction in) its liabilities

on its U.S. statutory financial statements[3] for liabilities ceded to SALIC, which is considered an unauthorized (re)insurer under those laws. Such financial statement credit is only available to an insurer that cedes risks to an "unauthorized reinsurer" to the extent that the cession is supported by acceptable collateral under the reinsurance regulation of the ceding company's state. A common method of satisfying this requirement is for the cession to be supported by qualifying investment securities deposited to a reserve credit trust established pursuant to a trust agreement among the reinsurer as grantor, the cedent as beneficiary, and an independent third party trustee. "Funds withheld" by the ceding company is another method of satisfying the regulatory requirements for financial statement credit.

SALIC and its unaffiliated ceding companies (other than Lincoln National, which holds funds withheld) use reserve credit trusts to settle payments due to or from SALIC and the relevant ceding company pursuant to the applicable Third-Party Reinsurance Agreements resulting from the underlying performance of the ceded business, which includes premiums paid to SALIC, claims paid by SALIC, investment income earned on the assets in the applicable reserve credit trust, changes in the market values of such assets, and changes in the associated reserves.

The following trust agreements (the "Trust Agreements") exist between SALIC as grantor and each respective ceding company:

a. Trust Agreement dated as of July 8, 1999, by and among SALIC, as grantor, Highmark Life Insurance Company, as beneficiary, and The Bank of New York Mellon, as trustee;

b. Trust Agreement dated as of October 21, 1999, by and among SALIC, as grantor, Highmark Life Insurance Company, as beneficiary, and The Bank of New York Mellon, as trustee;

c. Trust Agreement dated as of April 1, 2000, by and among SALIC, as grantor, Investors Heritage Life Insurance Company, as beneficiary, and The Bank of New York Mellon, as trustee;

d. Trust Agreement dated as of April 1, 2000, by and among SALIC, as grantor, Lincoln Heritage Life Insurance Company, as beneficiary, and The Bank of New York Mellon, as trustee;

[3] Most insurers authorized to do business in the United States and its territories are required to prepare statutory financial statements in accordance with statutory accounting principles. Statutory accounting principles, which differ significantly from GAAP, are detailed within the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual*.

e. Trust Agreement dated as of July 12, 2016, by and among SALIC, as grantor, C.M. Life Insurance Company, as beneficiary, and The Bank of New York Mellon, as trustee;

f. Trust Agreement dated as of July 12, 2016, by and among SALIC, as grantor, Massachusetts Mutual Life Insurance Company, as beneficiary, and The Bank of New York Mellon, as trustee; and

g. Security Trust Agreement dated as of July 12, 2016, by and among SALIC, as grantor, Massachusetts Mutual Life Insurance Company and C.M. Life Insurance Company, each as beneficiary, and The Bank of New York Mellon, as trustee.

In addition to the SALIC-SRUS Net Worth Maintenance Agreement and the foregoing reinsurance and trust agreements, SALIC is party to other financial services related contracts among Scottish Re affiliated entities and third parties in the ordinary course of business. SALIC is obligated on certain contractual agreements with certain of SALIC's direct and indirect operating subsidiaries for the intercompany allocation of expenses.

Furthermore, as discussed more fully below at Section III.C.2.f., on or about December 19, 2008, SALIC assumed all rights and obligations of SRD under the SFL Note (as defined below). SALIC may have complete or partial defenses to any liability under the SFL Note, including, but not limited to, defenses arising out of certain later transactions involving the Surplus Note (as defined below). Parties in interest are directed to Sections III.C.2.d. and III.C.2.f. of this Disclosure Statement for further discussion of the SFL Note and any associated obligations

SALIC is also a lender to SRGL, as borrower, under a certain SRGL Revolving Credit Agreement dated September 20, 2009. The borrowing limit under the SRGL Revolving Credit Agreement is $90 million. Interest accrues at a rate equal to the interest rate on 10-Year U.S. Treasury Notes. As of December 31, 2017, SRGL was indebted to SALIC under the Revolving Credit Agreement in the approximate amount of $78,449,595, representing principal and accrued interest. Following SRGL's commencement of provisional winding-up proceedings (discussed below at Section IV.C.), SRGL's ability to make additional draws on the revolving credit facility terminated. (The Debtors understand and believe that SALIC's claim against SRGL under the Revolving Credit Agreement represents substantially all of the valid unsecured claims in SRGL's liquidation in the Cayman Islands.)

c. SHI (Debtor) Capital Structure

As discussed above in Section III.C.1, SHI raised capital by means of four transactions, pursuant to which statutory trusts issued TruPS to investors through private offerings. Each statutory trust has the primary obligation to satisfy any payments due on its own TruPS. The proceeds of the sale of each statutory trust's TruPS were used by each such trust to purchase debentures issued by SHI. As issuer, SHI is obligated to make payments to the

statutory trusts pursuant to the terms of the debenture held by each such statutory trust. In addition, SHI has guaranteed for the benefit of the holders of the TruPS the obligations of each such statutory trust. SALIC in turn, guaranteed SHI's obligations under the indentures for the benefit of the holders of SHI debentures, and SHI's obligations under the SHI guarantee agreements, for the benefit of the holders of the relevant TruPS. This makes the trustees of the statutory trusts, U.S. Bank National Association, and Bank of New York Mellon, creditors of SHI and SALIC, and makes SRGL, a secondary purchaser of certain TruPS, an interest holder in the relevant TruPS Trusts. SHI began deferring interest on its debenture obligations beginning in the first quarter of 2013. All related deferred interest would have been due and payable during the first quarter of January 2018.

SHI is also obligated to provide directly or indirectly certain support services to Orkney Re II, pursuant to a Support Services Agreement as to which Assured Guaranty (UK) Ltd. ("Assured") is a third party beneficiary. SHI has no employees and therefore utilizes the services of SRUS to actually provide the referenced services to Orkney Re II. SHI and SRUS expect to continue to operate in this manner.

d. SFL (Non-Debtor) Capital Structure

As described above in Section III.C.1, SFL, a Luxembourg-organized special purpose financing entity, raised capital through the private offering by the SFLST I TruPS to certain investors. SFLST I has the primary obligation to satisfy any payments due on its TruPS. The proceeds of the sale of its TruPS were used by SFLST I to purchase debentures issued by SFL. As issuer, SFL is obligated to make payments to SFLST I pursuant to the terms of that trust's indenture. In addition, SFL guaranteed the payment obligations of SFLST I for the benefit of the holders of the related TruPS. SALIC, in turn, guaranteed SFL's obligations under the indenture for the benefit of the holders of the SFLST I TruPS Debentures, and SFL's obligations under the SFL guarantee agreement, for the benefit of the holders of the relevant TruPS. This makes the trustee of SFLST I, Wilmington Trust Company, a creditor of SFL and SALIC.

SFL, in turn, used the proceeds it realized from the above-described TruPS transaction to acquire the SFL Note. SFL continues to hold the SFL Note, as amended, to the extent, if any, that it remains valid and enforceable. As discussed below at Section III.C.2.f., SALIC, which was substituted for SRD as the obligor under the SFL Note effective as of December 19, 2008, may have complete or partial defenses to any liability under the SFL Note, including, but not limited to, defenses arising out of certain later transactions involving the Surplus Note. Parties in interest are directed to Section III.C.2.f. of this Disclosure Statement for further discussion of the SFL Note and any associated obligations. The SFL Note was amended on or about June 23, 2008, as described more fully in Section III.C.2.f. below. Additionally, as described more fully in Section III.C.2.f. below, pursuant to certain transactions among SALIC, SFL and SRD that occurred in late 2008, SALIC was substituted for SRD as the obligor on the SFL Note. Further, SALIC may have a substantial defense to payment of the SFL Note because of its transactions occurring in 2011 and described below at Section III.C.2.g.

SFL began deferring interest on its debenture obligations relating to the SFLST I TruPS as of March 15, 2013. Deferred interest would have been due and payable in March 2018. SFL is the subject of voluntary liquidation proceedings commenced on April 16, 2018, in the Grand Duchy of Luxembourg.

SFL owns all of the common securities of SFLST I, which is the Delaware statutory business trust that issued the SFLST I TruPS and holds the SFLST I TruPS Debentures.

Unlike the TruPS issued by SHI, none of the TruPS issued by SFLST I are held by SRGL.

e. SRUS (Non-Debtor) Capital Structure

(i) SRUS's Reinsurance Agreements

SRUS is party to a large number of reinsurance agreements with unaffiliated insurance and financial services companies whereby it has agreed to reinsure certain life insurance, annuity and annuity-type obligations. SRUS, as retrocedent, has retroceded a significant portion of these liabilities to SALIC, as retrocessionaire, pursuant to the SRUS Retrocession Agreements, described above at Section III.C.2.b. The SRUS Retrocession Agreements create both funds withheld coinsurance and modco relationships between SRUS and SALIC. The actual assets supporting each of the SRUS Retrocession Agreements are held by SRUS pursuant to Delaware insurance law.

(ii) Obligations of SRUS related to Ballantyne Re

In 2006, Scottish Re formed Ballantyne Re, a special purpose reinsurer domiciled in Ireland, in order to reinsure certain business (referred to as the "Defined Block Business") ceded to SRUS by Security Life of Denver Insurance Company ("SLD"), a Colorado domestic insurer that is a subsidiary of ING Group. Ballantyne Re issued notes through a securitization facility in order to obtain the capital needed to fund the excess portion of the trust assets required to support the Defined Block Business. The Ballantyne Re securitization facility was assigned and novated by SRUS to SLD on November 19, 2008, with the effect that SRUS no longer was liable as a reinsurer with respect to the Defined Block Business. Nevertheless, SRUS continues to have certain liabilities with respect to this transaction, including:

Provision of support services. Pursuant to an amended and restated support services agreement, SRUS is obligated to provide certain support services to Ballantyne Re for the duration of the transaction.

Indemnification of financial guarantors. SRUS agreed with the financial guarantors to indemnify them for various kinds of losses and expenses arising under the Ballantyne Re transaction documents, including arising out of investigating whether an event of default has occurred and Ballantyne Re's failure

to make certain payments to the guarantors. While a breach of this covenant would constitute an event of default under the agreements between Ballantyne Re and the relevant financial guarantor, the financial guarantor would have no remedy against SRUS, unless non-performance caused an actual loss to the financial guarantor.

Indemnification for litigation expenses. SRUS's indemnification obligations include certain indemnities of the guarantors for expenses incurred in enforcing Ballantyne Re's rights under various transaction documents. This has resulted in Ambac Assurance UK Limited ("AMBAC") and Assured asserting (but not making a formal claim) that SRUS has indemnification obligations to AMBAC and Assured for attorneys' fees incurred in prosecuting claims against JPMorgan Chase Bank ("JPMorgan"), Ballantyne Re's former investment manager. SRUS has sought legal advice on the availability of challenges to any such claim if formally made. Pursuant to a tolling agreement, AMBAC has agreed not to prosecute any such indemnification claim while the parties assist each other in the remediation of the Ballantyne Re transaction.

Pre-Assignment liabilities. SRUS and SRGL remain liable for breaches of their representations, warranties, covenants or other obligations that relate to periods before the effective date of the assignment (i.e., pre-November 19, 2008). In addition, SRUS has agreed to indemnify and hold harmless SLD and its affiliates for losses and damages incurred arising from the exercise by Ballantyne Re of any right, or from any limitation on the ability of SLD, to exercise any right or recover any amount, under the post-assignment reinsurance agreement between SLD and Ballantyne Re as a result of (a) any breach of any representation, warranty or covenant of SRUS under the pre-assignment reinsurance agreement between SRUS and Ballantyne Re or any related transaction document, (b) any action or omission by any director, officer, employee, agent, representative, appointee, successor, or permitted assign of SRUS or any of its affiliates that causes a Tax Event (as defined in the pre-assignment reinsurance agreement) for Ballantyne Re or otherwise causes Ballantyne Re to be in breach of any representation, warranty or covenant under the pre-assignment reinsurance agreement or any related transaction document or (c) any arbitration award against SRUS that SLD pays on its behalf to avoid termination of the pre-assignment reinsurance agreement.

(iii) Obligations of SRUS related to Orkney Re II

As discussed above at Section III.B., Orkney Re II is a special purpose reinsurer, domiciled in Ireland. To obtain the capital needed to fund the excess portion of the Orkney Re II reinsurance trust account created by the Orkney Re II reinsurance trust agreement, Orkney Re II issued several series of notes pursuant to an indenture by and among Orkney Re II, as issuer, and Assured, as financial guarantor, Bank of New York Mellon, as trustee, and Bank of New York Mellon as securities intermediary, dated as of December 21, 2005. Orkney Re II's obligations in

respect of certain series of the notes issued under the Orkney Re II indenture are guaranteed by Assured. Orkney Re II is party to a Guarantee and Reimbursement Deed, governed by English law, with Assured, which gives Assured rights of subrogation to the rights granted by the Orkney Re II indenture to noteholders, to the extent that Assured is required to make payments on the notes. In addition, SRGL and SRUS are parties to the "side letters" to the Guarantee and Reimbursement Agreements. Pursuant to the side letters, SRGL covenants to maintain in force the SALIC-SRUS Net Worth Maintenance Agreement.

In addition, SRUS provided certain representations and warranties and certain covenants to Assured pursuant to a side letter, including:

> *Indemnification of financial guarantor*. SRUS agreed with Assured, the financial guarantor, to indemnify it for various kinds of losses and expenses arising under the Orkney Re II transaction documents, including arising out of investigating whether an event of default has occurred and Orkney Re II's failure to make certain payments to the guarantor. While a breach of this covenant would constitute an event of default under the agreements between Orkney Re II and Assured, Assured would have no remedy against SRUS, unless non-performance caused it an actual loss.
>
> *Indemnification for litigation expenses*. SRUS's indemnification obligations include certain indemnities of the guarantor for expenses incurred in enforcing Orkney Re II's rights under various transaction documents. This has resulted in Assured asserting (but not making a formal claim) that SRUS has indemnification obligations to Assured for attorneys' fees incurred in prosecuting claims against JPMorgan in the approximate amount of $20 million, Orkney Re II's former investment manager. SRUS has sought legal advice on the availability of challenges to any such claim if formally made. Pursuant to a tolling agreement, Assured has agreed not to prosecute any such indemnification claim while the parties assist each other in the remediation of the Orkney Re II transaction.

(iv) SRUS's Employee Obligations

In connection with its reinsurance business, SRUS employs 29 employees and provides benefits to such employees, including expense reimbursement, flexible spending accounts, insurance benefits, paid time off, retirement and severance benefits. SRUS directly funds these employees' salaries, expenses and benefits in the first instance. All employee-related obligations are then allocated to the Debtors and other Scottish Re entities through transfer pricing agreements that meet the arm's-length standard consistent with the rules and principles governing related-party transactions under the laws of the United States and other jurisdictions in which the Debtors and non-debtor Affiliates operate. Transfer pricing and payment for employee related obligations are charged to the Debtors by SRUS (and SRLB, with respect to the two employees in Bermuda) to SALIC on a quarterly basis and to SHI on an annual basis. Additionally, SRUS has entered into certain bonus, incentive and severance plans with key

employees and executives. Amounts payable under such plans are not transfer-priced to the Debtors.

(v) SLD Claim

In January 2009, SRGL, SHI, SRUS, SRLB and SRD (as "Sellers") entered into a certain Master Asset Purchase Agreement and related agreements with, among others, Hannover Life Reassurance Company of America and Hannover Life Reassurance (Ireland) Limited (together, "Hannover") and SLD, pursuant to which Hannover replaced SRUS and SRLB as reinsurers under certain life reinsurance contracts between SRUS or SRLB and SLD. In connection with that transaction, Hannover agreed to administer business reinsured by SLD to Ballantyne Re, and Sellers agreed to "reimburse SLD within ten (10) Business Days of SLD providing notice to Sellers of payment therefor by SLD for the amount of such fees" incurred in administering such business. From 2009 until June 2017, SLD did not provide notice regarding payment of any such fees. In June 2017, SLD submitted invoices to SRUS for fees incurred in administering the Ballantyne Re business for each year from 2009 to 2017, totaling approximately $5.6 million. SHI and its non-debtor Affiliates that are Sellers under the agreements with SLD reserve and preserve all rights and defenses with respect to any and all fees and invoices.

(vi) Surplus Note (Retired)

In February 2005, SRUS, as obligor, issued that certain $70,000,000 aggregate principal amount 8.00% Surplus Note, due February 11, 2020 (the "Surplus Note") to SRD. Under the terms of the Surplus Note, the payment of interest and the ultimate repayment of principal were deeply subordinated to certain other obligations of SRUS. As discussed below at Section III.C.2.f. in December 2008, the Surplus Note was among the assets SALIC acquired from SRD pursuant to the Portfolio Transfer Agreement. The Surplus Note was later assigned by SALIC to SHL (as defined below) and subsequently retired.

f. SRD (Non-Debtor) Capital Structure

SRD operates in Ireland as a reinsurer of insurance and reinsurance liabilities and employs one person in Ireland. The costs associated with that employee are not shared with the Debtors or any other Scottish Re Affiliate. SRD also holds assets in Ireland consisting of cash and securities.

In December 2004, SRD raised funds by issuing that certain Floating Rate Junior Subordinated Deferrable Interest Debenture due 2034 (as amended, the "SFL Note") with an original principal amount of $51,547,000. As discussed above at Section III.C.2.d., SFL acquired the SFL Note with the proceeds realized from the sale of debentures issued by SFL to the SFLST I, which, in turn, had raised funds through the issuance and sale of the SFLST I TruPS.

Pursuant to that certain amendment dated as of June 23, 2008 (the "First Amendment"), SRD was relieved of any obligation to make any payment of interest or principal

on account of the SFL Note except to the extent that SRD received payment of interest or principal from SRUS under the Surplus Note.

In the fourth quarter of 2008, the Irish insurance regulator notified Scottish Re that corrective action needed to be taken with respect to SRD's regulatory solvency which had been negatively impacted by asset market value declines associated with the 2008 financial crisis. Absent corrective action, SALIC's obligations under the SALIC-SRD Net Worth Maintenance Agreement would have been triggered, which may have accelerated Scottish Re's need to restructure on a broader basis. To avoid this result, Scottish Re effectuated a transfer of a majority of SRD's business to SALIC, effective October 1, 2008, pursuant to the Portfolio Transfer Agreement.

Under the Portfolio Transfer Agreement, SALIC acquired substantially all of SRD's assets and assumed substantially all of SRD's liabilities, including SRD's rights and obligations (of which SRD was relieved) under the SFL Note and the Surplus Note. SFL, SRD and SALIC memorialized the transfer to SALIC of SRD's rights and obligations under the SFL Note via a second amendment to the SFL Note dated as of December 19, 2008.

g. SHL (Non-Debtor – Defunct) Capital Structure

In 2011, Scottish Re determined that the financial strength of SRUS had improved to such a degree that SRUS potentially could begin to make payments under the Surplus Note. With guidance from third-party tax consultants, Scottish Re planned and implemented certain steps to mitigate adverse tax consequences associated with payments on the Surplus Note that may be made by SRUS.

To this end, on or about November 9, 2011, Scottish Holdings (Luxembourg) S.á r.l. ("SHL") was incorporated under the laws of the Grand Duchy of Luxembourg. SALIC, as the sole shareholders of SHL, contributed the Surplus Note to SHL. Thereafter, SHL completed certain actions necessary to obtain favorable permissible tax treatment for payments received on account of the Surplus Note. In December 2012, SHL redeemed outstanding equity interests held by SALIC in exchange for a payment of approximately $70.1 million. SHL was subsequently dissolved in accordance with Luxembourg law.

IV. KEY EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASES

A. Adverse Mortality Experience

Scottish Re has suffered negative financial results caused primarily by adverse mortality experience on the YRT segment of its business. This segment accounts for a large portion of the risks reinsured by SALIC. On a consolidated U.S. GAAP basis, Scottish Re incurred a net loss of $202.8 million for the year ended December 31, 2016, and a net loss of $260.8 million for the year ended December 31, 2015. Though Scottish Re has taken steps to improve its financial results, including by increasing the premiums it charges for YRT

reinsurance, these steps have not resulted in improvement significant enough to avoid the need to restructure Scottish Re.

B. Insufficient Capital to Pay Deferred Interest on the TruPS

Scottish Re's ability to defer interest on the TruPS expired in the first quarter of 2018. Absent the filing of these Chapter 11 Cases, all of the deferred interest would have been due and payable. The Debtors did not have sufficient available capital to satisfy the deferred interest when due.

C. Provisional Winding-Up Proceedings for SRGL

On May 17, 2017, SRGL filed a winding-up petition in the Bermuda Court under the Bermuda Companies Act of 1981, and, on the same day, filed parallel proceedings in the Cayman Islands Court under the Cayman Islands Companies Law (2016 Revision). On May 18, 2017, the Bermuda Court entered a provisional winding-up order and appointed John C. McKenna of Finance & Risk Services Ltd., and Eleanor Fisher of Kalo (Cayman) Limited as joint provisional liquidators of SRGL with limited powers. Subsequently, the Bermuda Court entered a "full" winding up order on January 30, 2018, ordering the winding up of SRGL in Bermuda and appointing Mr. McKenna and Ms. Fisher as joint official liquidators in Bermuda (in such capacity, the "Joint Liquidators"). On February 15, 2018, the Cayman Islands Court also ordered the winding up of SRGL and the appointment of the Joint Liquidators in the Cayman Islands. Pursuant to an order of the Bermuda Court dated March 29, 2018, and effective April 19, 2018, the liquidation of SRGL in Bermuda was permanently stayed and the Joint Liquidators were released in Bermuda. Accordingly, the Joint Liquidators will proceed with the winding up of SRGL in the Cayman Islands subject to the jurisdiction of the Cayman Islands Court.

D. Prepetition Marketing Efforts

Since 2008, Scottish Re has engaged in at least nine marketing processes, including multiple formal processes where Scottish Re engaged top-tier investment banks and exposed its companies' business to the market. The Debtors began the latest formal sales process in early 2017 by interviewing several investment banks, and ultimately selecting Keefe, Bruyette & Woods, Inc. ("KBW"), because, among other attributes, KBW has the distinction of being a leading investment bank in the insurance sector and has served as an advisor on over fifty (50) insurance carrier M&A transactions since 2006. KBW went to market with a teaser, confidential information memorandum ("CIM") and virtual data room in early May 2017. KBW contacted fifty-one (51) potential strategic and financial buyers, including companies that operate in the Debtors' space or have shown interest in entering the space, or who were contacted or participated in prior sales processes involving the Debtors. At the same time, the Debtors' marketing process was widely publicized as a result of a press release and related industry trade publication articles in connection with SRGL commencing winding-up proceedings in the Cayman Islands and Bermuda in May 2017.

In total, twenty-three (23) parties executed nondisclosure agreements and received the CIM and access to the virtual data room. Of these parties, twenty-one (21) requested and received bid instruction letters in June 2017. From this process, the Debtors received three first-round letters of intent ("LOIs"). All three parties who submitted LOIs conducted site visits and in-person meetings with the Debtors. Following these meetings and further diligence, the Debtors received revised proposals from two of the parties, with one party dropping out of the process. The Debtors ultimately proceeded with the proposal submitted by the Plan Sponsor, because the Plan Sponsor's proposal presented significantly more value than the other proposal, and the other proposal contained conditions that the Debtors and KBW determined were impracticable if not impossible to meet.

V. EVENTS DURING THE CHAPTER 11 CASES

A. Commencement of the Chapter 11 Cases and "First Day" and "Second Day" Motions and Relief

On January 28, 2018 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

At or in connection with "first day" and "second day" hearings held on January 30, 2018, and February 27, 2018, the Bankruptcy Court considered and granted certain requests for immediate relief Filed by the Debtors to facilitate the transition between the Debtors' prepetition and postpetition business operations, including the following:

- *Joint Administration Order*: (a) directing that the Chapter 11 Cases of SALIC and SHI be jointly administered and (b) granting related relief. [D.I. 19; entered 1/30/18].

- *Interim Cash Management Order*: (a) authorizing the Debtors (i) to continue their cash management system, (ii) honor certain related prepetition obligations, (iii) maintain existing business forms, and (iv) continue to perform intercompany transactions; (b) authorizing the Debtors' banks to honor all related payment requests; (c) granting an interim waiver of the Debtors' compliance with section 345(b) of the Bankruptcy Code; (d) scheduling a final hearing; and (e) granting certain related relief. [D.I. 20; entered 1/30/18].

- *Insurance Order*: (a) authorizing Debtors to (i) continue prepetition insurance program, (ii) pay any prepetition premiums and related obligations, and (iii) renew or enter into new insurance arrangements; and (b) granting related relief. [D.I. 21; entered 1/30/18].

- *Taxes Order*: (a) authorizing the Debtors to pay certain prepetition taxes and regulatory fees in the ordinary course of business and (b) authorizing banks and financial institutions to honor and process checks and transfers related thereto. [D.I. 83; entered 2/20/18].

- *Employee Wages Order*: (a) authorizing, but not directing, the Debtors to (i) pay prepetition wages, salaries, and other compensation in the ordinary course under existing transfer pricing arrangements, and (ii) pay prepetition payroll taxes and benefits and continue benefit programs in the ordinary course under existing transfer pricing arrangements; (b) directing banks to honor checks for payment of prepetition employee payment and program obligations; and (c) granting related relief. [D.I. 84; entered 2/20/18].

- *Schedules/Statements Extension Order*: (a) extending the deadline for the Debtors to file their Schedules and (b) granting related relief. [D.I. 87; entered 2/20/18].

B. Other Procedural Motions and Retention of Professionals

During the Chapter 11 Cases, the Bankruptcy Court authorized the Debtors to retain and employ Hogan Lovells US LLP, as bankruptcy co-counsel [D.I. 90]; Morris, Nichols, Arsht & Tunnell LLP, as Delaware counsel and bankruptcy co-counsel [D.I. 88]; Mayer Brown LLP, as special transactional and insurance regulatory counsel [D.I. 156]; Keefe, Bruyette & Woods, Inc., as investment banker [D.I. 155]; and certain professionals in the ordinary course [D.I. 145]. Additionally, the Bankruptcy Court authorized procedures for interim compensation of professionals employed by the Debtors and the Official Committee [D.I. 89].

C. Appointment of Official Committee of Unsecured Creditors

On February 20, 2018, the U.S. Trustee, pursuant to its authority under section 1102(a) of the Bankruptcy Code, appointed the Official Committee, consisting of Wilmington Trust Company, as Indenture Trustee, Hildene Opportunities Master Fund, Ltd., and SLD [D.I. 81]. Subsequently, the Bankruptcy Court authorized the Official Committee to retain and employ (i) Pepper Hamilton LLP, as counsel to the Official Committee [D.I. 183], (ii) Alvarez & Marsal North America, LLC, as financial advisor to the Official Committee [D.I. 184], and (iii) Appleby (Cayman) Ltd., as special counsel to the Official Committee [D.I. ___]. The expenses of members of the Official Committee, and the fees and expenses of the Professionals serving on behalf of the Official Committee, are entitled to be paid by the Debtors, subject to approval of the Bankruptcy Court.

D. Motions and Relief for Maintaining Existing Reinsurance Treaties

The Debtors also filed motions to allow SALIC to maintain existing reinsurance treaties that are critical to preserving the Debtors' value and to achievement of the sale and restructuring contemplated by the Plan:

(a) On February 2, 2018, the Debtors filed a motion seeking an order (i) modifying the automatic stay to allow SRUS to request payment from SALIC in respect of periodic settlements owed by SALIC under the SRUS Retrocession Agreements (as defined herein); (ii) authorizing SALIC to pay certain amounts due in respect of prepetition obligations owed by SALIC to SRUS; and (iii) granting related relief (the "SRUS Settlement Payment Motion") [D.I. 37]. By order dated March 19, 2018 (the "SRUS Payment Order") [D.I. 169], the SRUS Settlement Payment Motion was granted. The SRUS Payment Order authorized SRUS to seek and SALIC to pay prepetition amounts due in respect of the first quarter of 2018 from SALIC to SRUS in an amount not to exceed $1,000,000, and established procedures for notice of any future settlements due from SALIC to SRUS to be provided to the U.S. Trustee and the Official Committee and for the timing of objections (if any) thereto; and

(b) On April 4, 2018, the Debtors filed their motion for an order (i) modifying the automatic stay pursuant to 11 U.S.C. § 362(a) to allow Investors Heritage Life Insurance Company to request funding of "Top Up" obligation, (ii) authorizing SALIC to pay a reinsurance trust obligation pursuant to 11 U.S.C. § 363, and (iii) granting related relief (the "Top up Motion") [D.I. 206]. Pursuant to this motion, the Debtors sought authority to pay $35,747 in respect of prepetition obligations to the Reserve Credit Trust supporting SALIC's reinsurance obligations pursuant to the Coinsurance Agreement, dated as of April 1, 2000, by and between Investors Heritage, as ceding company, and SALIC, as reinsurer (the "Investors Heritage Coinsurance Agreement"). By order dated [ ], 2018 [D.I. ___], the Bankruptcy Court granted the Top up Motion, and on [ ], 2018, SALIC paid $35,747 to the Reserve Credit Trust supporting the Investors Heritage Coinsurance Agreement.

E. The Stalking Horse Stock Purchase Agreement and Plan Sponsorship Agreement

Immediately prior to the Petition Date, the Debtors entered into the Stock Purchase Agreement and the Plan Sponsorship Agreement with the Plan Sponsor. The Debtors filed the Stock Purchase Agreement with the Bankruptcy Court on January 30, 2018, as an attachment to the Bidding Procedures Motion discussed below. By order entered on February 28, 2018, the Bankruptcy Court approved certain bid protections for the Plan Sponsor as described further below.

Additionally, on January 31, 2018, the Debtors moved for authority to assume and perform under the Plan Sponsorship Agreement. By order entered on February 27, 2018, the Bankruptcy Court authorized the Debtors to assume and perform under the Plan Sponsorship Agreement, which sets forth the terms on which the Debtors and the Plan Sponsor agreed to

pursue confirmation and consummation of the Plan consistent with the Stock Purchase Agreement.

F. The Bidding Procedures and Auction

On January 31, 2018, the Debtors filed a motion [D.I. 27] (the "Bidding Procedures Motion") to establish bidding procedures (the "Bidding Procedures") for the purpose of soliciting higher or better offers to serve as Plan Sponsor or for an alternative transaction that maximizes value. On February 28, 2018, the Bankruptcy Court entered an order [D.I. 119] (the "Bidding Procedures Order") approving the relief requested in the Bidding Procedures Motion, as modified in agreement with the U.S. Trustee, the Official Committee and the Plan Sponsor. Additionally, the Bankruptcy Court approved a break-up fee and expenses reimbursement for the Plan Sponsor in the aggregate amount not to exceed $1.25 million.

In accordance with the Bidding Procedures Order, the deadline for submitting a Qualified Bid (as such term is defined in the Bidding Procedures) was May 17, 2018 at 4:00 p.m. (Eastern Time). [Description of bids received and Auction to be inserted prior to Disclosure Statement Hearing based on results of May 17, 2018 Bid Deadline and May 21, 2018 Auction].

G. The Winning Bid

[Description of Winning Bid to be inserted prior to Disclosure Statement Hearing]

H. The Restructuring Implementation Agreement

Immediately prior to the Petition Date, the Debtors and SRGL executed the Restructuring Implementation Agreement. The Restructuring Implementation Agreement is intended to ensure that the Debtors will have the cooperation and support of SRGL, acting through the Joint Liquidators, in connection with pursuing the Debtors' reorganization. The Restructuring Implementation Agreement contains, among other things, undertakings by SRGL to seek an order from the Cayman Islands Court authorizing the Joint Liquidators to cause SRGL to meet its obligations under the Restructuring Implementation Agreement, including to surrender the existing ordinary shares of SALIC held by SRGL in two stages so that new shares can be issued to the Plan Sponsor, all in accordance with the terms of the Restructuring Implementation Agreement (which are consistent with those of the Stock Purchase Agreement).

The requirements of the laws of the Cayman Islands, where SALIC is organized, make this an essential step for the Debtors to consummate the Stock Purchase Agreement. Cayman Islands law imposes two principal barriers to a transaction, like the one here, involving a Cayman Islands chartered company (*i.e.,* SRGL or SALIC) that is using a plan of reorganization to extinguish old equity and issue new equity to creditors or a purchaser. Initially, it is a general principle of Cayman Islands conflicts of law rules that a court of a foreign country has jurisdiction to give a judgment *in rem* capable of enforcement or recognition in the Cayman Islands if the subject matter of the proceedings wherein that judgment was given was immovable

or movable property which was at the time of the proceedings situate in that country.[4] *See* 1 A.V. Dicey, *et al.,* DICEY, MORRIS AND COLLINS ON THE CONFLICTS OF LAW, Rule 47 (15th ed. rev. 2012) (hereafter, "DICEY"). It is a general principle of Cayman Islands conflicts of law rules that the law of the place of incorporation of the company decides how shares in the company may be transferred, and that shares in a Cayman Islands company are regarded as situate at the place where the share register is kept. *See* DICEY, ¶ 22-044; Companies Law of the Cayman Islands, § 40 (2016 Revision). Therefore, given that the shares held by SRGL (a Cayman Islands company) in SALIC (a Cayman Islands company) were not as a matter of Cayman Islands law situate in the United States at the time of SALIC's commencement of its bankruptcy case, it is the Debtors' understanding that a Cayman Islands court would not recognize a cancellation of those shares by this Court.

Additionally, the Debtors understand that any transaction that contravenes section 37B(1) of the Companies Law (2016 Revision) of the Cayman Islands would be deemed void and of no force or effect by a Cayman Islands court. Section 37B(1) provides:

> Subject to any express provisions of the company's memorandum or articles of association to the contrary, a company may accept the surrender for no consideration of any fully paid share (including a redeemable share) unless, as a result of the surrender, there would no longer be any issued shares of the company other than shares held as treasury shares.

Section 37B(1), therefore, drives the need for a two-step share surrender process described in the Restructuring Implementation Agreement and referenced in the Stock Purchase Agreement and Plan Sponsorship Agreement.

As a matter of Cayman Islands law, at no point in time can SALIC fail to have at least one issued and outstanding share (*i.e.,* not a treasury share). In short, compliance with applicable Cayman Islands law requires the consent and cooperation of SRGL, as the sole shareholder of SALIC, to these proposed restructuring transactions or any similarly structured alternative transaction that would transfer ownership of reorganized SALIC.

Furthermore, the Restructuring Implementation Agreement sets forth agreements and stipulations regarding intercompany obligations between SRGL and SALIC and its subsidiaries, which are necessary to the Debtors' ability to reorganize pursuant to, and maximize value from, the currently contemplated restructuring transactions.

On January 31, 2018, the Debtors filed a motion for authorization to enter into and perform under the Restructuring Implementation Agreement [D.I. 29]. The Bankruptcy Court entered an order authorizing the Debtors to enter into and perform under the Restructuring

[4] "The Cayman Islands' legal system is based on English common law, locally enacted statutes and Orders-in-Council." Cayman Islands Judicial Administration, "Laws of the Cayman Islands," https://www.judicial.ky/laws (last accessed Feb. 25, 2018).

Implementation Agreement on March 19, 2018 [D.I. 170], with certain amendments and clarifications requested by the U.S. Trustee and the Official Committee. As discussed above at Section III.C.2.b., the initial share surrender contemplated by the Restructuring Implementation Agreement occurred on or about March 28, 2018.

I. Luxembourg Proceedings of SFL

On April 16, 2018, SFL petitioned the Commercial Court in Luxembourg for the appointment of a receiver to facilitate the winding up of SFL. By judgment dated April 18, 2018, Mr. Max Mailet was appointed as the insolvency receiver ("Insolvency Receiver") of SFL. As Insolvency Receiver, Mr. Maillet will be responsible for managing and operating SFL, including, *inter alia*, filing SFL's claims against the Debtors in these Chapter 11 Cases.

J. The Claims Process

On March 23, 2018, the Debtors filed their Schedules describing the Claims that exist against the Debtors as of the Petition Date. On March 28, 2018, the Bankruptcy Court entered an order [D.I. 189] (the "Bar Date Order") establishing a general bar date of May 7, 2018, for all Entities that are not Governmental Units to file Proofs of Claim. As of [____], [ ] Proofs of Claim have been filed against the Debtors' Estates. The Debtors are currently reviewing and reconciling the Filed Proofs of Claims against the Schedules and the Debtors' books and records.

VI. SUMMARY OF THE PLAN'S CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

Section 1122 of the Bankruptcy Code provides that a plan of reorganization must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1122 of the Bankruptcy Code, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than Administrative Claims and Priority Tax Claims, which, pursuant to section 1123(a)(1), do not need to be classified). The Debtors also are required, under section 1122 of the Bankruptcy Code, to classify Claims against and Interests in the Debtors into Classes that contain Claims and Interests that are substantially similar to the other Claims and Interests in such Class.

The Debtors believe that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code and applicable case law, but it is possible that a Holder of a Claim or Interest may challenge the Debtors' classification of Claims and Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In that event, the Debtors intend, to the extent permitted by the Bankruptcy Code, the Plan, and the Bankruptcy Court, to make such reasonable modifications to the classifications under the Plan to permit Confirmation and to use the Plan acceptances received for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting Holder ultimately is deemed to be a member. Any such reclassification could affect the Class in which such Holder initially was a member, or any other Class under the

Plan, by changing the composition of such Class and the vote required of the Class for approval of the Plan.

The amount of any Impaired Claim that ultimately is Allowed by the Bankruptcy Court may vary from any estimated Allowed amount of such Claim and, accordingly, the total Claims ultimately Allowed with respect to each Impaired Class of Claims may also vary from any estimates contained herein with respect to the aggregate Claims in any Impaired Class. Thus, the value of the property that ultimately will be received by a particular Holder of an Allowed Claim under the Plan may be adversely (or favorably) affected by the aggregate amount of Claims ultimately Allowed in the applicable Class.

The classification of Claims and Interests and the nature of Distributions to members of each Class are summarized below. The Debtors believe that the consideration, if any, provided under the Plan to Holders of Claims and Interests reflects an appropriate resolution of their Claims and Interests, taking into account the differing nature and priority (including applicable contractual and statutory subordination) of such Claims and Interests and the fair value of the Debtors' assets. The Debtors will seek Confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, if necessary. Specifically, section 1129(b) of the Bankruptcy Code permits confirmation of a chapter 11 plan in certain circumstances even if the plan has not been accepted by all impaired classes of claims and interests. *See* Section XI.F. below. Although the Debtors believe that the Plan can be confirmed under section 1129(b), there can be no assurance that the Bankruptcy Court will find that the requirements to do so have been satisfied.

A. Administrative Expense Claims, Professional Fee Claims, and Priority Tax Claims

1. Administrative Claims

Except to the extent that an Allowed Administrative Claim has been satisfied prior to the Effective Date, and except as otherwise provided for in the Plan (including Section 4.1(c)(ii) of the Plan with respect to Professional Fee Claims), each Holder of an Allowed Administrative Claim shall be entitled to receive in full, final and complete settlement, release, and discharge of such Claim, either (i) to the extent such Administrative Claim is Allowed as of the Effective Date, payment in full in Cash of the unpaid portion of such Allowed Administrative Claim as a Closing Date Plan Distribution on the Effective Date, or as soon as reasonably practicable thereafter, or (ii) to the extent such Administrative Claim is Allowed after the Effective Date, payment in full in Cash of the unpaid portion of such Allowed Administrative Claim from the Distribution Trust at such time as such Administrative Claim is Allowed, or as soon as reasonably practicable thereafter.

Except as otherwise provided in Article IV of the Plan, requests for payment of Administrative Claims must be included within an application (setting forth the amount of, and basis for, such Administrative Claims, together with documentary evidence) and Filed and served on respective counsel for the Debtors, the Reorganized Debtors, the Plan Sponsor, and the

Distribution Trustee no later than the Administrative Claims Bar Date. Holders of Administrative Claims (including, without limitation, Holders of any Claims for federal, state or local taxes) that are required to File a request for payment of such Claims and that do not File such requests by the Administrative Claims Bar Date shall be forever barred from asserting such Claims against the Debtors, the Reorganized Debtors, Distribution Trust or any of their property. Requests for payments of Administrative Claims included within a Proof of Claim are of no force and effect, and are disallowed in their entirety as of the Effective Date, and shall be satisfied only to the extent such Administrative Claim is subsequently Filed in a timely fashion as provided by Section 4.1(c) of the Plan and subsequently becomes an Allowed Claim.

2. Professional Fee Claims

All Professionals or other entities requesting compensation or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b) and 1103 of the Bankruptcy Code for services rendered before the Effective Date (including, without limitation, any compensation requested by any Professional or any other Entity for making a substantial contribution in the Chapter 11 Cases) shall File an application for final allowance of compensation and reimbursement of expenses no later than thirty (30) days after the Effective Date and simultaneously serve such application on the following entities and their counsel, if any: the Debtors, the Reorganized Debtors, the Plan Sponsor, the Official Committee, the Distribution Trustee, and the U.S. Trustee.

Objections, if any, to a Professional's application for compensation or reimbursement of expenses must be filed no later than twenty-one (21) days after the date the application is filed, and simultaneously served on the following entities and their counsel, if any: the Debtors, the Reorganized Debtors, the Plan Sponsor, the Official Committee, the Distribution Trustee, the U.S. Trustee, and the Professional(s) to whose application(s) the objection is addressed. If no objections are received, the Bankruptcy Court may enter a final order approving the applications and authorizing final Allowance and payment of compensation and reimbursement of expenses without a hearing. If any objection cannot be resolved consensually, the Bankruptcy Court will hold a hearing on the affected application(s).

The amount of compensation and reimbursement of expenses Allowed by the Bankruptcy Court (less (i) amounts previously received by the Professional in respect of interim compensation and (ii) any unapplied retainer or advance held by the Professional) shall be paid from the Distribution Trust.

Any professional fees and reimbursements or expenses incurred by the Distribution Trust subsequent to the Effective Date may be paid in accordance with the Distribution Trust Agreement. Any professional fees and reimbursements or expenses incurred by the Reorganized Debtors subsequent to the Effective Date may be paid without further order of, or application to, the Bankruptcy Court.

3. Priority Tax Claims

Except to the extent that an Allowed Priority Tax Claim has been satisfied prior to the Effective Date, each Holder of an Allowed Priority Tax Claim shall be entitled to receive, in full, final and complete settlement, release, and discharge of such Claim, at the election of the Debtors or the Distribution Trustee, one of the following treatments: (i) to the extent such Priority Tax Claim is Allowed as of the Effective Date, payment in full in Cash of the unpaid portion of such Allowed Priority Tax Claim as a Closing Date Plan Distribution on the Effective Date, or as soon as reasonably practicable thereafter; (ii) to the extent such Priority Tax Claim is Allowed after the Effective Date, payment in full in Cash of the unpaid portion of such Allowed Priority Tax Claim from the Distribution Trust at such time as such Priority Tax Claim is Allowed, or as soon as reasonably practicable thereafter; or (iii) such other treatment or payment from the Distribution Trust as permitted under section 1129(a)(9)(C) of the Bankruptcy Code.

B. Classification of Claims and Interests

All Claims and Interests, except Administrative Claims and Priority Tax Claims, are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified, and the treatment of such unclassified Claims is set forth in Section 4.1 of the Plan.

A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class, and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving Distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date.

The following table designates the Classes of Claims against and Interests in the Debtors and specifies which Classes are: (a) Impaired and Unimpaired under the Plan; (b) entitled to vote to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code; and (c) deemed to accept or reject the Plan:

Class	Type of Claim or Interest	Impairment	Entitled to Vote
Class 1	Secured Claims	Unimpaired	No (deemed to accept).
Class 2	Priority Non-Tax Claims	Unimpaired	No (deemed to accept).
Class 3	Intercompany Claims	Unimpaired	No (deemed to accept).
Class 4	SHI TruPS Claims	Impaired	Yes.
Class 5	SHI General Unsecured Claims	Impaired	Yes.
Class 6	SALIC TruPS Claims	Impaired	Yes.
Class 7	SALIC General Unsecured Claims	Impaired	Yes.
Class 8	Subordinated Claims	Impaired	No (deemed to reject).
Class 9	SALIC Existing Equity Interests	Unimpaired	No (deemed to accept).
Class 10	SHI Existing Equity Interests	Impaired	No (deemed to reject).

C. Treatment of Claims and Interests

1. Class 1 – Secured Claims

Unless a Holder of an Allowed Secured Claim agrees to lesser treatment, on the Effective Date, or as soon as reasonably practicable thereafter, each Holder of an Allowed Secured Claim shall receive one of the following treatments on account of such Allowed Secured Claim, at the option of the Debtors or the Distribution Trustee, as applicable, and, if required, with the consent of the Plan Sponsor: (a) reinstatement of the Allowed Secured Claim as against any collateral or proceeds thereof held by the Distribution Trust; (b) reinstatement of the Allowed Secured Claim as against any collateral or proceeds thereof held by the Reorganized Debtors; (c) in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Allowed Secured Claim, Cash equal to the full Allowed amount of such Claim; or (d) delivery of the collateral securing any such Claim and payment of any interest required under section 506(b) of the Bankruptcy Code.

The Holders of Claims in Class 1 will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 1 will not be entitled to vote to accept or reject the Plan.

2. Class 2 – Priority Non-Tax Claims

Unless a Holder of an Allowed Priority Non-Tax Claim agrees to lesser treatment, on the Effective Date, or as soon as reasonably practicable thereafter, each Holder of an Allowed Priority Non-Tax Claim shall receive in full, final and complete satisfaction, settlement, release, and discharge of such Allowed Priority Non-Tax Claim, either: (i) to the extent such Priority Non-Tax Claim is Allowed as of the Effective Date, payment in full in Cash of the unpaid portion of such Allowed Priority Non-Tax Claim as a Closing Date Plan Distribution on the Effective Date, or as soon as reasonably practicable thereafter, or (ii) to the extent such Priority Non-Tax Claim is Allowed after the Effective Date, payment in full in Cash of the unpaid portion of such Allowed Priority Non-Tax Claim from the Distribution Trust at such time as such Priority Non-Tax Claim is Allowed, or as soon as reasonably practicable thereafter. The Holders of Claims in Class 2 will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 2 will not be entitled to vote to accept or reject the Plan.

3. Class 3 – Intercompany Claims

Intercompany Claims shall be paid, adjusted, continued, settled, reinstated, discharged, eliminated, or otherwise managed, in each case to the extent determined to be appropriate by the applicable Debtor(s) or Reorganized Debtor(s) and certain of their non-debtor Affiliates. For the avoidance of doubt, Intercompany Claims shall not receive a distribution of Distribution Trust Interests and shall not otherwise be entitled to any of the assets of the Distribution Trust.

The Holders of Claims in Class 3 will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 3 will not be entitled to vote to accept or reject the Plan.

4. Class 4 – SHI TruPS Claims

Unless a Holder of an Allowed SHI TruPS Claim agrees to lesser treatment, on the Effective Date, or as soon as reasonably practicable thereafter, each Holder of an Allowed SHI TruPS Claim will receive, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Claim, a Pro Rata Share of Distribution Trust Interests. Each Holder of an Allowed SHI TruPS Claim shall be paid in Cash from the Distribution Trust on the Distribution Date for its Pro Rata Share of Distribution Trust Interests, after payment in full, or a reserve being established for, all Administrative Claims, Priority Claims, and Secured Claims, all in accordance with the Distribution Trust Agreement.

The Holders of Allowed Class 4 Claims are Impaired, and the Holders of such Claims will be entitled to vote to accept or reject the Plan.

5. Class 5 – SHI General Unsecured Claims

Unless a Holder of an Allowed SHI General Unsecured Claim agrees to lesser treatment, on the Effective Date, or as soon as reasonably practicable thereafter, each Holder of an Allowed SHI General Unsecured Claim will receive, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Claim, a Pro Rata Share of Distribution Trust Interests. Each Holder of an Allowed SHI General Unsecured Claim shall be paid in Cash from the Distribution Trust on the Distribution Date for its Pro Rata Share of Distribution Trust Interests, after payment in full, or a reserve being established for, all Administrative Claims, Priority Claims, and Secured Claims, all in accordance with the Distribution Trust Agreement.

The Holders of Allowed Class 5 Claims are Impaired, and the Holders of such Claims will be entitled to vote to accept or reject the Plan.

6. Class 6 – SALIC TruPS Claims

Unless a Holder of an Allowed SALIC TruPS Claim agrees to lesser treatment, on the Effective Date, or as soon as reasonably practicable thereafter, each Holder of an Allowed SALIC TruPS Claim will receive, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Claim, a Pro Rata Share of Distribution Trust Interests. Each Holder of an Allowed SALIC TruPS Claim shall be paid in Cash from the Distribution Trust on the Distribution Date for its Pro Rata Share of Distribution Trust Interests, after payment in full, or a reserve being established for, all Administrative Claims, Priority Claims, and Secured Claims, all in accordance with the Distribution Trust Agreement.

The Holders of Allowed Class 6 Claims are Impaired, and the Holders of such Claims will be entitled to vote to accept or reject the Plan.

7. Class 7 – SALIC General Unsecured Claims

Unless a Holder of an Allowed SALIC General Unsecured Claim agrees to lesser treatment, on the Effective Date, or as soon as reasonably practicable thereafter, each Holder of an Allowed SALIC General Unsecured Claim will receive, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Claim, a Pro Rata Share of Distribution Trust Interests. Each Holder of an Allowed SALIC General Unsecured Claim shall be paid in Cash from the Distribution Trust on the Distribution Date for its Pro Rata Share of Distribution Trust Interests, after payment in full, or a reserve being established for, all Administrative Claims, Priority Claims, and Secured Claims, all in accordance with the Distribution Trust Agreement.

The Holders of Allowed Class 7 Claims are Impaired, and the Holders of such Claims will be entitled to vote to accept or reject the Plan.

8. Class 8 – Subordinated Claims

Holders of Allowed Subordinated Claims will not receive or retain any property on account of such Claims. On the Effective Date, Subordinated Claims shall be deemed automatically cancelled, released, and extinguished without further action by any Debtor or any Reorganized Debtor, and the obligations of the Debtors thereunder shall be forever discharged.

Each Holder of an Allowed Subordinated Claim will be conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Allowed Subordinated Claims shall not be entitled to vote on the Plan.

9. Class 9 – SALIC Existing Equity Interests

SALIC Existing Equity Interests are Unimpaired by the Plan and will be treated in accordance with the Stock Purchase Agreement, the Plan Sponsorship Agreement, and the Restructuring Implementation Agreement, as provided in Section 6.1 of the Plan.

The Holders of Interests in Class 9 will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Interests in Class 10 will not be entitled to vote to accept or reject the Plan.

10. Class 10 – SHI Existing Equity Interests

All SHI Existing Equity Interests will be cancelled and reissued at the direction of the Plan Sponsor as described in Section 6.1 of the Plan.

The Holders of SHI Existing Equity Interests will be conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, the Holders of SHI Existing Equity Interests shall not be entitled to vote on the Plan.

D. Acceptance Requirements

1. Impaired Classes of Claims Entitled to Vote

Holders of Allowed Claims in each Impaired Class that will receive a Distribution are entitled to vote as a Class to accept or reject the Plan. Accordingly, only the votes of Holders of Claims in Classes 4, 5, 6, and 7 shall be solicited with respect to the Plan. A Holder of a Disputed Claim that has not been temporarily allowed for purposes of voting on the Plan may vote only such Disputed Claim in an amount equal to the portion, if any, of such Claim shown as fixed, liquidated, and undisputed in the Schedules.

2. Acceptance by an Impaired Class

In accordance with section 1126(c) of the Bankruptcy Code, and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class shall have accepted the Plan if the Plan is accepted by the Holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims in such Class that have timely and properly voted to accept or reject the Plan.

3. Presumed Acceptance by Unimpaired Classes

Classes 1, 2, 3, and 9 are Unimpaired under the Plan. Under section 1126(f) of the Bankruptcy Code, Holders of such Unimpaired Claims and Interests are conclusively presumed to have accepted the Plan, and the votes of Holders of such Claims and Interests shall not be solicited.

4. Presumed Rejection by Impaired Classes Not Receiving Any Distribution under the Plan

Classes 8 and 10 are Impaired under the Plan, and Holders of Claims and Interests in such Classes will not receive or retain any property under the Plan on account of such Claims or Interests. Under section 1126(f) of the Bankruptcy Code, Holders of such Claims and Interests are conclusively presumed to have rejected the Plan, and the votes of Holders of such Claims and Interests shall not be solicited.

5. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code

To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors shall request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code. The Debtors, subject to the terms of the Plan, the Plan Sponsorship

Agreement, the Stock Purchase Agreement, and the Restructuring Implementation Agreement, reserve the right to alter, amend, modify, revoke, or withdraw the Plan, the Plan Supplement, or any schedule or exhibit, including to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

In connection with requesting Confirmation of the Plan under section 1129(b) of the Bankruptcy Code, the Debtors, with the consent of the Plan Sponsor, reserve the right to seek Confirmation of the Plan on a "per plan" basis (as opposed to a "per debtor" basis) consistent with In re Matter of Transwest Resort Properties, Inc., 881 F.3d 724 (9th Cir. 2018).

6. Elimination of Vacant Classes

Any Class that, as of the date of commencement of the Confirmation Hearing, does not contain any Allowed Claim or Interest, or any Claim temporarily allowed under Bankruptcy Rule 3018, shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to such Class.

7. Presumed Acceptance by Voting Classes in Which No Votes Are Cast

If a Class contains Claims eligible to vote and no Holder of a Claim eligible to vote in such Class votes to accept or reject the Plan, the Plan shall be presumed accepted by the Holders of such Claims in such Class.

8. Consolidation of Classes

To the extent permitted under section 1122 of the Bankruptcy Code, and subject to the terms of the Plan Sponsorship Agreement, the Stock Purchase Agreement, and the Restructuring Implementation Agreement, the Debtors reserve the right to consolidate one or more Classes of Claims, including for purposes of sections 1126, 1129(a)(8) or 1129(a)(10) of the Bankruptcy Code.

9. Separate Classes of Secured Claims

Although all Secured Claims have been placed in one Class for purposes of nomenclature within the Plan, each Secured Claim, to the extent secured by a Lien on Collateral different from the Collateral securing another Secured Claim, shall be treated as being in a separate sub-Class for the purposes of receiving Distributions.

VII. MEANS FOR IMPLEMENTATION OF THE PLAN

A. Plan Transactions

On or prior to the Effective Date, and as a condition to the Effective Date, each of the actions, transactions, and deliveries described in the Stock Purchase Agreement shall occur

or shall have occurred, including, without limitation, the actions, transactions, and deliveries described in section 2.4 of the Stock Purchase Agreement. Specifically, upon the Effective Date, the Plan Funding Payment shall be allocated as follows: (a) first, to fund all Closing Date Plan Distributions required to be made to Holders of Allowed Secured Claims, Allowed Administrative Claims, and Allowed Priority Claims on or as soon as practicable after the Effective Date to the extent that such Distributions are not otherwise fully funded from the unrestricted Cash then available to SALIC and SHI; (b) second, to fund a professional fee reserve in an amount that the Debtors estimate in good faith, after consultation with the relevant Professionals, to be necessary to pay in full all amounts then owing or that may later become owing to such Professionals for professional fees and expenses incurred through the Effective Date (the "Professional Fee Reserve"); and (c) third, to fund a reserve in an amount estimated by the Debtors, after consultation with the Distribution Trustee and the Plan Sponsor, to be necessary to cover the costs of administration of the Distribution Trust (the "Trust Administration Reserve"). The portion of the Plan Funding Payment remaining after the Closing Date Plan Distributions, the Professional Fee Reserve and the Trust Administration Reserve each have been fully funded shall be placed into the Distribution Trust and distributed in accordance with the Distribution Trust Agreement.

Additionally, on the Effective Date, all SHI Existing Equity Interests shall be cancelled and reissued as New SHI Equity to the Plan Sponsor, or to another entity at the direction of the Plan Sponsor in its sole discretion; provided that, unless otherwise specified by the Plan Sponsor, the New SHI Equity shall be issued to Reorganized SALIC. All property of the Debtors and their Estates shall vest automatically in the Reorganized Debtors or the Distribution Trust as described in Section 6.2 of the Plan.

B. Vesting of Assets in Reorganized Debtors

On the Effective Date, except as otherwise expressly provided in the Confirmation Order, the Distribution Trust Assets shall automatically vest in the Distribution Trust free and clear of all Claims, Liens and Interests.

Except for the Distribution Trust Assets or as otherwise expressly provided in the Confirmation Order, pursuant to sections 1123(b)(3) and 1141(b)–(c) of the Bankruptcy Code, on the Effective Date, all of the property and assets of each Debtor shall automatically vest in the respective Reorganized Debtor, free and clear of all Claims, Liens and Interests. The Reorganized Debtors may operate their business and may use, acquire, and dispose of such property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. As of the Effective Date, all such property of the Reorganized Debtors shall be free and clear of all Claims, Liens and Interests, except as specifically provided in the Confirmation Order, and the Reorganized Debtors shall receive the benefit of any and all discharges and injunctions under the Plan.

C. The Distribution Trust

1. Execution of Distribution Trust Agreement

On or prior to the Effective Date, the Debtors shall execute the Distribution Trust Agreement, and shall take all other necessary steps to establish the Distribution Trust, which shall be for the payment of Allowed Administrative Claims, Allowed Priority Claims, and Allowed Secured Claims, and for the benefit of the Distribution Trust Beneficiaries. In the event of any conflict between the terms of Section 6.3(a) of the Plan and the terms of the Distribution Trust Agreement as such conflict relates to the establishment of the Distribution Trust, the terms of Section 6.3(a) of the Plan shall govern. The Distribution Trust Agreement may provide powers, duties, and authorities in addition to those explicitly stated herein, but only to the extent that such powers, duties, and authorities do not affect the status of the Distribution Trust as a "liquidating trust" for United States federal income tax purposes. The Distribution Trust Agreement shall be Filed with the Plan Supplement.

2. Purpose of the Distribution Trust

The Distribution Trust shall be established for the sole purpose of liquidating and distributing the assets of the Debtors contributed to such Distribution Trust in accordance with Treas. Reg. § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

3. Distribution Trust Assets

The Distribution Trust shall consist of the Distribution Trust Assets. On the Effective Date, all of the Distribution Trust Assets shall transfer to and be vested in the Distribution Trust.

4. The Administration of the Distribution Trust and Authority and Powers of the Distribution Trustee

The Distribution Trust shall be administered by the Distribution Trustee pursuant to the Distribution Trust Agreement. The initial Distribution Trustee shall be identified in the Plan Supplement, and any successor Distribution Trustee shall be appointed in the manner set forth in the Distribution Trust Agreement. In the event of any inconsistency between the Plan and the Distribution Trust Agreement as such conflict relates to anything other than the establishment of the Distribution Trust, the Distribution Trust Agreement shall control. All compensation for the Distribution Trustee and other costs of administration for the Distribution Trust shall be paid from the Distribution Trust Assets in accordance with the Distribution Trust Agreement. The Distribution Trustee shall be a representative of each Debtor's Estate in accordance with section 1123(b)(3)(B) of the Bankruptcy Code for the purposes of the DT Post-Closing Rights.

5. Mutual Cooperation

As the Reorganized Debtors or the Distribution Trustee may reasonably request, each shall use commercially reasonable efforts to cooperate with the other with respect to the implementation of the Plan (including, without limitation, the resolution of Disputed Claims, the determination of taxes and the preparation and filing of tax returns), with all out-of-pocket expenses incurred by the Reorganized Debtors in connection therewith being borne by the Distribution Trust; provided, however, that neither party shall be required to (i) provide information, records or employees or other personnel under circumstances which the providing party believes in its sole reasonable determination may waive privilege, confidentiality or a similar protection or expose it to material liability to any person or may prejudice any legal interest of the providing party, or (ii) take any action that in the providing party's reasonable determination unreasonably interferes with its business. For the avoidance of doubt, nothing herein is intended to limit the DT Post-Closing Rights of the Distribution Trust and the Distribution Trustee.

6. Cash Investments

The Distribution Trustee may invest Cash (including any earnings thereon or proceeds therefrom); provided, however, that such investments are investments permitted to be made by a "liquidating trust" within the meaning of Treas. Reg. § 301.7701-4(d), as reflected therein, or under applicable IRS guidelines, rulings or other controlling authorities.

7. Distributions to Holders of Claims and Distribution Trust Beneficiaries

The Distribution Trustee shall be responsible for making all distributions to Holders of Allowed Claims required to be made on or after the Effective Date pursuant to the Plan.

After payment in full (or reserving for payment in full) of all Administrative Claims, Priority Claims, and Secured Claims, each as and when Allowed, the Distribution Trustee shall distribute to the Holders of Allowed Claims in Classes 4, 5, 6, and 7 on account of their Distribution Trust Interests all Available Cash (including the Plan Funding Payment (less Closing Date Plan Distributions) and treating any permissible investment as Cash for this purpose), less such amounts that may be reasonably necessary to (a) meet contingent liabilities and to maintain the value of the Distribution Trust Assets during liquidation, (b) pay reasonably incurred or anticipated expenses (including, without limitation, any taxes imposed on or payable by the Distribution Trust or in respect of the Distribution Trust Assets, including with respect to such assets as are allocable to Disputed Claims), or (c) satisfy other liabilities incurred or anticipated by such Distribution Trust in accordance with the Plan or Distribution Trust Agreement; provided, however, that the Distribution Trustee shall not be required to make a Distribution pursuant to Section 6.3(g) of the Plan if the Distribution Trustee determines that the expense associated with making the Distribution would likely utilize a substantial portion of the amount to be distributed, thus making the Distribution impracticable.

8. Distributions between the Debtors' Estates and the Estate of SRGL

The Debtors, in consultation with the Committee and the Plan Sponsor, will agree with the Joint Liquidators on a mechanism that will insure that any distribution from the SRGL estate to the Distribution Trust in respect of the SALIC Claims will be distributed pro rata to all Holders of Allowed Claims in Classes 4, 5, 6, and 7 except SRGL in order to prevent an endless series of payments from the Distribution Trust to SRGL on account of SRGL's TruPS claim and from SRGL back to the Distribution Trust in respect of the SALIC Claims. The Debtors will disclose the mechanism prior to or as a part of the Plan Supplement. For the avoidance of doubt, nothing in Section 6.3(h) of the Plan is intended to or shall prejudice any rights of SRGL, the Debtors or any other Entity as to whether such a mechanism is necessary in connection with distributions to be made on account of SRGL's TruPS claims or what mechanism is appropriate.

9. Treatment of TruPS Documents

Nothing in the Plan is intended to impair, nor shall the Plan impair, the right of any indenture trustee or institutional trustee from recovering from Plan Distributions made on account of TruPS Claims any valid fees and expenses under the TruPS Documents.

[The TruPS Indentures shall continue in effect solely for the purposes of (a) allowing Holders of Claims to receive the treatment as provided herein; (b) preserving any rights of the TruPS Indenture Trustees to indemnification or contribution from Holders of the Debentures under the TruPS Indentures or any direction provided by Holders of the Debentures under any of the TruPS Indentures, each as applicable; (c) permitting each of the TruPS Indenture Trustees to maintain or assert any right or Charging Lien it may have against distributions pursuant to the terms of the TruPS Indentures to recover unpaid fees and expenses (including the fees and expenses of their respective counsel, agents, and advisors) of the TruPS Indenture Trustees; (d) enforcing any rights and remedies as between Holders of the Debentures thereunder or as between any Holder of the Debentures and the applicable TruPS Indenture Trustee; (e) the payment from the Distribution Trust of reasonable and documented fees and expenses incurred by the TruPS Indenture Trustees; and (f) preserving all rights and obligations of parties, other than against the Debtors or Reorganized Debtors.]

[On and after the Effective Date, all duties and responsibilities of the TruPS Indenture Trustees under the applicable TruPS Indentures shall be discharged except to the extent required in order to effectuate the Plan.]

[For the avoidance of doubt, nothing contained in the Plan or the Confirmation Order shall in any way limit or affect the standing of the TruPS Indenture Trustees to appear and be heard in the Chapter 11 Cases on and after the Effective Date.]

[For the avoidance of doubt, any and all rights of the TruPS Indenture Trustees reserved or preserved under the Plan are reserved and preserved as against the Holders of the Debentures or Distribution Trust, and not the Reorganized Debtors.]

10. Federal Income Tax Treatment of Distribution Trust

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt of an adverse determination by the IRS upon audit if not contested by such Distribution Trustee), for all U.S. federal income tax purposes, all parties (including, without limitation, the Debtors, the Distribution Trustee and Distribution Trust Beneficiaries) shall treat the transfer of Distribution Trust Assets to the Distribution Trust as (1) a transfer of Distribution Trust Assets (subject to any and all Allowed Administrative Claims, Allowed Priority Claims, and Allowed Secured Claims to the extent not satisfied by the Debtors on or prior to the Effective Date, that are payable by the Distribution Trust pursuant to the Plan), followed by (2) the transfer by such beneficiaries to the Distribution Trust of Distribution Trust Assets in exchange for the Distribution Trust Interests. Accordingly, except in the event of contrary definitive guidance, Distribution Trust Beneficiaries shall be treated for U.S. federal income tax purposes as the grantors and owners of their respective share of Distribution Trust Assets (other than such Distribution Trust Assets as are allocable to Disputed Claims). The foregoing treatment shall also apply, to the extent permitted by applicable law, for state and local income tax purposes. For the avoidance of doubt, the term "party" as herein used shall not include the United States or any agency or department thereof, or any officer or employee thereof acting in such capacity.

11. Tax Reporting

The Distribution Trustee shall file tax returns for the Distribution Trust treating such Distribution Trust as a grantor trust pursuant to Treas. Reg. § 1.671-4(a) and in accordance with Section 6.3 of the Plan. The Distribution Trustee also shall annually send or otherwise provide to each Holder of the Distribution Trust Interest a separate statement regarding the receipts and expenditures of the Distribution Trust as relevant for U.S. federal income tax purposes.

Allocations of Distribution Trust taxable income among Distribution Trust Beneficiaries (other than taxable income allocable to any assets allocable to, or retained on account of, Disputed Claims, if such income is otherwise taxable at the Distribution Trust) shall be determined by reference to the manner in which an amount of Cash representing such taxable income would be distributed (were such Cash permitted to be distributed at such time) if, immediately prior to such deemed Distribution, the Distribution Trust had distributed all its assets (valued at their tax book value, other than, if applicable, assets allocable to Disputed Claims) to the Holders of Distribution Trust Interests, adjusted for prior taxable income and loss and taking into account all prior and concurrent Distributions from the Distribution Trust. Similarly, taxable loss of the Distribution Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a hypothetical liquidating distribution of the remaining Distribution Trust Assets. The tax book value of Distribution Trust Assets for purpose of this paragraph shall equal their fair market value on the date Distribution Trust Assets are transferred to the Distribution Trust, adjusted in accordance with tax accounting principles

prescribed by the IRC, the applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements.

As soon as reasonably practicable after Distribution Trust Assets are transferred to the Distribution Trust, the Distribution Trustee shall make a good faith valuation of Distribution Trust Assets. Such valuation shall be made available from time to time to all parties to the Distribution Trust (including, without limitation, the Debtors (or, as the case may be, the Reorganized Debtors), and the Distribution Trust Beneficiaries), to the extent relevant to such parties for tax purposes, and shall be used consistently by such parties for all U.S. federal income tax purposes.

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Distribution Trustee of a private letter ruling if the Distribution Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by such Distribution Trustee), the Distribution Trustee (i) shall treat any Distribution Trust Assets allocable to Disputed Claims as a "disputed ownership fund" governed by Treas. Reg. § 1.468B-9 (and make any necessary elections with respect thereto) and (ii) to the extent permitted by applicable law, shall report consistently for state and local income tax purposes. All parties (including the Distribution Trustee, the Debtors and Distribution Trust Beneficiaries) shall report for U.S. federal, state and local income tax purposes consistently with the foregoing.

The Distribution Trustee shall be responsible for payment, out of the Distribution Trust Assets, of any taxes imposed on the Distribution Trust or its assets (including with respect to assets allocable to Disputed Claims).

The Distribution Trustee may request an expedited determination of taxes of the Distribution Trust, including any reserve for Disputed Claims, or of the Debtors as to whom the Distribution Trust was established, under section 505(b) of the Bankruptcy Code for all tax returns filed for, or on behalf of, such Distribution Trust or the Debtors for all taxable periods through the dissolution of such Distribution Trust.

12. Dissolution

The Distribution Trustee and Distribution Trust shall be discharged or dissolved, as the case may be, at such time as (i) all of the Distribution Trust Assets have been distributed pursuant to the Plan and the Distribution Trust Agreement, (ii) the Distribution Trustee determines, in its sole discretion, that the administration of any remaining Distribution Trust Assets is not likely to yield sufficient additional Distribution Trust proceeds to justify further pursuit, or (iii) all Distributions required to be made by the Distribution Trustee under the Plan and the Distribution Trust Agreement have been made; provided, however, that in no event shall the Distribution Trust be dissolved later than three (3) years from the creation of such Distribution Trust pursuant to Section 6.3 of the Plan, unless the Bankruptcy Court, upon motion within the six-month period prior to the third (3rd) anniversary (or within the six-month period prior to the end of an extension period), determines that a fixed period extension (not to exceed

three (3) years, together with any prior extensions, without a favorable private letter ruling from the IRS or an opinion of counsel satisfactory to the Distribution Trustee that any further extension would not adversely affect the status of the trust as the Distribution Trust for U.S. federal income tax purposes) is necessary to facilitate or complete the recovery and liquidation of the Distribution Trust Assets.

If at any time the Distribution Trustee determines, in reliance upon such professionals as the Distribution Trustee may retain, that the expense of administering the Distribution Trust so as to make a final Distribution to Distribution Trust Beneficiaries is likely to exceed the value of the assets remaining in such Distribution Trust, such Distribution Trustee may apply to the Bankruptcy Court for authority to (i) reserve any amount necessary to dissolve such Distribution Trust, (ii) donate any balance to a charitable organization (A) described in section 501(c)(3) of the IRC, (B) exempt from U.S. federal income tax under section 501(a) of the IRC, (C) not a "private foundation", as defined in section 509(a) of the IRC, and (D) that is unrelated to the Debtors, such Distribution Trust, and any insider of such Distribution Trustee, and (iii) dissolve such Distribution Trust.

D. The Reorganized Debtors

1. Continued Corporate Existence

Except as otherwise provided in the Plan, each of the Debtors, as Reorganized Debtors, shall continue to exist after the Effective Date as a corporate entity, with all of the powers of a corporation or limited company, as the case may be, under applicable law in the jurisdiction in which such Debtor is incorporated and pursuant to the New Corporate Governance Documents. After the Effective Date, the Reorganized Debtors may operate their business and use, acquire, and dispose of property without the supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

The New Corporate Governance Documents shall be consistent with section 1123(a)(6) of the Bankruptcy Code, to the extent applicable, and in form and substance acceptable to the Plan Sponsor.

2. Directors and Officers of the Reorganized Debtors

The officers and the members of each board of directors of each of the Reorganized Debtors shall be selected and appointed in the sole discretion of the Plan Sponsor. To the extent required by section 1129(a)(5) of the Bankruptcy Code, the identity of such officers and members shall be disclosed prior to the Confirmation Hearing.

Except to the extent that a member of the board of directors of a Debtor continues to serve as a director of such Debtor following the Effective Date, the members of the board of directors of each Debtor prior to the Effective Date, in their capacities as such, shall have no continuing obligations to the Reorganized Debtors on or after the Effective Date and each such

member will be deemed to have resigned or shall otherwise cease to be a director of the applicable Debtor on the Effective Date without any further action required on the part of any such Debtor or member. Commencing on the Effective Date, each of the directors of each of the Reorganized Debtors shall serve pursuant to the terms of the applicable organizational documents of such Reorganized Debtor and may be replaced or removed in accordance with such organizational documents.

Subject to the discretion of the Reorganized Debtors' boards of directors, the Reorganized Debtors shall enter into new employment agreements with key executives on a case-by-case basis.

3. Corporate Action

On the Effective Date, the adoption and filing of the New Corporate Governance Documents, the appointment of officers of the Reorganized Debtors, and all actions contemplated by the Plan will be authorized and approved in all respects pursuant to the Plan. On the Effective Date, pursuant to section 1142(b) of the Bankruptcy Code and section 303 of the Delaware General Corporation Law, the appropriate officers or directors of each Reorganized Debtor shall be authorized and directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan with like effect as if exercised and taken by unanimous action of the directors and stockholders of each Debtor.

4. Effectuating Documents; Further Transactions

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors and/or the Plan Sponsor may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, or necessary or appropriate to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation to the extent consistent with the terms of the Plan and the Plan Documents; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and Plan Documents or having other terms to which the Debtors, the Reorganized Debtors, the Plan Sponsor, and other applicable parties may agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the Plan Sponsor and any other applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law.

E. Retained Causes of Action

Except to the extent any Claim against an Entity is expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or by a Final Order, all causes of action of the Debtors (the "Retained Causes of Action") shall, in accordance with section 1123(b) of the Bankruptcy Code, vest in and be retained by the Reorganized Debtors, and

the Reorganized Debtors shall retain and may enforce all rights to commence and pursue any and all retained causes of action, whether arising before or after the Petition Date, and the Reorganized Debtors' rights to commence, prosecute or settle such causes of action shall be preserved notwithstanding the occurrence of the Effective Date.

F. The Closing

The Closing as defined in the Stock Purchase Agreement shall be subject to the conditions in the Stock Purchase Agreement, including, without limitation, the conditions to closing set out in Article VII of the Stock Purchase Agreement and the actions and deliveries set out in section 2.4 of the Stock Purchase Agreement, unless waived. The Closing shall occur simultaneously with the Effective Date of the Plan.

G. Comprehensive Settlement of Claims and Controversies

Pursuant to sections 363 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim, or any distribution to be made on account of such Allowed Claim, as well as the allocation of the Plan Funding Payment among the Debtors' Estates and Creditors. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Court, after the Effective Date, the Reorganized Debtors or the Distribution Trustee, as applicable, may compromise and settle Claims against, and Interests in, the Debtors and their Estates and Causes of Action against other entities.

H. Disposition of Executory Contracts and Unexpired Leases

1. Assumption of Executory Contracts

On the Effective Date, all Executory Contracts identified on the Assumption Schedule shall be deemed assumed by the applicable Reorganized Debtor. The Assumption Schedule shall be filed with, and as a part of, the Plan Supplement, and may be amended by the Plan Sponsor (i) to remove any Executory Contract no later than the Effective Date, and (ii) to add any Executory Contract, with the consent of such counterparty, no later than the Effective Date. Entry of the Confirmation Order shall constitute approval of the assumption of such Executory Contracts under sections 365 and 1123 of the Bankruptcy Code.

For the avoidance of doubt, unless otherwise expressly provided in the Plan, the Plan Supplement or the Confirmation Order, all SRUS Retrocession Agreements, Third-Party Reinsurance Agreements, Trust Agreements, and any and all other reinsurance treaties and trust agreements shall be deemed assumed by SALIC.

2. Rejection of Executory Contracts

Except as may be otherwise set forth in the Plan, all Executory Contracts not identified on the Assumption Schedule (or previously assumed or rejected by a Debtor) shall be deemed rejected on the Effective Date. Entry of the Confirmation Order shall constitute approval of such rejections under sections 365 and 1123 of the Bankruptcy Code.

3. Procedures Related to Assumption of Executory Contracts

a. Establishment of Cure Amounts

The Cure Amounts associated with the assumption of the Executory Contracts pursuant to Section 8.1 of the Plan are specified in the Assumption Schedule (as may be amended), and each such amount shall conclusively be deemed to be the full and total monetary and nonmonetary performance, if any, required to be rendered in order to assume such Executory Contract pursuant to section 365(b)(1) of the Bankruptcy Code, unless the counterparty to an Executory Contract identified on the Assumption Schedule Files and serves a timely Contract Objection consistent with the procedures in Section 8.3(b) of the Plan. If a Contract Objection is timely Filed and served in accordance with such procedures, the Cure Amount for such Executory Contract shall be the amount agreed to among the objecting counterparty and the Debtors, with the consent of the Plan Sponsor, or as determined by Final Order of the Bankruptcy Court.

b. Counterparty Objections

Any counterparty to an Executory Contract identified on the Assumption Schedule that objects to assumption of such Executory Contract must File an objection (a "Contract Objection") within [_____] days (the "Contract Objection Deadline") of the Assumption Schedule being Filed with the Bankruptcy Court. A Contract Objection must, at a minimum: (i) identify all bases for the objection, including, without limitation, by specifying whether and on what bases the counterparty objects to (a) the Cure Amount specified in the Assumption Schedule, and (b) the provision of adequate assurance of future performance under the Executory Contract; (ii) if objecting to the Cure Amount, identify with specificity the Cure Amount the counterparty believes is required, and include all appropriate documentation in support thereof; and (iii) if objecting to the provision of adequate assurance of future performance under the Executory Contract, identify with specificity what the counterparty believes is necessary to provide adequate assurance of future performance under the Executory Contract.

The Plan Sponsor shall be a party in interest with respect to, and shall have the right to examine, respond to, and contest, any Contract Objection.

If an objection concerning an Executory Contract listed on the Assumption Schedule pertaining solely to the Cure Amount has not been resolved by the Bankruptcy Court by the Effective Date, such Executory Contract may, in the Reorganized Debtors' discretion (and with the consent of the Plan Sponsor), be deemed assumed by the Reorganized Debtors effective as of the Effective Date; provided, however, the Reorganized Debtors may revoke an assumption of any such Executory Contract within fourteen (14) days after entry of an order by the Bankruptcy Court adjudicating the Contract Objection for such Executory Contract by Filing a notice of such revocation with the Bankruptcy Court and serving a copy on the counterparty(ies) to such Executory Contract. Any Executory Contract identified in a revocation notice shall be deemed rejected retroactively as of the Effective Date.

c. Effect of Failure to Timely File a Contract Objection

Unless a Contract Objection is timely Filed and served by the counterparty to an Executory Contract by the Contract Objection Deadline, such counterparty shall be: (i) deemed to have waived and released any right to assert an objection to the Cure Amount and to have otherwise consented to the assumption of such Executory Contract; (ii) forever barred from objecting to the assumption of such Executory Contract or the failure of the Plan Sponsor or the Reorganized Debtors to provide adequate assurance of future performance; and (iii) forever barred and estopped from asserting or claiming any Cure Amount, other than the Cure Amount listed on the Assumption Schedule.

d. Payment of Cure Amounts

Within thirty (30) days after the Effective Date, the Reorganized Debtors shall pay, in Cash (or as otherwise agreed or ordered by the Bankruptcy Court), all Cure Amounts related to Executory Contracts listed on the Assumption Schedule that are assumed pursuant to Section 8.3 of the Plan, other than Cure Amounts that are subject to a Contract Objection pending on the Effective Date; provided, that subject to the revocation rights described in Section 8.3(b) of the Plan, the Reorganized Debtors shall pay all Cure Amounts that are subject to a Contract Objection on the Effective Date within fourteen (14) days after entry of an order by the Bankruptcy Court resolving the objection or approving an agreement between the parties concerning the Cure Amount. For the avoidance of doubt, funding of Cure Amounts shall be subject to sections 2.2(b), 2.3(f) and 2.4(e) of the Stock Purchase Agreement; in particular, the amount contributed by the Plan Sponsor for payment of the Cure Amounts shall not exceed $100,000 and the Recapitalization Funding Payment shall be used by the Reorganized Debtors to pay any amounts in respect of the Cure Amounts in excess of $100,000.

e. No Admission of Liability

Neither the inclusion nor exclusion of any Executory Contract by the Debtors on the Assumption Schedule, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or that the Debtors, the Reorganized Debtors, the Plan Sponsor or Distribution Trust has any liability thereunder.

f. Reservation of Rights

Nothing in the Plan shall waive, excuse, limit, diminish, or otherwise alter any of the defenses, claims, causes of action, or other rights of the Debtors, the Reorganized Debtors or Distribution Trust under any executory or non-executory contract or any unexpired or expired lease, nor shall any provision of the Plan increase, augment, or add to any of the duties, obligations, responsibilities, or liabilities of the Debtors or the Reorganized Debtors under any such contract or lease.

g. Rejection Claim Bar Date

Each Claim resulting from the rejection of an Executory Contract pursuant to Section 8.2 of the Plan shall be Filed with the Bankruptcy Court no later than the Rejection Claim Bar Date; provided, however, any party whose Executory Contract is rejected pursuant to a revocation notice pursuant to Section 8.3(b) of the Plan may file a rejection damage Claim arising out of such rejection within thirty (30) days after the Filing of the revocation notice with the Bankruptcy Court. Any Claim resulting from the rejection of an Executory Contract not Filed by the applicable deadline shall be discharged and forever barred, and shall not be entitled to any Distributions under the Plan. The Distribution Trustee shall have the right to object to any rejection damage Claim. All rejection damage Claims shall be treated in Class 5 or 7, respectively, and shall be paid out of the Distribution Trust.

h. Continuing Obligations Owed to the Debtors

Any continuing obligations of third parties to the Debtors under insurance policies, contracts, or leases that have otherwise ceased to be executory or have otherwise expired on or prior to the Effective Date, including, without limitation, continuing obligations to pay insured claims, to defend against and process claims, to refund premiums or overpayments, to provide indemnification, contribution or reimbursement, to grant rights of first refusal, to maintain confidentiality, or to honor releases, will continue and will be binding on such third parties, notwithstanding any provision to the contrary in the Plan, unless otherwise specifically terminated by the Debtors or the Reorganized Debtors, or by order of the Bankruptcy Court.

To the extent any insurance policy under which the insurer has a continuing obligation to pay the Debtors or a third party on behalf of the Debtors is held by the Bankruptcy Court to be an Executory Contract, such insurance policy will be treated as though it is an

Executory Contract that is assumed by the Reorganized Debtors pursuant to section 365 of the Bankruptcy Code and Sections 8.1 and 8.3 of the Plan.

i. Postpetition Contracts

The Debtors will not be required to assume or reject any contract or lease entered into by the Debtors after the Petition Date. Any such contract or lease will continue in effect in accordance with its terms after the Effective Date, unless the Reorganized Debtors have obtained a Final Order of the Bankruptcy Court approving rejection of such contract or lease. Contracts or leases entered into after the Petition Date will be performed by the Reorganized Debtors in the ordinary course of their business.

I. Provisions Governing Distributions

1. Distributions for Allowed Claims

a. In General

Except as otherwise provided by the Plan, after the Effective Date all Distributions required to be made under the Plan shall be made by the Distribution Trustee from the Distribution Trust. Each Creditor receiving any Distribution from the Distribution Trust shall be deemed to have ratified and become bound by the terms and conditions of the Distribution Trust Agreement.

b. Distributions on Allowed Claims Only; Distributions Only from Distribution Trust

Distributions from the Distribution Trust shall be made only to the Holders of Allowed Claims. Until a Disputed Claim becomes an Allowed Claim, the Holder of that Disputed Claim shall not receive a Distribution. Allowed Claims shall not be entitled to Distributions from any source other than the Plan Funding Payment or the Distribution Trust.

c. Place and Manner of Payments of Distributions

Except as otherwise specified in the Plan, Distributions from Available Cash shall be made by mailing such Distribution to the Creditor at the address listed in any Proof of Claim filed by the Creditor or at such other address as such Creditor shall have specified for payment purposes in a written notice received by the Distribution Trustee at least twenty-one (21) days before a Distribution Date. If a Creditor has not filed a Proof of Claim or sent the Distribution Trustee a written notice of payment address, then the Distribution(s) for such Creditor will be mailed to the address identified in the Schedules. The Distribution Trustee shall distribute any Cash by wire, check, or such other method as it deems appropriate under the circumstances. Before receiving any Distributions, all Creditors, at the request of the Distribution Trustee, must provide written notification of their respective Federal Tax Identification Numbers or Social

Security Numbers to the Distribution Trustee; otherwise, the Distribution Trustee may suspend Distributions to any Creditors who have not provided their Federal Tax Identification Numbers or Social Security Numbers.

d. Undeliverable Distributions

If a Distribution made from Available Cash to any Creditor is returned as undeliverable, the Distribution Trustee shall use reasonable efforts to determine such Creditor's then current address. If the Distribution Trustee cannot determine, or is not notified of, a Creditor's then current address within six (6) months after the Effective Date, the Distribution reserved for such Creditor shall be deemed an unclaimed Distribution, and Section 7.5(e) of the Plan shall be applicable thereto.

e. Unclaimed Distributions

If the current address for a Creditor entitled to a Distribution from Available Cash under the Plan has not been determined within six (6) months after the Effective Date or such Creditor has otherwise not been located, or if a Creditor has not submitted a valid Federal Tax Identification Number or Social Security Number to the Distribution Trustee within six (6) months after the Effective Date, then such Creditor (i) shall no longer be a Creditor and (ii) shall be deemed to have released such Claim.

f. Withholding

In connection with the Plan, any party issuing any instrument or making any Distribution described in the Plan shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all Distributions and all related agreements shall be subject to any such withholding or reporting requirements. Notwithstanding the foregoing, each Holder of an Allowed Claim or any other Person that receives a Distribution shall have responsibility for any taxes imposed by any Governmental Unit, including, without limitation, income, withholding, and other taxes, on account of such Distribution. Any party issuing any instrument or making any Distribution has the right, but not the obligation, to not make a Distribution until such Holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations. The Distribution Trustee, in the exercise of its sole discretion and judgment, may enter into agreements with taxing or other authorities for the payment of such amounts that may be withheld in accordance with the provisions of this section. Any party entitled to receive any property as an issuance or Distribution under the Plan shall, upon request, by the Debtors or Distribution Trustee, as applicable, provide an appropriate Form W-9 or (if the payee is a foreign Person) Form W-8. If such request is made and such party fails to comply before the date that is 180 days after the request is made, the amount of such Distribution shall irrevocably revert to the Distribution Trust, and any Claim in respect of such Distribution shall be discharged and forever barred from assertion against the Debtors, the Reorganized Debtors, the Distribution Trust and their respective property.

2. Procedures Regarding Distributions from the Distribution Trust

Procedures regarding Distributions from the Distribution Trust to Holders of Allowed Claims shall be governed by the Distribution Trust Agreement.

3. Allocation of Distributions between Principal and Interest

Except as otherwise provided in the Plan, to the extent that any Claim entitled to a Distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such Distribution shall be allocated to the principal amount (as determined for U.S. federal income tax purposes) of the Claim first, and then to accrued but unpaid interest.

J. Provisions for Resolving Contingent, Unliquidated or Disputed Claims

1. Right to Object to Claims

The Distribution Trustee shall have the authority, but not the obligation, to object to, litigate, and settle, the amount, priority or the extent of any Administrative Claim, Secured Claim, Priority Claim, SHI TruPS Claim, SHI General Unsecured Claim, SALIC TruPS Claim, SALIC General Unsecured Claim, or Subordinated Claim (including, with respect to any other of the foregoing, to argue that such Claim constitutes a Subordinated Claim). Notwithstanding anything to the contrary herein, subject to the terms and conditions set forth in the Distribution Trust Agreement, and notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, except insofar as a Claim is Allowed under the Plan on and after the Effective Date, the Distribution Trustee shall have the authority, but not the obligation, to: (1) file, withdraw or litigate to judgment objections to and requests for estimation of Claims; (2) settle or compromise any Disputed Claim without any further notice to or action, order or approval by the Bankruptcy Court; and (3) administer and adjust the Claims register to reflect any such settlements or compromises without any further notice to or action, order or approval by the Bankruptcy Court. The Distribution Trustee shall succeed to any pending objections to Claims filed by the Debtors prior to the Effective Date, and, at the Distribution Trustee's election, any other pending objections to Claims filed by any other party, and shall have and retain any and all rights and defenses the Debtors had immediately prior to the Effective Date with respect to any Disputed Claim, including pursuant to the DT Post-Closing Rights. The Reorganized Debtors shall provide commercially reasonable assistance and cooperation to the Distribution Trustee in connection with the Distribution Trustee's prosecution of objections to Claims, including, without limitation, access to the books and records of the Debtors or the Reorganized Debtors (as the case may be) and other information reasonably requested by the Distribution Trustee to enable the Distribution Trustee to perform its obligations under the Distribution Trust Agreement, including pursuant to the DT Post-Closing Rights.

2. Deadline for Objecting to Claims

Objections by any Person to any prepetition Claims must be Filed with the Bankruptcy Court, and a copy of the objection must be served on the subject Creditor, before the expiration of the Claims Objection Deadline (unless such period is further extended by subsequent orders of the Bankruptcy Court); otherwise such Claims shall be deemed Allowed in accordance with section 502 of the Bankruptcy Code. The objection shall notify the Creditor of the deadline for responding to such objection.

3. Deadline for Responding to Claim Objections

Within twenty-one (21) days after service of an objection, or such other date as is indicated on such objection or the accompanying notice thereof, the Creditor whose Claim was objected to must File a written response to the objection with the Bankruptcy Court and serve a copy on the Distribution Trustee. Failure to file a written response within such time period shall constitute a waiver and release of that portion of the subject Claim that was subject to the objection, and shall constitute cause for the Bankruptcy Court to enter a default judgment against the non-responding Creditor or grant the relief requested in the Claim objection.

4. Right to Request Estimation of Claims

Pursuant to section 502(c) of the Bankruptcy Code, the Debtors, the Reorganized Debtors, and the Distribution Trustee may request estimation or liquidation of any Disputed Claim that is contingent or unliquidated or any Disputed Claim arising from a right to an equitable remedy or breach of performance.

K. Settlement, Discharge, Release, Injunction and Related Provisions

1. Compromise and Settlement of Claims, Interests, and Controversies

Pursuant to sections 363 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the Distributions and other benefits provided pursuant to the Plan, which Distributions and other benefits shall be irrevocable and not subject to challenge upon the Effective Date, the provisions of the Plan, and the Distributions and other benefits provided hereunder, shall constitute a good-faith compromise and settlement of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Interest, or any Distribution to be made on account of such Allowed Claim or Interest. Without limiting the foregoing, the Plan incorporates and is predicated upon the good-faith compromise and settlement of (i) any disputes regarding the appropriate allocation of general and administrative costs across the Debtors' assets, (ii) any disputes regarding the allocation of the Plan Funding Payment and any other value received by the Debtors under the Stock Purchase Agreement between the Debtors' Estates, and (iii) any disputes regarding whether and, if so, to what extent the Debtors' assets and

liabilities should be pooled for voting, distribution and other purposes into a single, substantively consolidated estate.

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

By way of example, allocating asset value between the Debtors' Estates is a complex and difficult task that, in the absence of the proposed settlements embodied in the Plan, would put the Debtors' reorganization at risk. On the one hand, arguments exist that significant value from the restructuring transactions should be allocated to SHI's estate because SHI is the direct holder of 100% of the Interests in SRUS, a Delaware chartered reinsurance company. On the other hand, arguments exist that the existing Interests in SRUS have value only because of the existence of SALIC and the retrocession arrangements that exist between SALIC and SRUS.

As discussed in Section III.C.2.b. hereof, SALIC is a Cayman Islands chartered reinsurance company to which SRUS has retroceded a significant portion of its reinsurance obligations pursuant to the SRUS Retrocession Agreements. Because SRUS, as retrocedent, has retroceded a portion of its reinsurance liabilities to SALIC, as retrocessionaire, pursuant to the SRUS Retrocession Agreements, SRUS's capital and reserve requirements are materially less than they would otherwise be. Although SALIC in turn must hold capital and reserves in respect of the business it assumes from SRUS, the amount of capital held by SALIC under its jurisdictional requirements is less than would be required to be held at SRUS under SRUS's jurisdictional requirements. As such, were SRUS to not have the benefit of the SRUS Reinsurance Agreements with SALIC, SRUS would be required to hold substantially more capital than it currently holds, which requirement could cause the insolvency of SRUS. Additional historical benefits of this arrangement between SALIC and SRUS include favorable tax treatment and increased investment latitude at SALIC. SALIC, therefore, contributes in important, value-maximizing ways to Scottish Re's overall business. Given the financial setbacks that Scottish Re has experienced in recent years, it is far from clear that SRUS, as a stand-alone Delaware chartered reinsurer, would be viable as a going concern without the ability to continue its retrocession relationship with SALIC.

Assuming that SALIC contributes value to the overall Scottish Re enterprise through its performance under the SRUS Retrocession Agreements and other means, the extent of that contribution is not readily quantifiable. Without SALIC, SRUS—and by extension SHI—might have little or no value and become subject to adverse regulatory action. On the other hand, it is conceivable that SHI might have independent value to a transaction partner that already has the offshore reinsurance platform in place to supplant SALIC in the role it currently occupies.

After due deliberation and consideration of various alternatives for implementing Distributions to Holders of Allowed Claims under the Plan, the Debtors have determined in the exercise of their sound business judgment that it would be prohibitively difficult and expensive to attempt an allocation of the Plan Funding Payment and other available assets between the Debtors' Estates. Taking into account the time constraints under which these Chapter 11 Cases are being conducted, the relatively small amount of funds relative to the size of the overall pools of Claims subject to compromise under the Plan and the aforementioned expense and difficulty of attempting an allocation of distributable value between the Debtors' Estates, the Debtors propose the following Plan settlement as in the best interests of their respective Estates, Creditors and other parties in interest:

- For purposes of voting on and confirmation of the Plan, the Debtors' Chapter 11 Cases and Estates shall be deemed entirely separate, with each Debtor continuing to have separate classes of Claims and Interests, consisting of only Claims against or Interests in, as applicable, that specific Debtor. For the avoidance of doubt, pursuant to Section 5.8 of the Plan, each Debtor does reserve the right to collapse separate classes of Claims against that particular Debtor, and the Debtors reserve the right to seek Confirmation on a "per plan" basis as set out in Section 5.5 of the Plan.

- For purposes of Distribution under the Plan, Holders of Allowed SHI TruPS Claims (Class 4), Allowed SHI General Unsecured Claims (Class 5), Allowed SALIC TruPS Claims (Class 6) and Allowed SALIC General Unsecured Claims (Class 7), in full and final satisfaction, discharge and release of such Claims, will receive Distribution Trust Interests on a ratable basis without regard to whether such Claims originated against SHI or SALIC. As such, eventual Distributions of the Distribution Trust Assets or proceeds thereof likewise will not take into account whether a given Distribution Trust Interest was received on account of an Allowed Claim against SHI or SALIC.

- Under this settlement construct, any guarantees by SALIC of the payment, performance or collection of obligations of SHI (e.g., any TruPS Parent Guarantees provided by SALIC) shall not be disregarded and shall be treated as separate obligations of SALIC that give rise to separate and distinct Claims against SALIC. For the avoidance of doubt, under the terms of the Plan, the Holders of such Claims are entitled only to receive Distribution Trust Interests and, from and after the Effective Date, shall have no rights or claims against the Reorganized Debtors or their respective property or interests in property.

- For the avoidance of doubt, the Plan provides that Intercompany Claims shall not receive a Distribution of Distribution Trust Interests and shall not otherwise be entitled to any of the Distribution Trust Assets. Instead,

Intercompany Claims shall be paid, adjusted, continued, settled, reinstated, discharged, eliminated, or otherwise managed, in each case to the extent determined to be appropriate by the applicable Debtor(s) or Reorganized Debtor(s) and certain of their non-debtor Affiliates.

The Plan shall be deemed a motion to approve the good-faith compromise and settlement of all such Claims, Interests, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order shall constitute the Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Court, after the Effective Date, the Distribution Trustee may compromise and settle Claims against, and Interests in, the Debtors and their Estates and Causes of Action against other Entities.

Under section l123(b)(3)(A) of the Bankruptcy Code and Rule 9019 of the Bankruptcy Rules, a settlement should be approved if it represents a reasonable compromise that is in the collective best interests of all constituencies in light of the risks of continued litigation. The settlement need not afford the best possible recovery to any particular constituency, but instead need only represent a recovery that falls within a reasonable range of litigation possibilities. The Debtors believe that the foregoing settlement, which does not allow either SALIC or SHI Creditors to receive all that they would like to receive, falls within a reasonable range of litigation outcomes and is in the collective best interest of all stakeholders in light of the costs, delay, and risks of litigation.

2. Releases by the Debtors

As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors, the Reorganized Debtors, and any Person or Entity seeking to exercise the rights of the Estates, including, without limitation the Distribution Trust, the Distribution Trustee, any successor to the Debtors or any Estate representative appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code, hereby forever release, waive and discharge, and shall be deemed to forever release, waive, and discharge each of the Released Parties from any and all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, at equity, or otherwise, that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the conduct of the Debtors' business, the Reorganized Debtors, the Chapter 11 Cases, the Disclosure Statement, the Plan, or other documents implementing the Plan, provided, however, that nothing in Section 10.2 of the Plan shall be deemed to release, or otherwise to prohibit the Reorganized Debtors or the Distribution Trustee from asserting and enforcing, any Claims, obligations, suits, judgments, demands,

debts, rights, causes of action, or liabilities any of them may hold related to, or arising out of, the Plan, the DT Post-Closing Rights, the SALIC Claims, the Retained Causes of Action, the Stock Purchase Agreement, the Restructuring Implementation Agreement, the Plan Sponsorship Agreement, the Distribution Trust Agreement, and the other documents implementing the Plan, provided, further, that nothing in Section 10.2 of the Plan (i) shall be deemed to release, or otherwise to prohibit the Reorganized Debtors or the Distribution Trustee, or anyone claiming through them from enforcing any confidentiality or non-disclosure agreement or any Claim, right or cause of action related thereto, (ii) shall be deemed to release, impair, or otherwise affect any parties' rights or interests under any Executory Contract or Unexpired Lease that is assumed by the Reorganized Debtors, and all such rights and interests shall be unaffected by the Plan and Section 10.2 (subject, however, to the effects of Section 8.3(a), (c), and (h) of the Plan); or (iii) shall be deemed to release any Intercompany Claims.

Entry of the Confirmation Order shall constitute the Court's approval, pursuant to Bankruptcy Rule 9019, of the Releases by the Debtors described in this Article VI.H.2, which includes by reference each of the related provisions and definitions contained herein, and, further, shall constitute the Court's finding that such releases are: (1) in exchange for the good and valuable consideration provided by the Released Parties; (2) a good faith settlement and compromise of the Claims released by such releases; (3) in the best interests of the Debtors and all holders of Claims and Interests; (4) fair, equitable and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to any of the Debtors, the Estates or the Distribution Trust asserting any Claim or Cause of Action released pursuant to such releases.

3. Releases by Holders of Claims and Interests

In furtherance of the release provisions of the Plan, **to the fullest extent permitted by law and except as otherwise specifically provided in the Plan, for good and valuable consideration, including the contributions of the Released Parties in facilitating the expeditious reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan, effective as of the Effective Date, (i) Holders of Claims who vote to accept the Plan, (ii) Holders of Claims who are Unimpaired under the Plan, (iii) Holders of Claims entitled to vote on the Plan who do not submit a ballot and do not timely object to or opt-out of the releases, and (iv) each of the Plan Sponsor, the Joint Liquidators, SRGL, and for each of the foregoing, their respective Representatives, hereby release, waive and discharge, and shall be deemed to forever release, waive, and discharge the Released Parties of any and all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever in connection with or related to the Debtors, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, at equity, or otherwise, including those that any of the Debtors, the Reorganized Debtors, the Estates, or their Affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Interest or other Entity based on or relating to, or in any manner arising from, in whole or in part, the**

Debtors, the conduct of the Debtors' business, the Chapter 11 Cases, the Disclosure Statement, the Plan or the documents implementing the Plan, and the negotiation, formulation, or preparation thereof, the solicitation of votes with respect to the Plan, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any of the Debtors and any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, or upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct, actual fraud, or gross negligence as determined by a Final Order.

Each Person or Entity providing releases under the Plan, including the Debtors, the Estates, and the Holders of Claims (regardless of whether such Holder is a Released Party), shall be deemed to have granted the releases set forth above notwithstanding that such Person or Entity may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such Person or Entity expressly waives any and all rights that it may have under any statute or common law principle which would limit the effect of such releases to those Claims or Causes of Action actually known or suspected to exist at the time of execution of such release.

Entry of the Confirmation Order shall constitute the Court's approval, pursuant to Bankruptcy Rule 9019, of the Releases by Holders of Claims and Interests described in this Article VI.H.3, which includes by reference each of the related provisions and definitions contained herein, and, further, shall constitute the Court's finding that such releases are: (1) in exchange for the good and valuable consideration provided by the Released Parties; (2) a good faith settlement and compromise of the Claims released by such releases; (3) in the best interests of the Debtors and all Holders of Claims and Interests; (4) fair, equitable and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to any of the Releasing Parties asserting any Claim or Cause of cation released pursuant to such releases.

4. Discharge and Discharge Injunction

a. Discharge of Claims

On and after the Effective Date: (i) the rights afforded in the Plan and the treatment of all Claims and Interests shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors or any of their assets, property, or estate; (ii) the Plan shall bind all Holders of Claims and Interests, notwithstanding whether any such Holders failed to vote to accept or reject the Plan or voted to reject the Plan; (iii) all Claims and Interests shall be satisfied, discharged, and released, and the Debtors' and Reorganized Debtors' liability with respect thereto shall be extinguished completely, including any liability of the kind specified under

Bankruptcy Code section 502(g); and (iv) all entities shall be precluded from asserting against the Debtors, the Reorganized Debtors, the Estates, the Distribution Trust, the Distribution Trustee their successors and assigns, and their assets and properties any other Claims or Interests based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, provided, however, that the foregoing discharge shall not apply to the Retained Causes of Action and shall not apply to ability of Holders of Allowed Claims to recover from the Distribution Trust on account of such Allowed Claims and/or Distribution Trust Interests, all in accordance with the terms of the Plan and Distribution Trust Agreement.

b. Discharge and Plan Injunctions

Except as provided in the Plan, to the fullest extent permitted by law, or the Confirmation Order, as of the Effective Date, all Persons that have held, currently hold, may hold, or allege that they hold, a Claim, Interest, or other debt or liability that is satisfied, released and discharged pursuant to the terms of the Plan are permanently enjoined from taking any of the following actions against the Debtors, the Reorganized Debtors, the Distribution Trust, the Distribution Trustee and their respective subsidiaries or their property on account of any such discharged Claims, debts, liabilities or rights: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any Lien or encumbrance; (iv) asserting a setoff, right of subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Debtors or the Reorganized Debtors; or (v) commencing or continuing any action or other proceeding of any kind, in each such case in any manner, in any place, or against any Person that does not comply with or is inconsistent with the provisions of the Plan.

Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all Persons that have held, currently hold, or may hold, a Claim, Interest, obligation, suit, judgment, damage, demand, debt, right, cause of action, or liability that is released pursuant to Article X of the Plan are permanently enjoined from taking any of the following actions on account of such released Claims, Interests, obligations, suits, judgments, damages, demands, debts, rights, causes of action, or liabilities or rights: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any Lien or encumbrance; (iv) asserting a setoff against any debt, liability, or obligation due to any Released Party; or (v) commencing or continuing any action, in any manner, in any place, or against any Person or Entity that does not comply with or is inconsistent with the provisions of the Plan.

Without limiting the effect of the foregoing provisions of Section 10.4 of the Plan upon any Person or Entity, by accepting distributions pursuant to the Plan, each

Holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in Section 10.4 of the Plan.

5. Exculpation

The Plan contains standard exculpation provisions applicable to the key parties in interest with respect to their conduct in the Chapter 11 Cases. Specifically, the Plan provides that, **to the fullest extent permitted by law and except as otherwise specifically provided in the Plan, each of the Exculpated Parties will not have or incur any liability for any act or omission in connection with, or arising out of, the formulation, negotiation, preparation, dissemination, implementation or pursuit of approval of the Plan, the Disclosure Statement, the Restructuring Implementation Agreement, the Stock Purchase Agreement, the Plan Sponsorship Agreement, the Plan Supplement or any documents, instruments or agreements implementing or related to the foregoing, or the solicitation of votes for or Confirmation of the Plan, or the consummation of the Plan, the Restructuring Implementation Agreement, the Stock Purchase Agreement, the Plan Sponsorship Agreement, the Plan Supplement, or the transactions contemplated, implemented and effectuated thereby or the administration of the Plan or the property to be distributed under the Plan, or any other act or omission during the administration of the Debtors' Estates or in contemplation of the Chapter 11 Cases, except for willful misconduct, actual fraud or gross negligence as determined by a Final Order, and in all respects, will be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan; provided, however, that the foregoing exculpation shall not apply to the Retained Causes of Action.**

The exculpations contained in the Plan are appropriate and are standard in a Chapter 11 Cases. The exculpations are appropriately limited in scope, applying only to acts and omissions occurring after the Petition Date and in connection with the Chapter 11 Cases or the Plan and conferring only a qualified immunity by excluding acts or omissions which are the result of fraud, gross negligence or willful misconduct. Moreover, these exculpations have, in the Debtors' view, been earned. The beneficiaries of the exculpations have made significant contributions to the Debtors' reorganization, which contributions have allowed for the formulation of the Plan which resolves many complicated issues between the Debtors and other interested parties and which, in the Debtors' view, provides for the best possible recoveries for Claims against the Debtors. In the Debtors' view, the beneficiaries of the exculpations would not have contributed as they did without the prospect of the limited immunity reflected in the exculpations. The Debtors are also unaware of any valid Causes of Action against any of the beneficiaries of the exculpations. In view of the foregoing, the exculpations are appropriate and in the best interests of the Estates.

6. Post-Effective Date Indemnification

The Plan provides that Indemnification Obligations of the Debtors that are owed to directors, officers, agents and employees of the Debtors (or the Estates) who served or were employed by the Debtors at any time after the Petition Date and prior to the Effective Date will

be deemed to be, and will be treated as though they are, Executory Contracts that are assumed by the Reorganized Debtors pursuant to section 365 of the Bankruptcy Code, and such Indemnification Obligations shall not be discharged or otherwise impaired by Confirmation of the Plan.

From and after the Effective Date, to the extent permitted by applicable law, the certificate of incorporation, certificate of formation, bylaws or limited liability company operating agreement (or similar organizational documents) of each SALIC Group Company shall continue to contain provisions no less favorable with respect to indemnification, advancement of expenses and exculpation of each present and former director and officer of each of the SALIC Group Companies (collectively, the "Indemnified D&O Parties") than are set forth in the organizational documents of the SALIC Group Companies as of the Petition Date, which provisions shall not be amended, repealed or otherwise modified for a period of six (6) years after the Effective Date in any manner that would adversely affect the rights thereunder of any such individual.

For a period of six (6) years from and after the Effective Date, to the extent that the Indemnified D&O Parties are not otherwise covered as beneficiaries under an existing policy of directors' and officers' liability insurance in accordance with the requirements set forth in section 5.8(b) of the Stock Purchase Agreement, the Plan Sponsor shall cause the SALIC Group Companies to maintain in effect policies of directors' and officers' liability insurance comparable to those maintained by the SALIC Group Companies or SRGL with respect to matters existing or occurring at or prior to the Effective Date; provided, that Plan Sponsor or the SALIC Group Companies may substitute therefor policies of at least the same coverage containing terms and conditions that are not less advantageous than the existing policies (including with respect to the period covered); provided, further, that in lieu of maintaining the current policies of directors' and officers' liability insurance, the Plan Sponsor may (or may cause the SALIC Group Companies to) purchase "tail" coverage or otherwise replace such policies with coverage with a scope, policy limits and retained coverage not less favorable than the scope, policy limits and retained coverage currently provided.

L. Conditions Precedent to Confirmation of the Plan and Occurrence of the Effective Date

1. Conditions to Confirmation

The Confirmation Order will not be effective unless the final version of the Plan, Plan Supplement, and any other documents, or schedules thereto, including the Filed Confirmation Order, shall have been filed in form and substance acceptable to the Plan Sponsor in its reasonable discretion.

2. Conditions to Effectiveness

Unless the following conditions (except with respect to the Distribution Trust Agreement) are waived by the Plan Sponsor, the Plan will not be effective unless: (a) the

conditions to Confirmation above have either been satisfied, or waived by the Plan Sponsor; (b) the Confirmation Order has been entered by the Bankruptcy Court, is not subject to appeal, and no stay or injunction is in effect with respect thereto; (c) the Closing shall have occurred or shall occur simultaneously with the Effective Date; (d) the Plan Sponsor shall acquire the New SALIC Equity and the New SHI Equity free and clear of all Liens, Claims, and Interests; (e) the Distribution Trust Agreement shall have been executed by all parties thereto; and (f) all governmental, judicial, and third party approvals and consents that are required in connection with the transactions contemplated by the Plan shall have been obtained, not subject to unfulfilled conditions, and shall be in full force and effect.

M. Modification, Revocation or Withdrawal of the Plan

The Plan may be amended, modified, or supplemented by the Debtors, subject to the terms of the Plan Sponsorship Agreement, the Stock Purchase Agreement, and the Restructuring Implementation Agreement, in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law, without additional disclosure pursuant to section 1125 of the Bankruptcy Code, except as otherwise ordered by the Bankruptcy Court. In addition, after the Confirmation Date, so long as such action does not materially and adversely affect the treatment of Holders of Allowed Claims pursuant to the Plan, the Debtors, subject to the terms of the Plan Sponsorship Agreement, the Stock Purchase Agreement, and the Restructuring Implementation Agreement, may remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order with respect to such matters as may be necessary to carry out the purposes or effects of the Plan, and any Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as amended, modified, or supplemented. Subject to the terms of the Plan Sponsorship Agreement, the Stock Purchase Agreement, and the Restructuring Implementation Agreement, prior to the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court; provided, that such technical adjustments and modifications do not adversely affect in a material way the treatment of Holders of Claims under the Plan.

N. Retention of Jurisdiction

The Plan provides that under sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, except as otherwise ordered by the Bankruptcy Court, the Bankruptcy Court will retain jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

(a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured, unsecured, or subordinated status of any Claim or Interest not otherwise Allowed under the Plan (other than personal injury or wrongful death Claims, unless agreed by the Holder), including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the Allowance or priority of Claims;

(b) hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 327, 328, 330, 331, 503(b), 1103, and 1129(a)(4) of the Bankruptcy Code; provided, however, that from and after the Effective Date, the payment of the fees and expenses of the professionals of the Reorganized Debtors or the Distribution Trust shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(c) hear and determine all matters with respect to the assumption or rejection of any Executory Contract or Unexpired Lease to which a Debtor is a party or with respect to which a Debtor may be liable, including, if necessary, the nature or amount of any required Cure or the liquidation or Allowance of any Claims arising therefrom;

(d) effectuate performance of and payments under the provisions of the Plan and enforce remedies upon any default under the Plan;

(e) hear and determine any and all adversary proceedings, motions, applications, and contested or litigated matters arising out of, under, or related to, the Chapter 11 Cases or the Plan;

(f) enter such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Disclosure Statement or the Confirmation Order;

(g) hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of the Plan, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;

(h) consider any modifications of the Plan, cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(i) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with the implementation, consummation, or enforcement of the Plan or the Confirmation Order;

(j) enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified, or vacated;

(k) hear and determine any matters arising in connection with or relating to the Plan, the Plan Supplement, the schedules to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Plan Supplement, the Schedules to the Plan, the Disclosure Statement, or the Confirmation Order;

(l) hear and determine any matters arising in connection with or relating to the Distribution Trust, the interpretation, implementation or operation of the Distribution Trust Agreement or the consummation of the transactions contemplated thereby;

(m) enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases (whether or not the Chapter 11 Cases have been closed);

(n) except as otherwise limited in the Plan, recover all assets of the Debtors and property of the Estates, wherever located;

(o) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(p) hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge;

(q) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code;

(r) hear and determine matters relating to the Stock Purchase Agreement and the Restructuring Implementation Agreement, to the extent provided for in such documents; and

(s) enter a final decree closing the Chapter 11 Cases.

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Chapter 11 Cases, including the matters set forth in Section 11.1 of the Plan, the provisions of Article XI of the Plan will have no effect upon and will not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

O. Miscellaneous Provisions

1. Legally Binding Effect

The provisions of the Plan shall bind all Creditors and Interest Holders, whether or not they accept the Plan and wherever located. On and after the Effective Date, all Holders of Claims and Interests shall be precluded and enjoined from asserting any Claim against or Interest in the Debtors or their assets or properties based on any transaction or other activity of any kind that occurred prior to the Effective Date except as may be expressly provided for by the Plan.

2. Exemption from Transfer Taxes

Pursuant to section 1146 of the Bankruptcy Code and the Plan, any of the following acts or any similar act otherwise contemplated in the Plan will not be subject to any stamp tax, transfer tax, filing or recording tax, or other similar tax: (a) the issuance, transfer or exchange of notes, debt instruments and equity securities under or in connection with the Plan; (b) the creation, assignment, recordation or perfection of any lien, pledge, other security interest or other instruments of transfer; (c) the making or assignment of any lease; (d) the creation, execution and delivery of any agreements or other documents creating or evidencing the formation of the Reorganized Debtors or the issuance or ownership of any interest in the Reorganized Debtors; or (e) the making or delivery of any deed or other instrument of transfer under the Plan in connection with the vesting of the Debtors' assets in the Reorganized Debtors or the Distribution Trust or Distribution Trustee pursuant to or in connection with the Plan, including, without limitation, merger agreements, stock purchase agreement, agreements of consolidation, restructuring, disposition, liquidation or dissolution, and transfers of tangible property.

3. Securities Exemption

Any rights issued under, pursuant to or in effecting the Plan, including, without limitation, the New SALIC Equity and the New SHI Equity or the Distribution Trust Interests, and the offering and issuance thereof by any party, including without limitation the Debtors or the Estates, shall be exempt from Section 5 of the Securities Act of 1933, if applicable, and from any state or federal securities laws requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker or dealer in, a security, and shall otherwise enjoy all exemptions available for Distributions of securities under a plan of reorganization in accordance with all applicable law, including without limitation section 1145 of the Bankruptcy Code. If the issuance of the New SALIC Equity and the New SHI Equity does not qualify for an exemption under section 1145 of the Bankruptcy Code, the New SALIC Equity and the New SHI Equity shall be issued in a manner that qualifies for any other available exemption from registration, whether as a private placement under Section 4(a)(2) of the Securities Act and/or the safe harbor provisions promulgated thereunder, or otherwise.

4. Defects, Omissions and Amendments of the Plan

The Plan may be amended, modified, or supplemented by the Debtors, subject to the terms of the Plan Sponsorship Agreement, the Stock Purchase Agreement, and the Restructuring Implementation Agreement, in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law, without additional disclosure pursuant to section 1125 of the Bankruptcy Code, except as otherwise ordered by the Bankruptcy Court. In addition, after the Confirmation Date, so long as such action does not materially and adversely affect the treatment of Holders of Allowed Claims pursuant to the Plan, the Debtors, subject to the terms of the Plan Sponsorship Agreement, the Stock Purchase Agreement, and the Restructuring Implementation Agreement, may remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order with respect to such matters as may be

necessary to carry out the purposes or effects of the Plan, and any Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as amended, modified, or supplemented. Subject to the terms of the Plan Sponsorship Agreement, the Stock Purchase Agreement, and the Restructuring Implementation Agreement, prior to the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court; provided, that such technical adjustments and modifications do not adversely affect in a material way the treatment of Holders of Claims under the Plan.

5. Due Authorization by Creditors

Each and every Creditor who elects to participate in the Distributions provided for herein warrants that the Creditor is authorized to accept in consideration of its Claim against the Debtors the Distributions provided for in the Plan, and that there are no outstanding commitments, agreements, or understandings, express or implied, that may or can in any way defeat or modify the rights conveyed or obligations undertaken by the Creditor under the Plan.

6. Filing of Additional Documentation

No later than [_____] days prior to the Voting Deadline, subject to the terms of the Plan Sponsorship Agreement, the Stock Purchase Agreement, and the Restructuring Implementation Agreement, the Debtors may file with the Bankruptcy Court such Plan Supplement, agreements and other documents as may be reasonably necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan or any Plan Document, which shall also constitute "Plan Documents."

7. Dissolution of the Official Committee

On the Effective Date, the Official Committee shall dissolve and all members, employees, or agents thereof shall be released and discharged from all rights and duties arising from or related to the Chapter 11 Cases, provided, however, that (a) the Official Committee and its respective Professionals shall be retained with respect to applications Filed or to be Filed pursuant to sections 330 and 331 of the Bankruptcy Code and (b) the Distribution Trust shall be deemed the successor of the Official Committee with respect to any motions seeking to enforce the Plan and the transactions contemplated hereunder or the Confirmation Order and any pending appeals and related proceedings.

8. Governing Law

Except to the extent the Bankruptcy Code or the Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the principles of conflicts of law thereof.

9. Successors and Assigns

The rights, benefits and obligations of any Entity named or referred to in the Plan or any Plan Document shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Entity.

10. Transfer of Claims

Any transfer of a Claim shall be in accordance with Bankruptcy Rule 3001(e) and the terms of Section 12.10 of the Plan. Notice of any such transfer shall be forwarded to the Debtors by registered or certified mail, as set forth in Section 12.11 of the Plan. Both the transferee and transferor shall execute any notice, and the signatures of the parties shall be acknowledged before a notary public. The notice must clearly describe the interest in the Claim to be transferred. No transfer of a partial Claim shall be allowed. All transfers must be of one hundred percent (100%) of the transferor's interest in the Claim.

11. Notices

All notices, requests, and demands required or permitted to be provided to the Debtors, the Plan Sponsor, the Reorganized Debtors, the Official Committee, or the Distribution Trust under the Plan shall be in writing and shall be deemed to have been duly given or made (a) when actually delivered (i) by certified mail, return receipt requested, (ii) by hand delivery or (iii) by mail, postage prepaid or, (b) in the case of notice by facsimile transmission, when received and confirmed, addressed (in all instances, with a simultaneous copy by electronic mail, which shall not independently constitute notice) as follows:

(a) If to the Debtors, at:

Scottish Holdings, Inc.
Scottish Annuity & Life Insurance Company (Cayman) Ltd.
14120 Ballantyne Corporate Place, Suite 300
Charlotte, NC 28277
Facsimile: (704) 752-7736
Attn: Gregg Klingenberg, Chief Executive Officer
Gregg.Klingenberg@scottishre.com

with copies to:

Hogan Lovells US LLP
875 Third Avenue
New York, NY 10022
Facsimile: (212) 918-3100
Attn: Peter Ivanick, Esq.
Lynn W. Holbert, Esq.
John D. Beck, Esq.

Email: peter.ivanick@hoganlovells.com
lynn.holbert@hoganlovells.com
john.beck@hoganlovells.com

-and-

Morris, Nichols, Arsht & Tunnell LLP
1201 N. Market St., 16th Floor
PO Box 1347
Wilmington, DE 19899-1347
Facsimile: (302) 658-3989
Attn: Eric D. Schwartz, Esq.
Gregory W. Werkheiser, Esq.
Matthew B. Harvey, Esq.
Email: eschwartz@mnat.com
gwerkheiser@mnat.com
mharvey@mnat.com

-and-

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

(b) If to the Plan Sponsor or the Reorganized Debtors, at:

HSCM Bermuda Fund Ltd.
c/o Hudson Structured Capital Management Ltd.
One Dock Street, Suite 404
Stamford, Connecticut 06902
Attn: Ajay Mehra, General Counsel
Email: ajay.mehra@hscm.com

with a copy to:

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019

Facsimile: (212) 839-5599
Attn: Dennis M. Manfredi, Esq.
Lee S. Attanasio, Esq.
Email: dmanfredi@sidley.com
lattanasio@sidley.com

(c) If to the Official Committee, at:

Pepper Hamilton LLP
Hercules Plaza, Suite 5100
1313 Market Street
P.O. Box 1709
Wilmington, DE 19899-1709 (Courier Deliveries: 19801-1151)
Facsimile: (302) 421-8390
Attn: David M. Fournier, Esq.
H. Peter Haveles Jr., Esq.
John Henry Schanne II, Esq.
Email: fournierd@pepperlaw.com
havelesp@pepperlaw.com
schannej@pepperlaw.com

(d) If to the Distribution Trust, at:

[TBD]

with a copy to:

[TBD]

12. U.S. Trustee Fees and Reports

The Debtors will pay pre-confirmation fees owed to the U.S. Trustee on or before the Effective Date of the Plan. After Confirmation, the Distribution Trustee will file with the court and serve on the U.S. Trustee quarterly financial reports in a format prescribed by the U.S. Trustee, and the Distribution Trustee will pay from the Distribution Trust post-confirmation quarterly fees to the U.S. Trustee until a final decree is entered or the case is converted or dismissed as provided in 28 U.S.C. § 1930(a)(6).

13. Implementation

The Debtors, the Reorganized Debtors, the Plan Sponsor, and the Distribution Trustee shall be authorized to perform all reasonable, necessary and authorized acts to consummate the terms and conditions of the Plan and the Plan Documents.

14. No Admissions

Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed an admission by the Debtors with respect to any matter set forth herein, including, without limitation, liability on any Claim or Interest or the propriety of the classification of any Claim or Interest.

15. SRGL Consent Rights Reserved

For the avoidance of doubt, all SRGL Consent Rights relating to Specified Restructuring Documents are reserved in their entirety.

16. Substantial Consummation

The Plan shall be deemed substantially consummated on the Effective Date.

17. Final Decree

On full consummation and performance of the Plan and Plan Documents, the Distribution Trustee may request the Bankruptcy Court to enter a final decree closing the Chapter 11 Cases and such other orders that may be necessary and appropriate.

VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the sale and restructuring contemplated by the Plan maximizes value for Holders of Allowed Claims. Prior to filing these Chapter 11 Cases, the Debtors considered (a) whether they could borrow enough funds to meet deferred TruPS interest charges due in the first quarter of 2018 and still have enough capital to operate; (b) an equitization plan whereby SALIC would simply distribute 100% of the equity of the Reorganized Debtors to Holders of Allowed Claims; and (c) liquidation.

In respect of (a), the Debtors concluded they did not have sufficient projected cash flow to make a borrowing of the requisite size feasible. In connection with (b), the Debtors concluded (i) that the reorganized company would require a significant infusion of capital; and (ii) that whoever provided that capital would do so only in return for the vast majority of the voting stock of Reorganized Debtors, thereby leaving the Holders of Allowed Claims only a de minimis and potentially illusory recovery; and (iii) that regulatory approval of the Debtors' new capital structure would be difficult or impossible to obtain if the capital was provided by one or more of the Holders of Allowed Claims. Notwithstanding those conclusions, in connection with the Auction, the Debtors remained open to receiving alternative proposals in the nature of loans or capital infusions that might make equitization possible.

Liquidation would trigger a significant increase in Claims against the Debtors. As a result of the increase in Claims that would be asserted in a liquidation of the Debtors, the pro

rata distribution of the Debtors' assets in payment of all Claims in a liquidation would be significantly less than the Distribution the Debtors anticipate paying to Holders of Allowed Claims under the Plan.

Claims against SALIC would proliferate in a liquidation of the Debtors because, inter alia, liquidation would result in rejection and breach by SALIC of its reinsurance obligations to its cedents, including SRUS. Rejection of SALIC's Reinsurance Treaties would result in large and difficult to quantify rejection damages claims by third party cedents and SRUS. Moreover, SRUS would be forced to recapture the risks previously transferred to SALIC under the SRUS Retrocession Agreements. As a result of this recapture, the capital requirements imposed on SRUS by relevant insurance laws and regulations would substantially increase. Because SRUS lacks the capital necessary to meet such increased capital requirements, seizure of SRUS by the Delaware DOI would be virtually inevitable for the reasons discussed below.

The Delaware Insurance Code and Delaware insurance regulations require that insurers maintain adequate capital and surplus, and as a monitoring tool, require that these insurers calculate and report their "risk based capital" ("RBC") levels to the Delaware DOI. The Delaware Insurance Code defines RBC as the amount of capital that each insurer is required to calculate and report, and defines certain RBC "levels" to monitor the financial safety of an insurer. Each RBC level implicates a corresponding level of intervention statutorily required by the Delaware DOI. The Delaware Insurance Code defines "authorized control level RBC" as the amount that each insurer is required to calculate based upon its existing liabilities and to report to the Delaware DOI, and defines other "levels" that are based on multiples of authorized control level RBC. SRUS's authorized control level RBC for year end 2017 was 382%. If the SRUS Retrocession Agreements with SALIC were rejected, as would be the case in a liquidation of the Debtors, it is anticipated that SRUS's RBC would fall below "mandatory control level" RBC, which is 70% or less of authorized control level RBC (defined as a "mandatory control level event"). Upon the occurrence of such mandatory control level event, the Delaware DOI is statutorily required to seize SRUS for purposes of rehabilitation or liquidation.

Seizure of SRUS in either a rehabilitation or liquidation proceeding by the Delaware DOI would in turn trigger another substantial increase in claims against SALIC because the seizure of SRUS would trigger claims under the SALIC-SRUS Net Worth Maintenance Agreement by SRUS's creditors, including the Delaware DOI as receiver for SRUS, for the inevitable shortfall in payments to creditors in the SRUS insolvency proceedings.

Prior to filing, the Debtors performed projections to compare anticipated distributions to Holders of Allowed Claims under the proposed plan with projected distributions to Holders of Allowed Claims in a liquidation that occurred at or about the filing date using corporate liquidity as the hypothetical source of liquidation distributions. Using corporate liquidity of [_____], the Debtors projected that Holders of Allowed Claims would receive one-third to one-half of the distributions projected under the Plan due to the increase in reinsurance and net worth maintenance claims described above. As set forth below, a hypothetical chapter 7 liquidation in the near future would result in even lower recoveries for Holders of Allowed Claims because Available Cash has been and will continue to be consumed as a result of costs of

operation, professional fees and the cost of meeting SALIC reinsurance obligations during the pendency of the Chapter 11 Cases.

IX. RISK FACTORS

THE IMPLEMENTATION OF THE PLAN IS SUBJECT TO A NUMBER OF MATERIAL RISKS, INCLUDING THOSE ENUMERATED BELOW. IN EVALUATING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF ALLOWED CLAIMS AGAINST THE DEBTORS SHOULD READ AND CAREFULLY CONSIDER THE RISK FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE HEREIN), BEFORE DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISK ASSOCIATED WITH THE PLAN AND ITS IMPLEMENTATION, OR ALTERNATIVES TO THE PLAN.

The Distributions to Holders of Allowed Claims are dependent upon the successful Confirmation and consummation of the Plan. Failure of either event to occur in a timely manner could adversely affect the Distributions to Holders of Allowed Claims, as the Debtors' ability to fund their operations may be harmed by protracted bankruptcy proceedings and such delays may reduce the amount of net Cash available to fund Distributions to Holders of Allowed Claims. As noted below, failure to confirm and consummate the Plan on or before the Outside Closing Date (as defined in the Stock Purchase Agreement) gives the Plan Sponsor the right to terminate the Stock Purchase Agreement and walk away from the transaction.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that Confirmation of the Plan not be followed by a need for further financial reorganization and that the value of Distributions to dissenting creditors and shareholders not be less than the value of distributions such creditors and shareholders would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

Although the Debtors believe that the Plan will satisfy all requirements for Confirmation under the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for Confirmation or that such modifications will not be sufficiently material as to necessitate the re-solicitation of votes on the Plan.

In the event that any Class of Claims entitled to vote fails to accept the Plan in accordance with section 1126(c) and 1129(a)(8) of the Bankruptcy Code, the Debtors, subject to the terms of the Plan, the Stock Purchase Agreement, and the Plan Sponsorship Agreement, reserve the rights: (a) to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code; and/or (b) to modify the Plan in accordance with Sections 5.5 and 12.4 thereof. While the Debtors believe that the Plan satisfies the requirements for non-consensual Confirmation under section 1129(b) of the Bankruptcy Code, because it does

not "discriminate unfairly" and is "fair and equitable" with respect to the Classes that reject or are deemed to reject the Plan, there can be no assurance that the Bankruptcy Court will reach the same conclusion. There can be no assurance that any such challenge to the requirements for non-consensual Confirmation will not delay the Debtors' emergence from Chapter 11 or prevent Confirmation of the Plan.

Moreover, there can be no assurance with respect to timing of the Effective Date. The occurrence of the Effective Date is subject to certain conditions precedent as described in Section 9.2 of the Plan and in the Stock Purchase Agreement. In particular, the Plan and the Stock Purchase Agreement make regulatory approvals of the transaction in Delaware, the Cayman Islands, Bermuda and Ireland conditions precedent to Plan Sponsor's obligation to close and to consummation of the Plan. There can be no assurances that such regulatory approvals will be granted or that such approvals will be timely. Under the Stock Purchase Agreement, the Plan Sponsor has the right to walk away if all conditions precedent, including Confirmation of the Plan and all regulatory approvals, do not occur on or before the Outside Closing Date (as defined in the Stock Purchase Agreement).

If the Confirmation Order is vacated, (a) the Plan shall be null and void in all respects; (b) any settlement of Claims provided for in the Plan shall be null and void without further order of the Bankruptcy Court; and (c) the time within which the Debtors may assume and assign or reject all Executory Contracts and Unexpired Leases shall be extended for a period of one hundred twenty (120) days after the date the Confirmation Order is vacated.

If the Effective Date of the Plan does not occur, there can be no assurance that the Bankruptcy Case will continue rather than be converted to a Chapter 7 liquidation case or that any alternative plan of reorganization would be on terms as favorable to the Holders of Claims against the Debtors as the terms of the Plan.

If the Plan is not confirmed, SALIC would have to be liquidated either in chapter 11 or chapter 7. Such liquidation would result in the immediate termination of SALIC's reinsurance agreements and would cause all cedents, including SRUS, to "recapture" all of the business previously ceded to SALIC. Once the recaptured business is returned to the books of SRUS, SRUS would be required to maintain increased reserves to support those liabilities. As a result of the increased reserves coupled with the increase in required capital, SRUS's RBC level would plummet to a level mandating an immediate and irreversible seizure of SRUS by the Delaware DOI.

If such a seizure of SRUS by the Delaware DOI were to occur, there would be a substantial increase in claims against SALIC because: (i) the seizure of SRUS would trigger claims under the SALIC-SRUS Net Worth Maintenance Agreement by SRUS's creditors, including the Delaware DOI as receiver for SRUS and SRUS's ceding company creditors; and (ii) liquidation of SALIC would result in the termination and recapture of all SRUS and third party reinsurance treaties with SALIC. As SALIC would no longer be able to perform under such treaties, all of SALIC's cedents, including SRUS through its receiver (and separate from the

SALIC-SRUS Net Worth Maintenance Agreement claims described above), would be able to assert substantial termination claims for the loss of coverage under the terminated treaties.

The Debtors have calculated the percentage of distributions to the TruPS if the restructuring and sale moves forward, as compared to the distribution percentage that would be paid equally and ratably to the TruPS and SALIC's reinsurance creditors if SALIC is not sold and instead was to liquidate. If the sale does not occur, claims against SALIC would increase dramatically because of the seizure of SRUS, which would trigger the increase in claims (as described above). As a result of this increase in claims, *pari passu* distributions to all creditors would be substantially lower than the Plan will provide to TruPS Holders.

X. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

A. Disclaimers

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

This discussion is provided for information purposes only, and is based on provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury Regulations promulgated thereunder, judicial authorities, and current administrative rulings and practice, all as in effect on the date hereof. Legislative, judicial, or administrative changes or interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the U.S. federal income tax consequences of the Plan. Any such changes or interpretations may be retroactive and could significantly, and adversely, affect the U.S. federal income tax consequences of the Plan.

The following summary does not address the U.S. federal income tax consequences to holders of Claims not entitled to vote to accept or reject the Plan or to holders of Interests in the Debtors. In addition, to the extent that the following discussion relates to the consequences to holders of Claims entitled to vote to accept or reject the Plan, it is limited to holders that are United States persons within the meaning of the IRC.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder in light of its particular facts and circumstances, or to certain types of holders subject to special treatment under the IRC. Examples of holders subject to special treatment under the IRC are governmental entities and entities exercising governmental authority, foreign companies, persons who are not citizens or residents of the United States, banks and certain other financial institutions, broker-dealers, insurance companies,

tax-exempt organizations, real estate investment trusts, small business investment companies, regulated investment companies, holders that are or hold their Claims through a partnership or other pass-through entity, dealers in securities or foreign currency, persons that have a functional currency other than the U.S. dollar, and persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction. This discussion does not address the state, local or foreign tax consequences of the Plan.

The tax treatment of Holders of Claims and the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the Distributions provided for by the Plan may vary, depending upon the following factors, among others: (i) whether the Claim or portion thereof constitutes a Claim for principal or interest; (ii) the type of consideration, if any, received by the holder in exchange for the Claim, and whether the holder receives Distributions under the Plan in more than one taxable year; (iii) whether the holder is a citizen or resident of the United States for tax purposes, is otherwise subject to U.S. federal income tax on a net basis, or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in which the holder acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was acquired at a discount; (vii) whether the holder has taken a bad debt deduction or a worthless securities deduction (as applicable) with respect to the Claim or any portion thereof in the current or prior taxable years; (viii) whether the holder has previously included in gross income accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the holder; (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; (xi) whether the Claim is considered a "security" for U.S. federal income tax purposes; and/or (xii) whether the "market discount" rules apply to the holder. Therefore, each holder should consult such holder's own tax advisor for tax advice with respect to that holder's particular situation and circumstances, and the particular tax consequences to such holder of the transactions contemplated by the Plan.

A significant amount of time may elapse between the date of the Disclosure Statement and the receipt of a final Distribution under the Plan. Events occurring after the date of the Disclosure Statement, such as new or additional tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. No ruling has been or will be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the tax aspects of the Plan, and no opinion of counsel has been or will be obtained by the Debtors with respect thereto. No representations are being made regarding the particular tax consequences of the confirmation or implementation of the Plan as to any holder of a Claim. This discussion is not binding upon the IRS or other taxing authorities. No assurance can be given that the IRS or another authority would not assert, or that a court would not sustain, a different position from any discussed herein.

THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX

PROFESSIONAL. THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER OF A CLAIM AGAINST OR INTEREST IN THE DEBTORS IS STRONGLY URGED TO CONSULT SUCH HOLDER'S TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF THE PLAN.

B. Certain U.S. Federal Income Tax Consequences to Holders of Claims in Classes 4, 5, 6, and 7

Pursuant to the Plan, Holders of Allowed Claims in Classes 4, 5, 6, and 7 will receive interests in the Distribution Trust (from which such Holders may be entitled to distributions from time to time).

The following discussion is generally limited to U.S. Holders of Allowed Claims in Classes 4, 5, 6, and 7. As used in this discussion, the term "U.S. Holder" means a beneficial owner of such Claims that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have authority to control all of its substantial decisions, or if the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership or other entity taxable as a partnership for U.S. federal income tax purposes holds Claims, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding any of such instruments, you should consult your own tax advisor.

1. Gain or Loss

In general, a U.S. Holder will recognize gain or loss with respect to its Allowed Claim in an amount equal to the difference between (i) the sum of the amount of any cash and the fair market value of any other property received by such holder, including, as discussed below, its Distribution Trust Interest (other than any consideration attributable to a Claim for accrued but unpaid interest and (ii) the adjusted tax basis of the Allowed Claims in Classes 4, 5,

6, and 7 exchanged therefor (other than basis attributable to accrued but unpaid interest previously included in such holder's taxable income). *See also* Section X.B.2.—"Character of Gain or Loss." As discussed below, the amount of cash or other property received in respect of Allowed Claims in Classes 4, 5, 6, and 7 for accrued but unpaid interest will be taxed as ordinary income, except to the extent previously included in income by a U.S. Holder under its method of accounting. *See* Section X.B.3.— "Distributions in Respect of Accrued But Unpaid Interest."

As discussed below (*see* Section X.B.4.— "Tax Treatment of a Distribution Trust and Holders of Distribution Trust Interests"), each U.S. Holder that receives a Distribution Trust Interest will be treated for U.S. federal income tax purposes as directly receiving, and as a direct owner of, its respective share of the Distribution Trust Assets (both cash and other property) consistent with its economic rights in the Distribution Trust, subject to the liabilities for which the Distribution Trust has responsibility for payment. Pursuant to the Plan, the Distribution Trustee will in good faith value the assets transferred to the Distribution Trust, and all parties to the Distribution Trust (including Holders of Claims receiving Distribution Trust Interests) must consistently use such valuation for all U.S. federal income tax purposes.

A U.S. Holder's share of any proceeds received by a Distribution Trust upon the sale or other disposition of the assets of the Distribution Trust (other than any such amounts received as a result of the subsequent disallowance of Disputed Claims) should not be included, for U.S. federal income tax purposes, in the holder's amount realized in respect of its Allowed General Claim in Class 4, 5, 6 or 7 but should be separately treated as amounts realized in respect of such holder's ownership interest in the underlying assets of the Distribution Trust. *See* Section X.B.4.— "Tax Treatment of a Distribution Trust and Holders of Distribution Trust Interests," below.

A U.S. Holder may become entitled to an increased share of the Distribution Trust Assets in the event of a subsequent disallowance of a Disputed Claim. It is possible that a U.S. Holder may be taxed on such increased share as Disputed Claims are resolved. The imputed interest provisions of the Tax Code may apply to treat a portion of such increased share as imputed interest. In addition, it is possible that any loss realized by a U.S. Holder in satisfaction of its Allowed Claim in Class 4, 5, 6 or 7 may be deferred until all Disputed Claims are determined.

A U.S. Holder's aggregate tax basis in its respective share of the Distribution Trust Assets will equal the fair market value of its interest in the Distribution Trust increased by its share of the Debtors' liabilities to which the underlying assets remain subject upon transfer to the Distribution Trust, and the U.S. Holder's holding period generally will begin the day following establishment of the Distribution Trust.

2. Character of Gain or Loss

Where gain or loss is recognized by a U.S. Holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be

determined by a number of factors, including the tax status of the holder, whether the Allowed Claim in Class 4, 5, 6 or 7 constitutes a capital asset in the hands of the holder and how long it has been held, whether the Allowed Claim in Class 4, 5, 6 or 7 was acquired at a market discount, and whether and to what extent the holder previously claimed a bad debt deduction.

A U.S. Holder that purchased its Allowed Claim in Class 4, 5, 6 or 7 from a prior holder at a "market discount" (relative to the principal amount of the Claims at the time of acquisition) may be subject to the market discount rules of the Tax Code. In general, a debt instrument is considered to have been acquired with "market discount" if its holder's adjusted tax basis in such debt instrument is less than its stated principal amount. The *de minimis* amount is equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity. Generally, qualified stated interest is a stated amount of interest payable in cash at least annually.

Under these rules, any gain recognized on the exchange of Allowed Claims in Classes 4, 5, 6, and 7 (other than in respect of a Claim for accrued but unpaid interest) generally will be treated as ordinary income to the extent of the market discount accrued (on a straight line basis or, at the election of the U.S. Holder, on a constant yield basis) during the U.S. Holder's period of ownership, unless the U.S. Holder elected to include the market discount in income as it accrued. If a U.S. Holder of Allowed Claims in Class 4, 5, 6 or 7 did not elect to include market discount in income as it accrued and, thus, under the market discount rules, was required to defer all or a portion of any deductions for interest on debt incurred or maintained to purchase or carry its Allowed Claims in Class 4, 5, 6 or 7, such deferred amounts would become deductible at the time of the exchange.

3. Distributions in Respect of Accrued but Unpaid Interest

In general, to the extent that any consideration received pursuant to the Plan by a U.S. Holder is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the U.S. Holder as interest income (if not previously included in the U.S. Holder's gross income). Conversely, a U.S. Holder generally recognizes a deductible loss to the extent any accrued interest claimed was previously included in its gross income and is not paid in full.

The Plan provides that consideration received in respect of any Claim is allocable first to the principal amount of the Claim (as determined for U.S. federal income tax purposes) and then, to the extent of any excess, to the remainder of the Claim, including any Claim for accrued but unpaid interest (in contrast, for example, to a *pro rata* allocation of a portion of the exchange consideration received between principal and interest, or an allocation first to accrued but unpaid interest). *See* Section 7.7 of the Plan. There is no assurance that the IRS will respect such allocation for U.S. federal income tax purposes. You are urged to consult your own tax advisor regarding the allocation of consideration and the inclusion and deductibility of accrued but unpaid interest for U.S. federal income tax purposes.

4. Tax Treatment of Distribution Trust and Holders of Distribution Trust Interests

As indicated above, the Debtors will transfer the Distribution Trust Assets, subject to certain liabilities as provided by the Plan, to the Distribution Trust for the benefit of Holders of Allowed Claims in Classes 4, 5, 6, and 7 (whether Allowed as of or after the Effective Date).

a. Classification of a Distribution Trust

The Distribution Trust is intended to qualify as a "liquidating trust" for U.S. federal income tax purposes (other than in respect of any portion of the Distribution Trust Assets allocable to, or retained on account of, Disputed Claims, as discussed below). In general, a liquidating trust is not a separate taxable entity but rather is treated for U.S. federal income tax purposes as a "grantor trust" (i.e., a pass-through entity). The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, sets forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. Any liquidating trust will be structured with the intention of complying with such general criteria. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties (including, without limitation, the Debtors, the Distribution Trustee and Distribution Trust Beneficiaries) shall treat the transfer of Distribution Trust Assets to a Distribution Trust as (1) a transfer of Distribution Trust Assets (subject to any obligations relating to those assets) directly to Distribution Trust Beneficiaries (other than to the extent Distribution Trust Assets are allocable to Disputed Claims), followed by (2) the transfer by such beneficiaries to a Distribution Trust of Distribution Trust Assets in exchange for Distribution Trust Interests. Accordingly, except in the event of contrary definitive guidance, Distribution Trust Beneficiaries shall be treated for U.S. federal income tax purposes as the grantors and owners of their respective share of Distribution Trust Assets (other than any Distribution Trust Assets allocable to Disputed Claims).

While the following discussion assumes that the Distribution Trust will be so treated for U.S. federal income tax purposes, no ruling is being requested from the IRS concerning the tax status of the Distribution Trust as a grantor trust in connection with the confirmation of the Plan. Accordingly, there can be no assurance that the IRS would not take a contrary position to the classification of the Distribution Trust as a grantor trust. If the IRS were to challenge successfully such classification, the U.S. federal income tax consequences to the Distribution Trust and the Holders of Allowed Claims in Classes 4, 5, 6, and 7 could vary from those discussed herein.

b. General Tax Reporting by a Distribution Trust and Beneficiaries

For all U.S. federal income tax purposes, all parties must treat the Distribution Trust as a grantor trust of which the holders of Distribution Trust Interests are the owners and grantors, and treat the Distribution Trust Beneficiaries as the direct owners of an undivided interest in the Distribution Trust Assets (other than any assets allocable to Disputed Claims),

consistent with their economic interests therein. The Distribution Trustee will file tax returns for the Distribution Trust treating such Distribution Trust as a grantor trust pursuant to section 1.671- 4(a) of the Treasury Regulations. The Distribution Trustee also shall annually send to each holder of a Distribution Trust Interest a separate statement regarding the receipts and expenditures of the Distribution Trust as relevant for U.S. federal income tax purposes.

Allocations of taxable income of the Distribution Trust (other than taxable income allocable to any assets allocable to, or retained on account of, Disputed Claims, if such income is otherwise taxable to the Distribution Trust) among the Distribution Trust Beneficiaries shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (were such cash permitted to be distributed at such time) if, immediately prior to such deemed distribution, the Distribution Trust had distributed all its assets (valued at their tax book value, and, if applicable, other than assets allocable to Disputed Claims) to the Distribution Trust Beneficiaries, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Distribution Trust. Similarly, taxable loss of the Distribution Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Distribution Trust Assets. The tax book value of the Distribution Trust Assets for purposes of allocating taxable income and loss shall equal their fair market value on the date of the transfer of the Distribution Trust Assets to the Distribution Trust, adjusted in accordance with tax accounting principles prescribed by the Tax Code, applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements.

As soon as reasonably practicable after the transfer of Distribution Trust Assets to the Distribution Trust, the Distribution Trustee shall make a good faith valuation of the Distribution Trust Assets. All parties to the Distribution Trust (including, without limitation, the Debtors and the Distribution Trust Beneficiaries) must consistently use such valuation for all U.S. federal income tax purposes. The valuation will be made available, from time to time, as relevant for tax reporting purposes.

Taxable income or loss allocated to a Distribution Trust Beneficiary will be treated as income or loss with respect to such Distribution Trust Beneficiary's undivided interest in the Distribution Trust Assets, and not as income or loss with respect to its prior Claim. The character of any income and the character and ability to use any loss will depend on the particular situation of the Distribution Trust Beneficiary. It is currently unknown whether and to what extent the Distribution Trust Interests will be transferable.

The U.S. federal income tax obligations of a U.S. Holder with respect to its Distribution Trust Interest are not dependent on the Distribution Trust distributing any cash or other proceeds. Thus, a U.S. Holder may incur a U.S. federal income tax liability with respect to its allocable share of Distribution Trust income even if the Distribution Trust does not make a concurrent distribution to the holder. In general, other than in respect of cash retained on account of Disputed Claims, a distribution of cash by the Distribution Trust will not be separately taxable to a Distribution Trust Beneficiary since the beneficiary is already regarded for U.S. federal income tax purposes as owning the underlying assets (and was taxed at the time

the cash was earned or received by the Distribution Trust). Holders are urged to consult their tax advisors regarding the appropriate U.S. federal income tax treatment of any subsequent distributions of cash originally retained by the Distribution Trust on account of Disputed Claims.

The Distribution Trustee will comply with all applicable governmental withholding requirements (*see* Section 7.5 of the Plan). Thus, in the case of any Distribution Trust Beneficiaries that are not U.S. persons, the Distribution Trustee may be required to withhold up to 30% of the income or proceeds allocable to such persons, depending on the circumstances (including whether the type of income is subject to a lower treaty rate). As indicated above, the foregoing discussion of the U.S. federal income tax consequences of the Plan does not generally address the consequences to non-U.S. Holders; accordingly, such Holders should consult their tax advisors with respect to the U.S. federal income tax consequences of the Plan, including owning an interest in the Distribution Trust.

c. Tax Reporting for Assets Allocable to Disputed Claims

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Distribution Trustee of an IRS private letter ruling if the Distribution Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Distribution Trustee), the Distribution Trustee (A) will elect to treat any Distribution Trust Assets allocable to, or retained on account of, Disputed Claims as a "disputed ownership fund" governed by section 1.468B-9 of the Treasury Regulations, and (B) to the extent permitted by applicable law, will report consistently for state and local income tax purposes.

Accordingly, so treated, any amounts allocable to, or retained on account of, Disputed Claims will be subject to tax annually on a separate entity basis on any net income earned with respect to the Distribution Trust Assets in such reserves (including any gain recognized upon the disposition of such assets). All Distributions from such assets (which Distributions will be net of the expenses, including taxes, relating to the retention or disposition of such assets) will be treated as received by Holders in respect of their Allowed Claims in Classes 4, 5, 6, and 7 as if distributed by the Debtors. All parties (including, without limitation, the Debtors, the Distribution Trustee and the Distribution Trust Beneficiaries) will be required to report for tax purposes consistently with the foregoing.

5. Information Reporting and Backup Withholding

Payments of interest and any other reportable payments, possibly including amounts received pursuant to the Plan and payments of proceeds from the sale, retirement or other disposition of the exchange consideration, may be subject to "backup withholding" [(currently at a rate of 28%)] if a recipient of those payments fails to furnish to the payor certain identifying information and, in some cases, a certification that the recipient is not subject to backup withholding. Backup withholding is not an additional tax. Any amounts deducted and withheld generally should be allowed as a credit against that recipient's U.S. federal income tax,

provided that appropriate proof is timely provided under rules established by the IRS. Furthermore, certain penalties may be imposed by the IRS on a recipient of payments who is required to supply information but who does not do so in the proper manner. Backup withholding generally should not apply with respect to payments made to certain exempt recipients, such as corporations and financial institutions. Information may also be required to be provided to the IRS concerning payments, unless an exemption applies. You should consult your own tax advisor regarding your qualification for exemption from backup withholding and information reporting and the procedures for obtaining such an exemption.

Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of certain thresholds. You are urged to consult your own tax advisor regarding these regulations and whether the contemplated transactions under the Plan would be subject to these regulations and require disclosure on your tax return.

XI. CONFIRMATION OF THE PLAN

A. The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan.

The Bankruptcy Court has scheduled a Confirmation Hearing to commence on [_____] 2018 at [_____] (Eastern Time), before the Honorable Laurie Selber Silverstein, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, 6th Floor, Courtroom No. 2, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof or in a notice of hearing agenda filed in connection therewith.

Objections to Confirmation of the Plan must be Filed and served so that they are actually received by no later than [_____] 2018 at [_____] (Eastern Time). Unless objections to Confirmation of the Plan are timely served and filed in compliance with the procedures approved by the Bankruptcy Court, they may not be considered by the Bankruptcy Court.

B. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court must determine that the requirements for Confirmation as set forth in section 1129 of the Bankruptcy Code have been satisfied, including among others the following:

- The Plan complies with the applicable provisions of the Bankruptcy Code.

- The Debtors have complied with the applicable provisions of the Bankruptcy Code.

- The Plan has been proposed in good faith and not by any means forbidden by law.

- To the extent applicable, any payment made or promised by the Debtors or by a Person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before Confirmation of the Plan is reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

- To the extent applicable, the Debtors have disclosed or will disclose in the Plan Supplement (a) the identity and affiliations of (i) any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the Reorganized Debtors, (ii) any affiliate of the Debtors participating in a joint plan with the Debtors, or (iii) any successor to the Debtors under the Plan (and the appointment to, or continuance in, such office of such individual(s) is consistent with the interests of Holders of Claims or Interests and with public policy), and (b) the identity of any insider that will be employed or retained by the Debtors and the nature of any compensation for such insider.

- With respect to each Class of Claims or Interests, each Holder of an Impaired Claim or Impaired Interest either has accepted the Plan or will receive or retain under the Plan, on account of the Claims or Interests held by such Holder, property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtor were liquidated on such date under chapter 7 of the Bankruptcy Code.

- The Plan provides that Administrative Claims and Priority Non-Tax Claims will be paid in full on the Effective Date, except to the extent that the Holder of any such Claim has agreed to another less favorable treatment.

- If any Class is Impaired under the Plan, at least one Class that is Impaired has accepted the Plan, determined without including any acceptance of the Plan by insiders holding Claims in such Class.

- Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any

successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.

The Debtors believe that, upon receipt of the votes required to confirm the Plan, the Plan will satisfy the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtors have complied or will have complied with all of the requirements of chapter 11 and of section 1129, and that the Plan has been proposed and submitted to the Bankruptcy Court in good faith.

C. Feasibility of the Plan

In connection with Confirmation of the Plan, the Bankruptcy Court will be required to determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which means that the Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors.

The Debtors and the Plan Sponsor believe that the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as Confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Reorganized Debtors. In connection with the development of the Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, the ability of the Reorganized Debtors to satisfy its financial obligations while maintaining sufficient liquidity and capital resources has been examined.

D. Acceptance of the Plan

As a condition to Confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually timely and properly vote to accept or to reject the Plan. Thus, Holders of Claims in each of Classes 4, 5, 6, and 7 will have voted to accept the Plan only if two-thirds (2/3) in amount and a majority in number of the Claims actually voting in each Class cast their ballots in favor of acceptance. Holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan, except as provided in Section 5.7 of the Plan.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

E. Best Interests Test

Even if a plan is accepted by each class of claims and interests, the Bankruptcy Code requires a bankruptcy court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such Holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to holders of each impaired class of claims and interests if a debtor were liquidated under chapter 7, a bankruptcy court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its chapter 11 case was converted to a chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a chapter 7 trustee and available liquid assets on hand.

The amount of liquidation value available to unsecured creditors would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 case and the chapter 11 case. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the debtor in its chapter 11 case (such as compensation of attorneys, financial advisors, and accountants) that are allowed in the chapter 7 cases, litigation costs, and claims arising from the operations of the debtor during the pendency of the chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity security interests. The liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection damages claims. The Debtors submit that reorganization under chapter 11 of the Bankruptcy Code would result in superior recoveries for creditors than a liquidation under chapter 7 of the Bankruptcy Code.

Once the bankruptcy court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

For purposes of the best interests test, in order to determine the amount of liquidation value available to Creditors, the Debtors have prepared a liquidation analysis (the

"Liquidation Analysis"), a copy of which is annexed as **Exhibit [ ]** to this Disclosure Statement.[5] Based on the Liquidation Analysis, the Debtors believe that Holders of Allowed General Unsecured Claims would recover less in a liquidation than under the Plan.

The Debtors note that any liquidation analysis with respect to the Debtors is inherently speculative. The Debtors' assets, on a going concern basis or on a standalone basis, are subject to significant valuation uncertainties for multiple reasons including, but not limited to, [_____]. The Liquidation Analysis necessarily contains estimates of the net proceeds that would be received from a sale of such assets conducted on an expedited timeframe. Further, the Liquidation Analysis necessarily contains estimates of the amount of Claims that will ultimately become Allowed Claims. As the Debtors have not yet reviewed and fully analyzed all Claims and Interests, the estimates of Claims underlying the Liquidation Analysis are based upon the Debtors' review of its books and records and of certain Proofs of Claim, and include estimates of a number of Claims that are contingent, disputed, and/or unliquidated. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any Distribution to be made on account of Allowed Claims under the Plan.

Notwithstanding the difficulty in quantifying recoveries on Allowed Claims with precision, the Debtors believe that Holders of Claims that are Impaired will receive equal or greater value as of the Effective Date than such Holders would receive in a chapter 7 liquidation. Accordingly, the Debtors believe that the Plan satisfies the "best interests" test of section 1129 of the Bankruptcy Code.

F. Confirmation without Acceptance of All Impaired Classes: The "Cramdown" Alternative

In the event that one of Classes 4, 5, 6, and 7 does not vote to accept the Plan, the Debtors will seek Confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code. Specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm a plan at the request of the debtors if the plan "does not discriminate unfairly" and is "fair and equitable" as to each impaired class that has not accepted the plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

The Debtors believe the Plan does not discriminate unfairly with respect to the Claims and Interests in Classes 4, 5, 6, and 7.

A plan is fair and equitable as to a class of unsecured claims that rejects a plan if the plan provides (i) for each holder of a claim included in the rejecting class to receive or retain

[5] [Forthcoming]

on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim or (ii) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (i) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest or (ii) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property at all.

The Debtors believe that the Plan meets the "fair and equitable" requirements of section 1129(b) of the Bankruptcy Code with respect to Holders of Claims in Classes 4, 5, 6, 7 and 8, and Holders of Interests in Class 10 and that the Plan satisfies the foregoing requirements for nonconsensual confirmation of the Plan.

XII. CONCLUSION AND RECOMMENDATION

For all of the reasons set forth in this Disclosure Statement, the Debtors and the Plan Sponsor believe that Confirmation and consummation of the Plan is preferable to all other alternatives. Accordingly, the Debtors and the Plan Sponsor urge all Holders of Claims in Classes 4, 5, 6, and 7 to vote to **ACCEPT** the Plan, and to complete and return their ballots so that they will be **RECEIVED** on or before 5:00 p.m. (Eastern Time) on [_____, 2018].

Scottish Holdings, Inc.
Scottish Annuity & Life Insurance Company (Cayman) Ltd.

/s/ Gregg Klingenberg
Gregg Klingenberg
Chief Executive Officer

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